CITY OF SURPRISE
Regular City Council Meeting
16000 N. Civic Center Plaza
Surprise, AZ 85374
Tuesday, March 18, 2025 @ 6:00 PM
COUNCIL CHAMBERS

A. Call To Order

Any prayer or invocation that may be offered before the start of the Regular Council Meeting is a voluntary offering by a private resident of Surprise; has not been previously reviewed or approved by City Council or City staff; should not be considered an endorsement of any particular religion by the City or its officials, as the beliefs, viewpoint, and content are personal to the speaker; and no participation by any person in attendance is required. A list of volunteers is maintained by the office of the City Clerk and interested persons should contact the Clerk's Office for further information.

B. Roll Call

C. Pledge of Allegiance

D. Proclamation and Community Acknowledgements

E. City Manager Report

The City Manager may present a brief summary of current events, including recognition of community members, employees, and programs, pursuant to A.R.S. § 38-431.02(K). The City Council will not discuss or take action on any matter within the City Manager Report.

F. City Clerk Report

G. Regular City Council Meeting Agenda

CONSENT AGENDA:

1.	Internal	Consideration and action to approve the March 4th, 2025 Regular City Council Meeting Minutes; and March 4th, 2025 Regular City Council Work Session Minutes	Kristi Passarelli City Clerk

REGULAR AGENDA ITEM - PUBLIC HEARING:

2.	District 3	Consideration and action pertaining to a recommendation to the Arizona Department of Liquor Licenses and Control (DLLC) on Application No. 329402, requested by Ryan Witner Anderson, for Target #2915 for Series 10 Liquor License. Target #2915 is located at 14101 N Prasada Parkway Surprise, AZ 85388.	Kristi Passarelli City Clerk
3.	District 3	Consideration and action pertaining to a recommendation to the Arizona Department of Liquor Licenses and Control (DLLC) on Application No. 328360, requested by Andrea Dahlman Lewkowitz, for Shake Shack #1517 for Series 12 Liquor License. Shake Shack #1517 is located at 16470 W Waddell Rd, AZ 85338.	Kristi Passarelli City Clerk
4.	District 5	Consideration and action pertaining to a recommendation to the Arizona Department of Liquor Licenses and Control (DLLC) on Application No. 329050, requested by Perry Charles Huellmantel, for Quiktrip #1413 for Series 10 Liquor License. Quiktrip #1413 is located at 13931 W Greenway Rd Surprise, AZ 85379.	Kristi Passarelli City Clerk

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

5.	Citywide	Consideration and action pertaining to approval of a lease agreement with SimonCRE for 10 years in the approximate amount of $174,000 annually at Elm Street at Surprise City Center for the purposes of a new community small business services storefront operation.	Jeanine Jerkovic Economic Development
6.	Citywide	Presentation and discussion pertaining to the FY2025 Financial Status Report through December 2024.	Andrea Davis Finance

H. Call To The Public

INSTRUCTIONS: In order to address the City Council, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the City Clerk before the meeting begins. You may also fill out the Call to the Public form online If submitting form electronically, please submit to City Clerk at least one hour before the meeting start time.

Note: A.R.S. 38-431.01(H)- During this time members of the public may address City Council only on issues within the jurisdiction of the City Council which are not an item on the agenda. At the conclusion of the open call, City Council may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

Approval of items on the Consent Agenda – all items with an asterisk (*) are considered to be routine matters and will be enacted by one motion and one roll call vote to the City Council. There will be no separate discussion on these items unless a Councilmember requests, in which event the item will be removed from the consent agenda and considered in its normal sequence on the agenda.

Please be aware that Council Members may not discuss or respond to matters raised during call to the public that are not specifically identified on the agenda. Council Members may however, in their discretion, discuss or respond to relevant matters raised during a noticed public hearing or agenda item.

I. Other Business and Future Agenda Items

J. City Council Reports

K. Executive Session

For information Purposes; Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, but for only the following purposes:

- discussion or consideration of personnel matters (A.R.S. §38-431.03 (A)(1));
- discussion or consideration of records exempt by law from public inspection (A.R.S. §38-401.03 (A)(2));
- discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03 (A)(3));
- discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid or resolve litigation (A.R.S.§38-431.03 (a)(4));
- discussion or consultation with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03 (A)(5)); or
- discussion, consultation or consideration for international and interstate negotiations or for negotiations by a city or town, or its designated representatives, with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city or town. A.R.S. §38-401.03 (A)(6)).

- discussing or consulting with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03 (A)(7)).

Confidentiality Requirements Pursuant to A.R.S. §38-431.03(C)(D): Any person receiving executive session information pursuant to A.R.S. §38-431.02 shall not disclose that information except to the Attorney General or County Attorney by agreement of the City Council, or as otherwise ordered by a court of competent jurisdiction.

The council may vote to hold an executive session for the purpose of obtaining legal advice from the Board's attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3).

L. Adjournment

KRISTI PASSARELLI, CITY CLERK

POSTED: Thursday, March 13th, 2025 @ 10:00 AM

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK'S OFFICE @ 623.222.1200 OR CLERK@SURPRISEAZ.GOV, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 18, 2025
Submitting Department: City Clerk
Staff Recommendations:

Contact Person:
District: Internal

Consent: No | Regular: No | Public Hearing: No | Report/Discussion: No

Agenda Wording:
Invocation

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:
FTE Impact:

ATTACHMENTS:

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 18, 2025
Submitting Department:
Staff Recommendations:

Contact Person:
District: Citywide

Consent: No Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:
City Manager sub-text

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:
FTE Impact:

ATTACHMENTS:

CITY OF SURPRISE
Regular City Council Meeting

SURPRISE
ARIZONA

Council Meeting Date: March 18, 2025
Submitting Department: City Clerk
Staff Recommendations:

Contact Person: Kristi Passarelli, City Clerk
District: Internal

Consent: Yes | Regular: No | Public Hearing: No | Report/Discussion: No

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Agenda Wording:
Consideration and action to approve the March 4th, 2025 Regular City Council Meeting Minutes; and March 4th, 2025 Regular City Council Work Session Minutes

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Motion:
I move to approve the March 4th, 2025 Regular City Council Meeting Minutes; and March 4th, 2025 Regular City Council Work Session Minutes

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Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:
FTE Impact:

ATTACHMENTS:
1. 030425 Regular Meeting Minutes DRAFT
2. 030425 Work Session Minutes DRAFT

CITY OF SURPRISE
Regular City Council Meeting
16000 N. Civic Center Plaza
Surprise, AZ 85374
Tuesday, March 4, 2025 @ 6:00 PM
COUNCIL CHAMBERS

A. Call To Order

Mayor Sartor called the Regular Council Meeting of March 4th, 2025 to order at 6:19 p.m., located at Surprise City Hall, 16000 N. Civic Center Plaza, Surprise, AZ. 85374.

1. Invocation

Invocation was led by Jesus Minjarez

B. Roll Call

In attendance with Mayor Sartor were Vice Mayor Jack Hastings, Council members Chris Judd, Earle Greenberg, Patrick Duffy, Johnny Melton and Nick Haney.

C. Pledge of Allegiance

West Point National Junior Honor Society led in the Pledge of Allegiance.

D. Proclamation and Community Acknowledgements

E. City Manager Report

2. City Manager sub-text

3. Reports

City Manager, Bob Wigenroth, invited Lloyd Abrams to talk about site posting map, he demonstrating it. Councilmember Judd and Lloyd talked about the functionality of the Map. Councilmember Greenberg asked about coloring his district. Councilmember Haney, thanked staff for their efforts on this project. Mayor Sartor asked if it was live on the website? Lloyd said the map is.

Bob invited Chief Pina to talk about the Police Accreditation. He talked about being a member of CALEA. He said that the City received accredited at the gold standard. He also acknowledged Debra Stewart as the Accreditation Manager for the department.

Bob invited City Librarian Ashley Ware to talk about the 2025 essay contest winners. She had Danielle Edgerton come to announce the winners. Gavin and Michelle were the winners present.

Bob next asked Joann Estfan to introduce the Youth Council Members.

Kayla Vargas, Valley Vista Highschool.

Madaline Myes, Paradise Honors.

F. City Clerk Report

4. Reports

G. Regular City Council Meeting Agenda

5. CONSENT AGENDA:

Motion: To Approve
Initiated By: Nick Haney
Seconded By: Earle Greenberg

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton, Earle Greenberg
No: None
Abstain: None

Vote Result: Passed

1. Consideration and action to approve the February 18th, 2025 Regular City Council Meeting Minutes; February 18th, 2025 Executive Session minutes, and February 18th, 2025 Regular City Council Work Session Minutes

2. Consideration and action pertaining to the acceptance of a State Grants-in-Aid (SGIA) award from the Arizona State Library, Archives and Public Records, a division of the Arizona Secretary of State, to support library services, approval of a Fiscal Year 2025 budget amendment moving budget in the amount of $13,600, and amending the Fiscal Year 2025 Contract Awarding Authority List; Resolution #2025-27.

3. Consideration and action to correct a scrivener's error by ratifying the December 17, 2024, approval of Amendment No. 1 to the Intergovernmental Agreement with Maricopa County to build a general administration building which will include a multi-generational community resource center. The Resolution number was mistakenly listed as Resolution #2024-194; the correct Resolution number is Resolution #2024-198.

6. REGULAR AGENDA ITEM - PUBLIC HEARING:

4. Consideration and action to approve/deny Ordinance #2025-01 regarding the annexation of approximately 5.41 acres of county land, generally located south of the Central Arizona Project (CAP), east of the Buckeye city limits, north of the future Beardsley Road alignment and west of the future 251st Avenue alignment. Case# FS24-0623.

Planner, Chris Sexton, came to present this item. She talked about the Vicinty Map, Existing Boundaries, Proposed Annexations, Annexation Steps, Outreach Meetings, Preannexation Zoning, and Post Annexation Zoning.

Councilmember Haney, asked about the location.

Motion: To Approve
Initiated By: Nick Haney
Seconded By: Patrick Duffy

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton, Earle Greenberg
No: None
Abstain: None

Vote Result: Passed

7. REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

5. Bell Road Update

Transportation Director Eric Boyles came to introduce this item. He also introduced Kiran Guntupalli, and Albert Garcia.

Kiran talked about the Bell Road Facts, Traffic Volume, Storage Capacity, and Past Improvements.

Albert talked about other past improvements.

Vice-Mayor Hastings, asked about the blinking yellow arrows, and how effective they are and why certain locations are different? He also asked what was the most common accidents seen on Bell Road?Kiran said their presentation would address those questions. He talked about the cost and real estate needed for improvements.

Albert talked about Location Hotspots, Mitigation Opportunities.

Eric talked about Budget Impacts, and Conclusions.

Vice-Mayor Hastings, talked about being cautious to spend money and maximizing potential impact. Eric talked about Potential Dual Left Improvements. Vice-Mayor Hastings talked about trying to make the intersection at Litchfield and Bell safer. Mayor Sartor talked about existing spillover.

Councilmember Melton, said that he liked the flashing yellow and other smart improvements. He asked about improvements and about working with other jurisidctions? Albert said there was a past collaborations, and he talked about the challenges of working with other jurisdictions.

Councilmember Haney, talked about making all roadways safe for the City. He asked about the flashing yellow, and if it's worth the risk of continuing to keep it? Kiran talked about balancing operations as well as safety. He said most of the accidents are due to driver distraction. Councilmember Haney, asked if there has been any modeling to show traffic being taken off of bell road due to other projects? Eric said they have done that, and they have shown a allocation of traffic beyond Bell road. He also talked about balancing traffic.

Councilmember Judd, thanked staff for their work on this item. He said he likes trying to pull traffic off of Bell Road. He asked about pent up demand? Eric said that making more improvements it would increase use of Bell Road. Councilmember Judd asked about completing Norther Parkway and if it will help? Kiran said it would, but there is still a lot of development. Councilmember Judd asked about building roads before development? Eric said developers need to pay for it.

Councilmember Greenberg, said he appreciated the approach to balance. He thanked staff for their work.

Vice-Mayor Hastings asked about how to make the intersection at Bell Road and Litchfield safer? He asked about bringing it back as a focused item for future discussion. Eric said they could look into doing a study for this intersection.

Mayor Sartor thanked staff for their expertise.

H. Call To The Public

Alex Christ, a Surprise Resident, came to talk about affordable living spaces and his concerns.

I. Other Business and Future Agenda Items

J. City Council Reports

Councilmember Haney thanked everyone who appeared at his community meeting.

Councilmember Greenberg thanked staff.

Councilmember Duffy thanked the Fire Department who gave them a tour. He also congratulated Paradise Honors Highschool on getting an A plus rating.

Councilmember Melton had nothing.

Vice-Mayor Hastings, thanked everyone for their discussion.

Councilmember Judd, thanked Chief Espie for their response to a recent community meeting.

Mayor Sartor, talked about recent events and Spring Training Events.

K. Executive Session

8. Executive Session Items

9. Executive Disclaimer - Part 1

10. Executive Disclaimer - Part 2

11. Executive Disclaimer - Part 3

L. Adjournment

Motion: To Adjourn
Initiated By: Nick Haney
Seconded By: Jack Hastings

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton, Earle Greenberg
No: None
Abstain: None

Vote Result: Passed

Meeting Adjourned at 7:36PM

Kevin D. Sartor, Mayor

ATTEST:

Kristi Passarelli, City Clerk

CERTIFICATION:

I, Kristi Passarelli, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Regular City Council Meeting of **Tuesday, March 4, 2025.**

Kristi Passarelli, City Clerk

CITY OF SURPRISE
Regular City Council Work Session
16000 N. Civic Center Plaza
Surprise, AZ 85374
Tuesday, March 4, 2025 @ 5:00 PM
COUNCIL CHAMBERS

A. Call To Order

Mayor Sartor called the Regular Council Work Session of March 4th, 2025 to order at 5:00 p.m., located at Surprise City Hall, 16000 N. Civic Center Plaza, Surprise, AZ. 85374.

B. Roll Call

In attendance with Mayor Sartor were Vice Mayor Jack Hastings, Council members Chris Judd, Earle Greenberg, Patrick Duffy, Johnny Melton and Nick Haney.

C. Pledge of Allegiance

Mayor Sartor led the Pledge of Allegiance.

D. Proclamation and Community Acknowledgements

E. City Manager Report

1. City Manager sub-text

F. City Clerk Report

G. Regular City Council Work Session Agenda

1. CONSENT AGENDA:

2. REGULAR AGENDA ITEM - PUBLIC HEARING:

3. REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

1. Presentation on Open Meeting Law

Senior Assistant City Attorney, Hobie Winegart, came to present this item. He talked about Open Meeting Law, Arizona State Law, the Purpose of Open Meeting Law, State Policy, What a Meeting Is, the Various Meeting Mediums, Different Types of Communication, Special Kinds of Meetings i.e. Executive Session.

Vice-Mayor Hastings, talked about the merits of public meeting law. He asked about limitations about speaking to other members? Hobie said to would be case by case. Vice-Mayor Hastings asked about talking to other outside attornies and other third parties who would relay the intentions of other councilmembers? Hobie, there is a recent legal opinion and he would further research it.

Hobie further talked about Penalties for Violations, Conflicts of Interest, as well as Gifts.

Vice-Mayor Hastings, asked about getting tickets for events sponsored from the City? Hobie said it would be best to approach on a case by case scenario, he encouraged council to reach out when in doubt.

Councilmember Greenberg asked Hobie to explain the Supreme Court case Snyder V U.S. Hobie talked about the case and the implications of bribery versus accepting gifts. Councilmember Greenberg asked about events where meals are provided? Vice-Mayor Hastings talked about his previous experiences of learning the nuances. Hobie said meals are typically a non-issue but to reach out to his office whenever in doubt.

Vice-Mayor Hastings talked about the upcoming Rules Committee meeting, and potential impact that could have on further council conduct.

Councilmember Haney, talked about importance of debating in public, and his experience with open meeting law. He asked about social media and the best practice when dealing with comments online? Hobie talked about being wary of creating a quorum but each situation being case by case. Councilmember Haney asked about the conflict of interest and best practices for that? Hobie said it was case by case.

Mayor Sartor, talked about getting a contribution from a developer and if they brought an item forward if it would be best to excuse themselves for said item? Hobie said it would be likely the best practice to recuse in that instance but he would further research it.

Mayor Sartor talked about the importance of having quarterly updates.

2. Presentation and update regarding Crime Statistics

Chief Pina, came to present this item. He talked about National Incident Based Reporting System, Violent Crimes.

Councilmember Haney, asked about the trafficking and Commercial Sex and if it was increased because the department was being more aggressive? Chief Pina said they had increased training and enforcement.

Mayor Sartor asked about arrests in other jurisdictions as a result of our investigation, and whose stats does it fall under? Chief Pina said it would count as under the City's investigation.

Vice-Mayor Hastings asked about the increase in Homicides and how council can help? Chief Pina said he would explain the specific incidents.

Chief Pina further talked about, Clearance Rates, and Homicide Analysis.

Councilmember Melton, asked why officer involved shooting is part of a homicide statistic? Chief Pina said that it counts because someone did die by the hands of another, regardless of circumstance.

Chief Pina went on to talk about, Crimes Against Property, and Crimes Against Society.

Councilmember Melton, asked it was 164 cars stolen within the City? Chief confirmed that it was the correct.

Councilmember Haney, asked about the arson stats? Chief Pina talked about the incidents and the definitions of arson.

Councilmember Judd, asked if there was a certain area of town that had more vehicle thefts? Chief Pina said it was spread around town. He talked about unlocked cars potentially contributing to the thefts.

Chief Pina talked about Drug Offenses and Alcohol, Crimes Against Persons in January, Crimes Against Property in January, Collision Information, and Top Collision Locations in 2024.

Vice-Mayor Hastings asked about homicides and if there were resources for people going through Domestic Violence? Chief Pina said they have resources on their website, he also said he works closely with other departments and entities for additional resources. Vice-Mayor Hastings, talked about Bell Road and the accidents. He talked about implementing solutions that could help with it.

Councilmember Haney, asked about 163rd and Grand and if there is a way to break down the data to show the causes of the incidents? Chief Pina talked about the dangers of making left turns. Councilmember Haney asked what classifies collisions as an injury? Chief Pina said it was any possible injury.

Mayor Sartor talked about getting calls about this topic, he asked what the strategic plan was to reduce crime? Chief Pina said public messaging has been key. He said regionally he has talked about enforcement efforts.

Chief Pina further talked about the Calls for Service, and Customer Service.

Councilmember Duffy, talked about the increase of events within the City. He talked about the increase of homicides and what they hear as council. He asked what the message the Chief has for the City? Chief Pina talked about the growth of the City and the increase in public events and visitors. He talked about the dangers of social media spreading misinformation, and impact that has on citizens.

Mayor Sartor, talked about educating residents about appropriate ways to contact the Police Department. He also asked about highlighting the support resources the City offers.

H. Other Business and Future Agenda Items

I. City Council Reports

J. Executive Session

1. Executive Session Items

2. Executive Disclaimer - Part 1

3. Executive Disclaimer - Part 2

4. Executive Disclaimer - Part 3

K. Adjournment

Motion: To Adjourn
Initiated By: Patrick Duffy
Seconded By: Nick Haney

Yes: Jack Hastings, Patrick Duffy, Chris Judd, Nick Haney, Kevin Sartor, Johnny Melton, Earle Greenberg
No: None
Abstain: None

Vote Result: Passed

Meeting Adjourned at 6:06 PM

Kevin D. Sartor, Mayor

ATTEST:

Kristi Passarelli, City Clerk

CERTIFICATION:

I, Kristi Passarelli, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Regular City Council Meeting of **Tuesday, March 4, 2025.**

Kristi Passarelli, City Clerk

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 18, 2025
Submitting Department: City Clerk
Staff Recommendations:

Contact Person: Kristi Passarelli, City Clerk
District: District 3

Consent: No   Regular: No   Public Hearing: Yes   Report/Discussion: No

Agenda Wording:

Consideration and action pertaining to a recommendation to the Arizona Department of Liquor Licenses and Control (DLLC) on Application No. 329402, requested by Ryan Witner Anderson, for Target #2915 for Series 10 Liquor License. Target #2915 is located at 14101 N Prasada Parkway Surprise, AZ 85388.

Motion:

I move to recommend approval of application No. 329402 to the Arizona Department of Liquor Licenses and Control.

Background:

The City has received an application for a new Series 10 liquor license for Target #2915 is located at 14101 N Prasada, AZ 85388. The City Clerk's Office has posted the appropriate notice as required by law. No written arguments in favor of or opposed to the issuance of the license have been received by the Clerk's Office within the twenty days after the date of posting the notice.

The application has also been disseminated to the Community Development Department, Finance Department, Surprise Police Department, and Surprise Fire and Medical Department for review. Those departments have submitted memoranda which are attached to this item.

Objective Analysis:

Pursuant to state law, the City Council shall enter an order recommending approval or disapproval within sixty days after the filing of the application and shall file a certified copy of the order with the director. If the City Council recommends approval of the license a hearing before the state Liquor License Board is not required unless the director, the board or any aggrieved party requests a hearing on the grounds that the public convenience and the best interest of the community will not be substantially served if a license is issued. If the recommendation is for disapproval, a statement of the specific reasons containing a summary of the testimony or other evidence supporting the recommendation for disapproval shall be attached to the order and the state Liquor License Board will hold a hearing.

Policy Compliant:

The Liquor License process is controlled by state law. The steps taken by the City Clerk's Office and this public hearing comply with, and fulfill the City's legal obligation under, applicable state law.

Financial Impact:

None

Budget Impact:

None

FTE Impact:

None

ATTACHMENTS:

1. CD - TARGET #2915 REPORT
2. Fire - Target #2915 14101 N Prasada Pkwy liquor license
3. PD - Target #2915
4. TARGET #2915 Map
5. Finance - TARGET#2915 14101 N PRASADA PARKWAY

COMMUNITY DEVELOPMENT DEPARTMENT

SURPRISE
ARIZONA

Date: February 26, 2025

To: Kristi Passarelli, City Clerk

From: Lloyd Abrams, Community Development Director
James Stewart, Zoning Specialist

Re: Liquor License Application for:

Agent, Ryan Witner Anderson
Target #2915
14101 N. Prasada Pkwy.
Surprise, Arizona 85388

Series 10 (New Application – Beer Wine Store)- Application # 329402

The number and series of licenses in close proximity to the subject site are:

1. Sprouts Farmers Market # 46 (Series 10) – 13650 N. Prasada Pkwy.
2. MOD Pizza (Series 12) – 13668 N. Prasada Pkwy. # 100
3. Costco Wholesale #1375 (Series 09) – 16385 W. Waddell Rd
4. Portillo’s Hot Dogs (Series 12) – 16320 W. Waddell Rd.
5. First Watch #1052 (Series 12) – 16430 W. Waddell Rd. #104
6. Torchy’s Tacos (Series 12) – 16430 W. Waddell Rd. #120
7. Shake Shack #1517 (Series 12) – 16470 W. Waddell Rd. (Pending)

The immediate area is comprised of commercial zoning. The property is zoned PAD, Prasada (Commercial) which is consistent with the proposed use.

Commercial growth is expected.

If managed properly, the effects of granting this liquor license on surrounding residences will be minimal. This license will have little to no affect on parking in the area. Staff believes that granting this liquor license will not directly impact the surrounding business and residential areas in a negative way.

Surprise Fire-Medical Department
14250 W. Statler Plaza Ste. 101
Surprise, AZ 85374-7479
Phone: 623-222-5000
Fax: 623-222-5001

February 18, 2025

To: Charles Vasquez, Deputy City Clerk

From: Keith Tanner, Fire Marshal

Subject: Liquor License Application

Applicant: Target #2915
14101 N Prasada Pkwy
Surprise, AZ 85388

The Surprise Fire-Medical Department has been involved with the pre-construction / plan review process at the above referenced location within the last few months to ensure compliance with the applicable fire codes within the tenant space and building. Since construction work is still ongoing, there are no known fire code violations. Therefore, fire has no comment on the application at this time.

If you have any questions feel free to contact me.

Keith Tanner

Keith Tanner, Fire Marshal
Fire Prevention Division
Surprise Fire-Medical Department

SURPRISE POLICE DEPARTMENT
LIQUOR LICENSE APPLICATION REVIEW

REFERENCE: DATE: February 13, 2025

JOB NUMBER- 329402
New License
Series 10 (Beer & Wine Store)

APPLICANT:
Target #2915
14101 N Prasada Parkway
Surprise, AZ. 85388

FINDINGS:

1) ***Evidence concerning the nature of the proposed business, its potential market and its likely customers.***
Target is an established business that sells food, clothing and other products. The potential market for this business should consist of all residents of the City of Surprise and the surrounding areas.

2) ***Effect of vehicular traffic in close proximity.***
This new license should have no effect on vehicular traffic.

3) ***The history for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant has received a detailed report of such activity at least 20 days before the hearing.***
N/A. This is a new build and there is no criminal history at this location.

4) ***Comparison of hours of operation of the proposed premises to the existing businesses in close proximity.***
Target has normal store hours from 8 AM to 10 PM at all other location in the Surprise and the surrounding areas.

5) Appropriateness of series license requested.
A series 10 license is appropriate and applicable for Target, per state guidelines for liquor stores.

Submitted by Sergeant Jesus Galaz #2084


TARGET #2915
PAD - PRASADA
SITE
N PRASADA PKWY
N PRASADA PKWY
N SR 303 RAMP EX 114 ON
S SR 303 RAMP EX 114 OFF
S SR 303
N SR 303
W WATSON LN
N 162 LN
PAD - LEGACY PARC
W HEARN RD
N 162 LN
N SARIVAL AV
N 162 LN
TORCHY'S TACOS
PORTILLO'S HOT DOGS
FIRST WATCH
SHAKE SHACK
S SR 303 RAMP EX 114 OFF
N SR 303 RAMP EX 114 ON
N SR 303 RAMP EX 114 OFF
W WADDELL RD
W WADDELL RD
SPROUTS # 46
MOD PIZZA
PAD - PRASADA
COSTCO
N SARIVAL AV

SURPRISE
ARIZONA

MEMO

Date: 02/13/2025

To: Kristi Passarelli, City Clerk

Charles Vasquez, Deputy City Clerk

From: Stephanie Cheshire, Business Compliance

RE: Liquor License Application – Target #2915 14101 N Prasada Parkway

Business License Status:

- [x] Application link emailed on 2/13/25 .
- [ ] License # , current and valid for .
- [ ] Applied for license but is still pending and waiting on customer to provide additional information or documents.

Finance Department
Revenue Division
16000 N. Civic Center Plaza
Surprise, AZ 85374-7470
Business.license@surpriseaz.gov

02/13/2025

Target #2915
1000 Nicollet Mall
Minneapolis, MN 55403

Re: Business License Requirement

To Whom It May Concern:

The Revenue Division has received notification that a liquor license application has been received on behalf of your company.

The City of Surprise requires that all businesses located within the City of Surprise have a City of Surprise business license prior to the start of their operations. Please be sure to apply for your business license at least 3 weeks prior to the opening of your business.

You can apply online at https://primeweb.surpriseaz.gov/ . City of Surprise Business License applications and supplemental forms are available online at https://www.surpriseaz.gov/407/Business-License-Application-Supplementa. License Fees will be billed upon approval of your license application.

For additional information, please visit the City of Surprise website at www.surpriseaz.gov.

If you have any questions, please email our office at business.license@surpriseaz.gov .

Respectfully,
Revenue Division

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 18, 2025
Submitting Department: City Clerk
Staff Recommendations:

Contact Person: Kristi Passarelli, City Clerk
District: District 3

Consent: No   Regular: No   Public Hearing: Yes   Report/Discussion: No

Agenda Wording:

Consideration and action pertaining to a recommendation to the Arizona Department of Liquor Licenses and Control (DLLC) on Application No. 328360, requested by Andrea Dahlman Lewkowitz, for Shake Shack #1517 for Series 12 Liquor License. Shake Shack #1517 is located at 16470 W Waddell Rd, AZ 85338.

Motion:

I move to recommend approval of application No. 328360 to the Arizona Department of Liquor Licenses and Control.

Background:

The City has received an application for a new Series 12 liquor license for Shake Shack #1517 is located at 16470 W Waddell RD, AZ 85338. The City Clerk's Office has posted the appropriate notice as required by law. No written arguments in favor of or opposed to the issuance of the license have been received by the Clerk's Office within the twenty days after the date of posting the notice.

The application has also been disseminated to the Community Development Department, Finance Department, Surprise Police Department, and Surprise Fire and Medical Department for review. Those departments have submitted memoranda which are attached to this item.

Objective Analysis:

Pursuant to state law, the City Council shall enter an order recommending approval or disapproval within sixty days after the filing of the application and shall file a certified copy of the order with the director. If the City Council recommends approval of the license a hearing before the state Liquor License Board is not required unless the director, the board or any aggrieved party requests a hearing on the grounds that the public convenience and the best interest of the community will not be substantially served if a license is issued. If the recommendation is for disapproval, a statement of the specific reasons containing a summary of the testimony or other evidence supporting the recommendation for disapproval shall be attached to the order and the state Liquor License Board will hold a hearing.

Policy Compliant:

The Liquor License process is controlled by state law. The steps taken by the City Clerk's Office and this public hearing comply with, and fulfill the City's legal obligation under, applicable state law.

Financial Impact:

None

Budget Impact:

None

FTE Impact:

None

ATTACHMENTS:

1. CD - SHAKE SHACK #1517 REPORT
2. Finance - SHAKE SHACK ARIZONA LLC
3. Fire - Shake Shack #1517 16470 W Waddell liquor license
4. PD - Shake Shack
5. SHAKE SHACK #1517 Map

COMMUNITY DEVELOPMENT DEPARTMENT

SURPRISE
ARIZONA

Date: February 26, 2025

To: Kristi Passarelli, City Clerk

From: Lloyd Abrams, Community Development Director
James Stewart, Zoning Specialist

Re: Liquor License Application for:

Agent, Andrea Dahlman Lewkowitz
Shake Shack #1517
16470 W. Waddell Rd.
Surprise, Arizona 85388

Series 12 (New Application – Restaurant) - Application # 328360

The number and series of licenses in close proximity to the subject site are:

1. Sprouts Farmers Market # 46 (Series 10) – 13650 N. Prasada Pkwy.
2. MOD Pizza (Series 12) – 13668 N. Prasada Pkwy. # 100
3. Costco Wholesale #1375 (Series 09) – 16385 W. Waddell Rd
4. Portillo's Hot Dogs (Series 12) – 16320 W. Waddell Rd.
5. First Watch #1052 (Series 12) – 16430 W. Waddell Rd. #104
6. Torchy's Tacos (Series 12) – 16430 W. Waddell Rd. #120
7. Target #2915 (Series 10) – 14101 N. Prasada Pkwy. (Pending)

The immediate area is comprised of commercial zoning. The property is zoned PAD, Prasada (Commercial) which is consistent with the proposed use.

Commercial growth is expected.

If managed properly, the effects of granting this liquor license on surrounding residences will be minimal. This license will have little to no affect on parking in the area. Staff believes that granting this liquor license will not directly impact the surrounding business and residential areas in a negative way.

SURPRISE
ARIZONA

MEMO

Date: 02/13/2025

To: Kristi Passarelli, City Clerk

Charles Vasquez, Deputy City Clerk

From: Stephanie Cheshire, Business Compliance

RE: Liquor License Application – Shake Shack Arizona LLC 16470 W Waddell Rd

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Business License Status:

- [x] Application link emailed on 2/13/25 .
- [ ] License # , current and valid for .
- [ ] Applied for license but is still pending and waiting on customer to provide additional information or documents.

SURPRISE
ARIZONA

Finance Department
Revenue Division
16000 N. Civic Center Plaza
Surprise, AZ 85374-7470
Business.license@surpriseaz.gov

02/13/2025

Shake Shack Arizona LLC
2024 E William Field Rd
Gilbert, AZ 85295

Re: Business License Requirement

To Whom It May Concern:

The Revenue Division has received notification that a liquor license application has been received on behalf of your company.

The City of Surprise requires that all businesses located within the City of Surprise have a City of Surprise business license prior to the start of their operations. Please be sure to apply for your business license at least 3 weeks prior to the opening of your business.

You can apply online at https://primeweb.surpriseaz.gov/ . City of Surprise Business License applications and supplemental forms are available online at https://www.surpriseaz.gov/407/Business-License-Application-Supplementa. License Fees will be billed upon approval of your license application.

For additional information, please visit the City of Surprise website at www.surpriseaz.gov.

If you have any questions, please email our office at business.license@surpriseaz.gov .

Respectfully,
Revenue Division

Surprise Fire-Medical Department
14250 W. Statler Plaza Ste. 101
Surprise, AZ 85374-7479
Phone: 623-222-5000
Fax: 623-222-5001

February 18, 2025

To: Charles Vasquez, Deputy City Clerk

From: Keith Tanner, Fire Marshal

Subject: Liquor License Application

Applicant: Shake Shack #1517
16470 W Waddell Rd
Surprise, AZ 85338

The Surprise Fire-Medical Department has been involved with the pre-construction / plan review process at the above referenced location within the last few months to ensure compliance with the applicable fire codes within the tenant space and building. Since construction work is still ongoing, there are no known fire code violations. Therefore, fire has no comment on the application at this time.

If you have any questions feel free to contact me.

Keith Tanner

Keith Tanner, Fire Marshal
Fire Prevention Division
Surprise Fire-Medical Department

SURPRISE POLICE DEPARTMENT
LIQUOR LICENSE APPLICATION REVIEW

REFERENCE: DATE: February 13, 2025

APPLICATION NUMBER: 328360
NEW APPLICATION: Series 12

APPLICANT:
Shake Shack #1617
16470 W. Waddell Road
Surprise, Arizona 85388

FINDINGS:

1) ***Evidence concerning the nature of the proposed business, its potential market and its likely customers.***
Shake Shack is an established full service family restaurant serving lunch and dinner. The restaurant seating capacity is 58 persons, there is no designated bar area. The market is people of all ages from the greater Surprise area and surrounding communities.

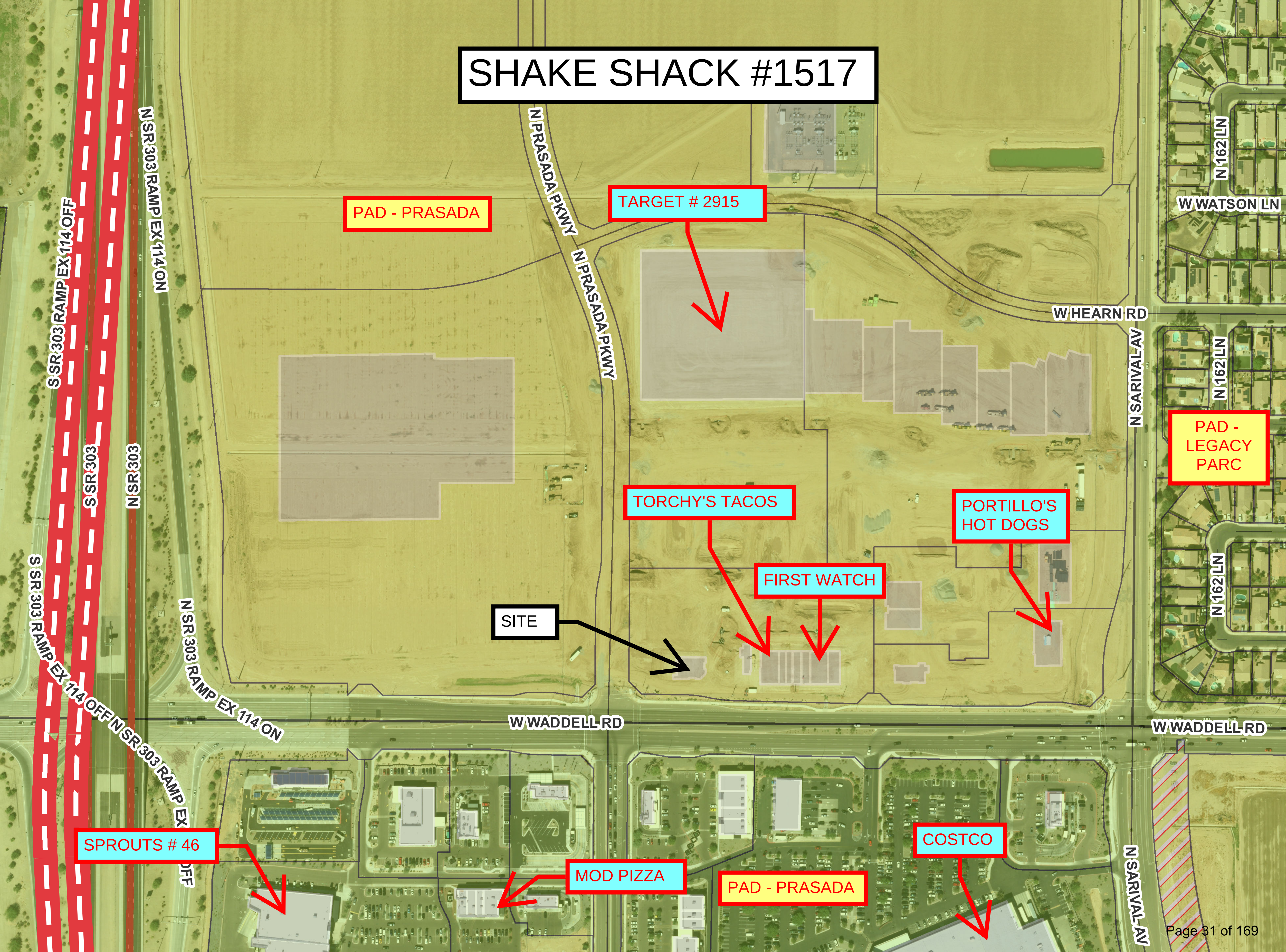
2) ***Effect of vehicular traffic in close proximity.***
The roads around this location are currently being widened to accommodate the anticipated growth for the surrounding area and should be adequate for this Shake Shack, for its expected completion in early spring.

3) ***The history for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant has received a detailed report of such activity at least 20 days before the hearing.***
N/A. New construction

4) ***Comparison of hours of operation of the proposed premises to the existing businesses in proximity.***
The business hours will be open until 10 PM on Sunday – Thursday and until 11 PM on Friday and Saturday. There is a shopping plaza in the immediate area under construction, with other eateries here to include First Watch restaurant, Einstein's Bagels, Torchy's Tacos and other shops. None of these are open past 10 PM.

5) ***Appropriateness of requested license.***
The series 12 restaurant license is appropriate for Shake Shack per Arizona State law.

Submitted by Sergeant J. D. Galaz #2084


SHAKE SHACK #1517
TARGET # 2915
PAD - PRASADA
TORCHY'S TACOS
FIRST WATCH
PORTILLO'S HOT DOGS
SITE
PAD - LEGACY PARC
SPROUTS # 46
MOD PIZZA
PAD - PRASADA
COSTCO
N PRASADA PKWY
N PRASADA PKWY
N SR 303 RAMP EX 114 ON
S SR 303 RAMP EX 114 OFF
S SR 303
N SR 303
S SR 303 RAMP EX 114 OFF
N SR 303 RAMP EX 114 ON
N SR 303 RAMP EX 114 OFF
W WADDELL RD
W WADDELL RD
W HEARN RD
W WATSON LN
N 162 LN
N 162 LN
N 162 LN
N SARIVAL AV
N SARIVAL AV

CITY OF SURPRISE
Regular City Council Meeting

SURPRISE
ARIZONA

Council Meeting Date: March 18, 2025
Submitting Department: City Clerk
Staff Recommendations:

Contact Person: Kristi Passarelli, City Clerk
District: District 5

Consent: No   Regular: No   Public Hearing: Yes   Report/Discussion: No

Agenda Wording:

Consideration and action pertaining to a recommendation to the Arizona Department of Liquor Licenses and Control (DLLC) on Application No. 329050, requested by Perry Charles Huellmantel, for Quiktrip #1413 for Series 10 Liquor License. Quiktrip #1413 is located at 13931 W Greenway Rd Surprise, AZ 85379.

Motion:

I move to recommend approval of application No. 329050 to the Arizona Department of Liquor Licenses and Control.

Background:

The City has received an application for a new Series 10 liquor license for Quiktrip #1413 is located at 13931 W Greenway Rd. The City Clerk's Office has posted the appropriate notice as required by law. No written arguments in favor of or opposed to the issuance of the license have been received by the Clerk's Office within the twenty days after the date of posting the notice.

The application has also been disseminated to the Community Development Department, Finance Department, Surprise Police Department, and Surprise Fire and Medical Department for review. Those departments have submitted memoranda which are attached to this item.

Objective Analysis:

Pursuant to state law, the City Council shall enter an order recommending approval or disapproval within sixty days after the filing of the application and shall file a certified copy of the order with the director. If the City Council recommends approval of the license a hearing before the state Liquor License Board is not required unless the director, the board or any aggrieved party requests a hearing on the grounds that the public convenience and the best interest of the community will not be substantially served if a license is issued. If the recommendation is for disapproval, a statement of the specific reasons containing a summary of the testimony or other evidence supporting the recommendation for disapproval shall be attached to the order and the state Liquor License Board will hold a hearing.

Policy Compliant:

The Liquor License process is controlled by state law. The steps taken by the City Clerk's Office and this public hearing comply with, and fulfill the City's legal obligation under, applicable state law.

Financial Impact:

None

Budget Impact:

None

FTE Impact:

None

ATTACHMENTS:

1. CD - QUIKTRIP #1413 13931 W GREENWAY RD REPORT
2. Fire - Quiktrip #1413 13931 W Greenway liquor license
3. PD - QT1413 Liquor Application
4. QUIKTRIP #1413 13931 W GREENWAY RD MAP 1
5. Finance - QUIKTRIP #1413 13931 W GREENWAY

COMMUNITY DEVELOPMENT DEPARTMENT

SURPRISE
ARIZONA

Date: February 13, 2025

To: Kristi Passarelli, City Clerk

From: Lloyd Abrams, Community Development Director
Dan Johnson, Zoning Specialist

Re: Liquor License Application for:

Agent, Perry Charles Huellmantel
Quiktrip #1413
13931 W Greenway Rd
Surprise, Arizona 85379

Series 10 (New Application – Beer & Wine Store)- Application # 329050

The number and series of THE license in close proximity to the subject site is:

1. CVS Pharmacy # 1743 (Series # 10) – 13870 W Greenway Rd.

The immediate area is comprised of residential and commercial zoning. The property is zoned PAD Sierra Verde (Commercial), which is consistent with the proposed use.

Commercial and residential growth is expected.

If managed properly, the effects of granting this liquor license on surrounding residences will be minimal. This license will have little to no effect on parking in the area. Staff believes that granting this liquor license will not directly impact the surrounding business and residential areas in a negative way.

Surprise Fire-Medical Department
14250 W. Statler Plaza Ste. 101
Surprise, AZ 85374-7479
Phone: 623-222-5000
Fax: 623-222-5001

February 18, 2025

To: Charles Vasquez, Deputy City Clerk

From: Keith Tanner, Fire Marshal

Subject: Liquor License Application

Applicant: Quiktrip #1413
13931 W Greenway
Surprise, AZ 85379

The Surprise Fire-Medical Department has been involved with the pre-construction / plan review process at the above referenced location within the last few months to ensure compliance with the applicable fire codes within the tenant space and building. Since construction work is still ongoing, there are no known fire code violations. Therefore, fire has no comment on the application at this time.

If you have any questions feel free to contact me.

Keith Tanner

Keith Tanner, Fire Marshal
Fire Prevention Division
Surprise Fire-Medical Department

SURPRISE POLICE DEPARTMENT
LIQUOR LICENSE APPLICATION REVIEW

REFERENCE: DATE: February 13, 2025

JOB NUMBER- 329050
New License
Series 10 (Beer & Wine Store)

APPLICANT:
Quiktrip #1413
13931 W Greenway Road
Surprise, Arizona 85374

FINDINGS:

1) ***Evidence concerning the nature of the proposed business, its potential market and its likely customers.***
Quiktrip is a full-service convenience market and gas station that primarily serves patrons of all ages from the surrounding communities.

2) ***Effect of vehicular traffic in close proximity.***
There should be no great altering effect on vehicular traffic in proximity. There are multiple ingress/egress locations for this store and good access onto Greenway Road.

3) ***The history for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant has received a detailed report of such activity at least 20 days before the hearing.***
N/A. New construction

4) ***Comparison of hours of operation of the proposed premises to the existing businesses in close proximity.***
Quiktrip has their hours of operation open 24 hours a day. There is a CVS store nearby that closes at 10 PM. There is a small shopping center nearby with multiple businesses, including the Sherwin Williams Paint Store which closes at 6 PM and Bling Tour Dance, Cheer and Tumbling which closes at 8 PM.

5) ***Appropriateness of series license requested.***
Most convenience stores have series 10 licenses. This license request is appropriate for this Quiktrip.

Submitted by Sergeant Jesus Galaz #2084


QUIKTRIP #1413
PAD SURPRISE CENTER
PAD WEST POINT TOWN CENTER
SITE
PAD SIERRA VERDE
R-1, RL-5
W GREENWAY RD
N LITCHFIELD RD
W STATLER BLVD

SURPRISE
ARIZONA

MEMO

Date: 2/13/25

To: Kristi Passarelli, City Clerk

Charles Vasquez, Deputy City Clerk

From: Stephanie Cheshire, Business Compliance

RE: Liquor License Application – Quiktrip #1413 13931 W Greenway Rd

Business License Status:

- [x] Application link emailed on 2/13/25 .
- [ ] License # , current and valid for .
- [ ] Applied for license but is still pending and waiting on customer to provide additional information or documents.

Finance Department
Revenue Division
16000 N. Civic Center Plaza
Surprise, AZ 85374-7470
Business.license@surpriseaz.gov

2/13/25

Quiktrip #1413
4705 S 129th East Ave
Tulsa, OK 74134

Re: Business License Requirement

To Whom It May Concern:

The Revenue Division has received notification that a liquor license application has been received on behalf of your company.

The City of Surprise requires that all businesses located within the City of Surprise have a City of Surprise business license prior to the start of their operations. Please be sure to apply for your business license at least 3 weeks prior to the opening of your business.

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For additional information, please visit the City of Surprise website at www.surpriseaz.gov.

If you have any questions, please email our office at business.license@surpriseaz.gov .

Respectfully,
Revenue Division

Council Meeting Date: March 18, 2025
Submitting Department: Economic Development
Staff Recommendations: None

Contact Person: Jeanine Jerkovic, DIRECTOR - ECON DEV
District: Citywide

Consent: No   Regular: Yes   Public Hearing: No   Report/Discussion: No

Agenda Wording:
Consideration and action pertaining to approval of a lease agreement with SimonCRE for 10 years in the approximate amount of $174,000 annually at Elm Street at Surprise City Center for the purposes of a new community small business services storefront operation.

Motion:
I move to approve the proposed lease agreement with SimonCRE in the amount of $174,000 annually for 10 years.

Background:
The Surprise Economic Development Department seeks to enhance its small business and startup services by creating a high-performing, visible, and welcoming business support program that reflects the unique identity of the City of Surprise and stands among the best in the nation.

Over the course of three work sessions presented to the Surprise City Council last year, the department evaluated property and logistical considerations related to the city's current small business program, housed at the AZ TechCelerator at 12425 West Bell Road. Discussions explored opportunities to modernize and streamline the program within a smaller, more strategically located space, potentially in a newly constructed facility on Elm Street near City Hall, retail services, and Ottawa University.

Additionally, the department has assessed the financial implications of the proposed move, including the potential to offset costs through the lease, sale, land swap, or re-purposing of the existing property. The benefits of establishing a storefront-style presence on Elm Street, rather than co-locating within other City Center properties, have also been considered.

This initiative represents a significant opportunity to create a dedicated economic storefront for small businesses and startups within Surprise City Center, further advancing the city's long-standing vision for a vibrant downtown employment corridor that complements retail, dining, and tourism amenities.

Objective Analysis:
The lease agreement opportunity at Elm Street aligns with the City Council's strategic plan goals for Economic and Cultural Vitality, supporting the vision of better integrating small business and startup

services with Surprise City Center and its partnership with Ottawa University and other education community members. Additionally, this move allows the City to explore potential new uses for the former AZ TechCelerator property at 12425 West Bell Road.

Municipal leasing of property for specific purposes is a common practice. This lease agreement not only enhances the Economic Development Department's ability to brand and market its small business services but also fulfills a critical community need—similar to how municipally funded parks, pools, and libraries serve as dedicated spaces for public benefit.

The City's Legal Department has conducted a review of the lease agreement, and SimonCRE has indicated no major concerns with the City's feedback. Finalization of the lease is anticipated upon Council approval.

Policy Compliant:

The request is complaint with the Economic and Cultural Vitality goals of the Surprise City Council Strategic plan.

Financial Impact:

The proposed lease agreement for the Elm Street property will cost $174,000 annually, with an annual 3% escalator over a ten-year term. A significant portion of the budgeted annual maintenance costs for the former AZ TechCelerator property—along with a portion of the utility budget and the $357,100 CIP improvement budget for tenant improvements—will be reallocated to support the new Elm Street location.

The program is expected to become operational in mid-to-late 2025 and will generate revenue, with exact figures to be determined. A new fee schedule will be established and presented to the City Council for approval. Over time, the program is anticipated to drive both direct and indirect economic benefits, as local businesses create jobs, lease or purchase property, and contribute to local revenue.

For context, during its first ten years, the AZ TechCelerator program generated an estimated $187 million in economic impact ($127 million direct, $59 million indirect), according to a 2020 economic impact analysis by the Greater Phoenix Economic Council (GPEC). The Economic Development Department aims to build upon this success at Surprise City Center, advancing the City's vision for a dynamic downtown hub that fosters new business growth, retail, restaurants, and tourism amenities.

Budget Impact:

The proposed lease agreement for the Elm Street property will cost $174,000 annually, with an annual 3% escalator over a ten-year term. A FY2026 budget request has been submitted to cover the lease cost.

Additionally, a significant portion of the budgeted annual maintenance costs for the former AZ TechCelerator property—along with a portion of the utility budget and the $357,100 CIP improvement budget for tenant improvements—will be reallocated to support the new Elm Street location.

The program is expected to become operational in mid-to-late 2025 and will generate revenue through fees. Once established, the new fee schedule will be presented to the City Council for approval.

FTE Impact:

This item does not have an FTE impact at this time.

ATTACHMENTS:

1. Reference Only - AZTC work session May 21 2024

2. Reference Only - AZTC work session Oct 15 2024
3. Reference Only - AZTC work session Dec 3 2024 - Financial and site analysis
4. Lease Agreement_3-18-25
5. Resolution 2025-39
6. Reso 2025-39_Ex. A.Lease
7. Lease - SparkWorks Surprise - Surprise City Center

SURPRISE
ARIZONA

AZ TechCelerator Update

(Past-Present-Future)

City Council Work Session

May 21, 2024

TechCelerator Past

2009 “NEW & OLD”

- New City Hall Opens
- What to do with Old City Hall
- Four well used buildings totaling ~60,000 SF on ~7 acres
- Options: Sell, Moth Ball, Reuse
- **Reuse: TechCelerator is born**

TechCelerator Present

15 Years of Small Business Dedication & Success

AZ TechCelerator
Surprise, Arizona

130+ companies (15 year)

Consumer products/Services 43% Healthcare/Medical 17%

Software 16% Tech/Hardware 14% Energy 10%

12 Graduates

7 Surprise/5 West Valley

VetLink Solutions

Athena Fiber-like Connectivity

8 Large Business Location Assists

3 Headquarters/5 Operations

tricolor auto

Uptown Alley

Cobalt medical development

IRIS

500+ Jobs

Current/Graduates/Location Assists

300+ Small Business Events

Trainings/Networking/Specialty Programs

15+ Mentors & Partner Organizations

Marketing/Accounting/IP Law/Counseling/Financing/Grants

5 Program Recognitions

National/Statewide/Regional

InBIA

International Economic Development Council

WESTMARC

TechCelerator Present

Past 12 Months

- 130+ facility requests
- Roof leaks, insect infestations…
- Operating a declining asset

AZ TechCelerator Future

Program Service & Financial Profile

AZ TechCelerator
(Old City Hall)

<u>Program Services 60,000 SF</u>
Tenant Offices
Co-working Space
Small Business Service Programs

<u>Financial Profile</u>
5-year average revenues $151,323 (tenant rent)
5-year average expenses $146,213 (water, power…)

Additional annual facilities expense related to declining asset is $150,000 - $200,000 (ex: HVAC, roof, infestations, 130+ staff service calls)

Surprise Center
for Entrepreneurship

<u>Program Services 4,000 SF</u>
Small Business Service Programs
Networking Space
Partner Offices

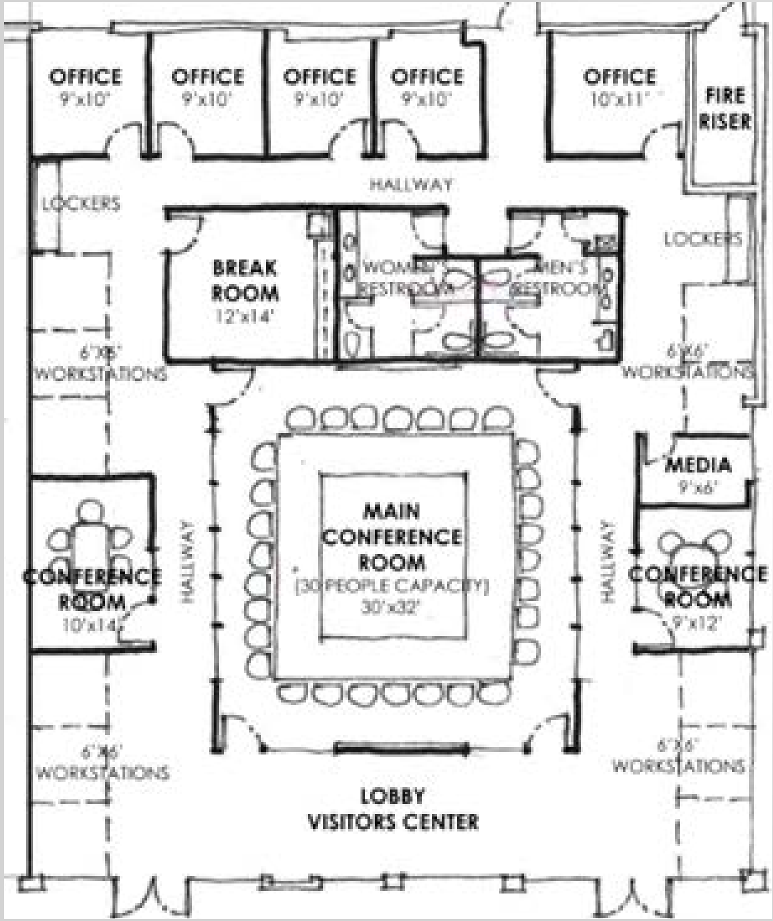
<u>Financial Profile</u>
Minimal revenue, community access model
Annual lease expense ~$192,000

CIP of $360,000 may be reallocated from AZTC to new 4,000 SF for space improvement

TechCelerator Future

2025 Outlook

- Proposal to locate to Elm Street at Surprise City Center received – would need a go/no-go by August 2024+/-
- Transition from landlord model to business education model, ***Surprise Center for Entrepreneurship***
- Focus on dedicated business education; access to networking, mentoring, and resources
- Leverage 15 years of partnerships & program experience for the growing business community
- What does this mean?



(High Level) NEW Incubator Concept:

- **Short-term:** for example, 3,6,9,12 month increment +/- memberships tied to custom & individualized business education curriculums
- **"Like a fitness membership for your business!"**
- **Affordable physical workspace** (shared, co-working, some office) for use upon conditions: fulfillment of required program business education participation, metrics, curriculums
- **Amenities**: Meeting & event space; mentors; common area kitchen/restrooms, media/podcast room, Wi-Fi, copier; exclusive peer-to-peer networking
- **Events, classes, programs, SBDC, SCORE counseling** – free for all Surprise businesses

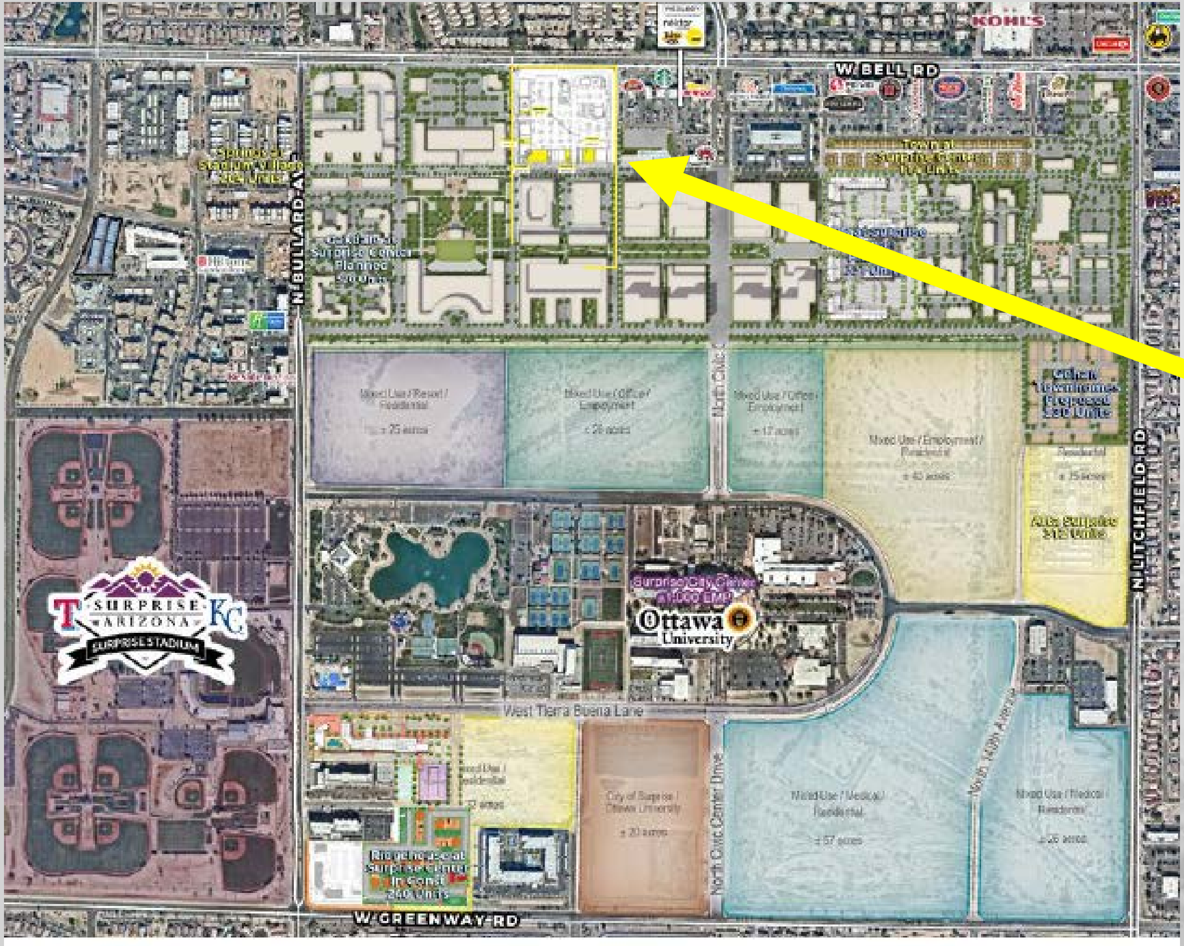
Old City Hall Future

Conceptual Cost Scenario Analysis

Old City Hall (Deactivation & Preservation)	***Old City Hall (Demolition & Leverage Property)***	***Old City Hall (Renovation & Repurposing)***
Roof replacement *Power/Water/Sewer/HVAC maintained in working order* *Property security and maintenance*	*Demolition of all buildings* *Post-demolition property value according to appraisal $6.5M* *Property security and maintenance*	*Renovate and maintain 60,000 SF of buildings to modern office standard*
One Time Cost $1.25M - $1.5M *Annual Cost $125,000 - $175,000*	*One Time Cost $750,000 - $1M* *Annual Cost $10,000 - $25,000*	*One Time Cost $8M - $12M* *Annual Cost $200,000 - $350,000*

Note: Old City Hall will be vacated by Economic Development in June of 2025 and Human Service & Community Vitality in late 2025 or early 2026

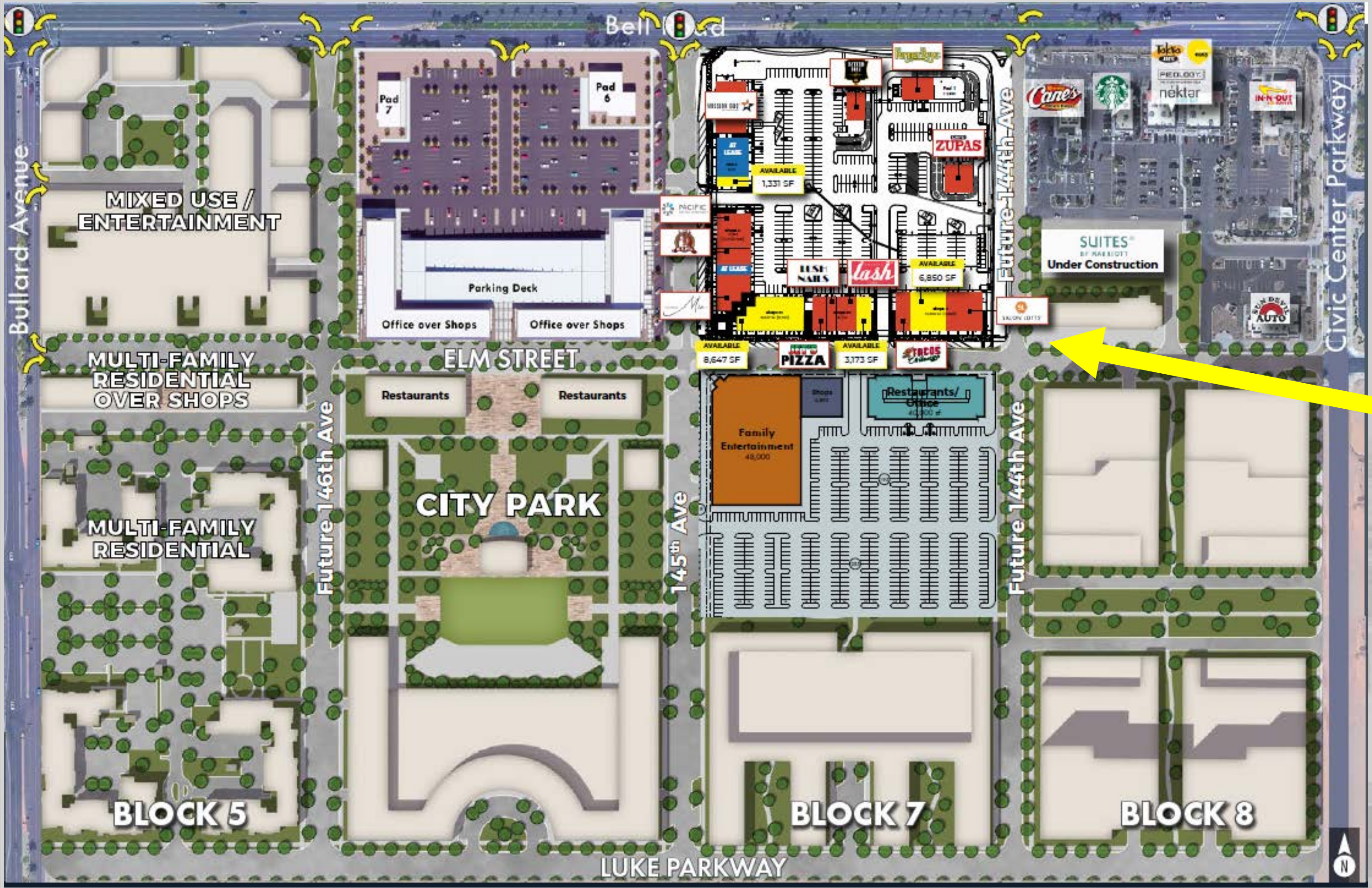

elm street
@ SURPRISE CITY CENTER



KOHL'S
W BELL RD
N BULLARD AV
N LITCHFIELD RD
Alta Surprise
312 Units
Surprise City Center
Ottawa University
SURPRISE ARIZONA
SURPRISE STADIUM
West Tierra Buena Lane
North Civic Center Drive
W GREENWAY RD

elm street
@ SURPRISE CITY CENTER

ELM STREET
CITY PARK


Bell
Bullard Avenue
MIXED USE / ENTERTAINMENT
Pad 7
Pad 6
Parking Deck
Office over Shops
Office over Shops
ZUPAS
AVAILABLE
1,331 SF
LUSH NAILS
lash
AVAILABLE
6,850 SF
Future 144th Ave
SUITES
Under Construction
nektar
Cane's
IN-N-OUT
AUTO
Civic Center Parkway
AVAILABLE
8,647 SF
PIZZA
AVAILABLE
3,173 SF
MULTI-FAMILY RESIDENTIAL OVER SHOPS
ELM STREET
Restaurants
Restaurants
Family Entertainment
Restaurants/Office
Future 146th Ave
CITY PARK
145th Ave
Future 144th Ave
MULTI-FAMILY RESIDENTIAL
BLOCK 5
BLOCK 7
BLOCK 8
LUKE PARKWAY
N


elm street

CITY OF SURPRISE
ECONOMIC DEVELOPMENT

Ottawa University

AMERICA'S SBDC ARIZONA

SCORE

SURPRISE
ARIZONA

QUESTIONS OR COMMENTS?

Thank You

Surprise Business Community Survey & Focus Groups

Economic Development

October 15, 2024

Why Supporting Startups Matters

<u>Post-2020</u>:

- 62% of Americans want to start a business; (*Gallup-Shopify poll June 2024*):
  - **Most Motivated by:** (1) being the boss and (2) higher pay potential
  - **Most Helpful:** (1) prior industry experience and (2) support from people they know
  - **Biggest Barriers:** (1) financial risks, (2) knowledge, (3) access to capital, (4) government regulation
- Staying up-to-speed is hard for startups: i.e., AI is deepening the digital divide; work styles, marketing, hiring, etc. are changing.
- While well-intended, most entrepreneurship training programs / incubators today are antiquated (<u>not</u> "high-touch," high-tech or data-driven)...**we want to change that in the City of Surprise!**
- Entrepreneurship training today is also an important **workforce** skillset.

Recap: What We're Working On

Phase 1: Redesign the program / Asking the questions: "If we could do it all over today, what would we want the service model to look like, and what do businesses post-2020 need? What can we do better?"	**Phase 2: Fully inform, support & transition licensee, partners to new locations, as needed** / Explore new location opportunities for our program and our small businesses and partners.
Phase 3: Identify the new location, finalize an agreement,* improve space & launch new business services program at **new location in mid-2025 +/-** *(*finalizing the agreement for next possible Council meeting?)*	**Phase 4: Develop Property Reuse recommendation with multiple department leaders** for City Council; Property transition working group is meeting, identifying priorities, evaluating highest/best use options.

City Council Strategic Plan

Why the refresh and change?

- To better support the City Council Strategic Plan with a new and innovative small business development model and facility in the heart of Surprise City Center.

- *Strategy 3.2:* ***Provide hands-on approach to supporting innovation, entrepreneurship and small businesses.***

- *Develop and market partnerships and programming to help small businesses in the City of Surprise.*
- *Engage with small business organizations to enhance resources and networking opportunities for the small business community.*
- *Identify best practices and programs of the AZ TechCelerator and engage in new opportunities to embed in university programming and/or new development in City Center.*
- *Foster Entrepreneurship and small business education and partnerships.*
- *Leverage local, regional, statewide, national and global partnerships that facilitate entrepreneurial growth in Surprise and the Greater Phoenix West Valley.*

New Vision, New Business Center

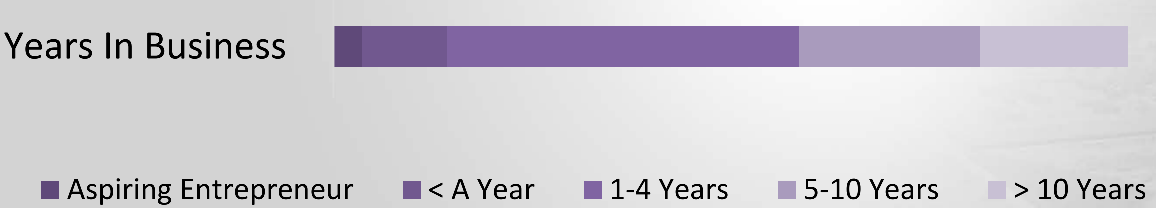
“1.0:” 2010-2025	The Future: Post-2025
Location 2 miles east of City Hall campus, east of Grand Avenue	Located in the heart of Surprise City Center adjacent to retail, services, supporting Elm Street / downtown
Real estate-focused, generalized services, lots of program flexibility, not time sensitive	Outcomes-focused, customized / ”high touch” services & resources, time is precious
Facility owned & operated by the City of Surprise, assisted by mentors, partners	Program operated by the City of Surprise, mentors, partners – with support / business curriculum fueled by Ottawa University-AZ

So...We Asked!

<u>Phase 1</u>: Redesign the program / Asking the questions: “If we could do it all over, what would we want the service model to look like, and what do businesses post-2020 need? What can we do better?”

140 Survey Responses

24 Focus Group Attendees



80% Are interested in a new program that offers personalized support & resources for Small Businesses in Surprise

Needs & Support

Mentoring & Guidance

- Hands-On Coaching & Training
- Personalized Educational Programing
- Career development Support

Networking & Community

- Shared Space & Facilities
- Organized Networking Events
- Internal & External Relationships

City Engagement & Resources

- Financial & Legal Support
- On Site Resources to Navigate Licensing, Regulations, & Permits

Focus Group Reactions

Fundamental Business Advice

"Leverage every resource, including government programs"

Suggested Components for a New Business Program

"Customized 1 on 1 services…education focused"

Reflection of Professional Lessons Through Personal experience

"Create a framework for what a successful business could look like: gates & metrics of success"

Essential Insights for Business Success

- Planning & Strategy
- Learning & Adapting
- Customer Focus
- Internal & External Relationships
- Personal & Business Values
- Trust & Communication

‘Fitness’ Membership for Businesses

Stage 1: Startup Package

Stage 2

Stage 3

STAGE 1 - (pre-seed, seed and early stage)

12-month+/- customized ***Start-Up Package***:

- Coaching and validating with experienced business mentors and Ottawa University business faculty and senior level students
- Curriculum; access to seed funding, commercial realtors, legal and accounting resources
- Participation in networking and speaker events
- Co-working space, locker and private conference room access; podcast / media room access Use of mailing address
- **(CONCEPT ONLY) $100 per month, plus $100 refundable security deposit**

‘Fitness’ Membership for Businesses

- Stage 1
- Stage 2: **Growth Package**
- Stage 3

STAGE 2 - (growth/expansion stage) 6-12-month+/- customized **Growth Package** (**Start-Up Package** plus):

- Customized curriculum that is tailored to your business with experienced business mentors and Ottawa University faculty and senior level students
- Business model evaluation
- Physical space either at a dedicated desk within the coworking space or a private office space (if available and qualified)
- **(CONCEPT ONLY) $150 per month for co-working space OR $500/month for private temp. office plus $100 refundable security deposit**

‘Fitness’ Membership for Businesses

Stage 1

Stage 2

Stage 3: **Critical Mass Package**

STAGE 3 - (mature stage) 6 - month+/- customized **Critical Mass Package** (**Start-Up Package + Growth Package** plus):

- Customized curriculum that is tailored to your business with experienced business mentors
- Exit strategy development and/or harvesting profits
- Participate in SCORE CEO program ($1 M+ revenue & referral qualifier
- **(CONCEPT ONLY) $250 per month for co-working space OR $500/month for private temp. office plus $100 refundable security deposit**

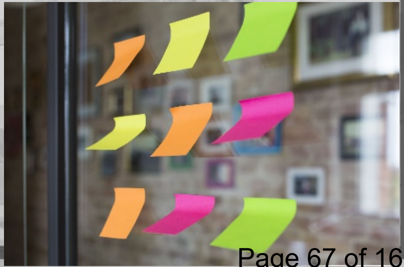
Key Takeaways / Next Steps

- Cohorts, coaching, events, accountability, deadlines

- AI Proficiency = increasingly important:
  - EDA program grant considered
  - Leveraging WESTMARC ERC fellow, ASU Digital Twin Pilot

- Developing the “Business Assessment”

- Exploring all possibilities to reduce barriers to entrepreneurship



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@SurpriseEconDev

@surpriseazgov

Surprise Economic Development

Thank You!

Brian Sandusky, PhD

Brian.Sandusky@surpriseaz.gov

Jeanine Jerkovic

Jeanine.jerkovic@surpriseaz.gov

Financial & Location Analysis: Startup & Small Business Program Transition

Jeanine Jerkovic, Economic Development Director

December 3, 2024

Background

How we got here (recap)

- **Refresh Needed**: Desire to modernize to high-touch, outcomes-based program
- **Facility Issues**: Opportunity cost of staff time managing declining facility versus program
- **Location Challenges**: Current location detached from vibrant City Center corridor, education partnerships

The Site Analysis

Former location:

Proposed location:

Quantitative Analysis Considerations	Qualitative Analysis Considerations
1. Estimated financial value proposition of property transition – i.e., 10-year proposed lease + former property asset considerations 2. Estimated revenues- determined by fee structure – to be approved by City Council, not available	1. New program opportunity with partnership alignments 2. Businesses interested in one-on-one approach 3. Staff time dedication to program vs. facility requests 4. Ideal location has qualities that make the program visible, accessible, identifiable & beneficial to downtown vision & mission.

Value/Benefit of Relocation

'Old' Property Location Options (still evaluating)	WHY it is a Benefit / Offset of NEW program relocation
Property reuse for city uses	Helps provide CIP options that might have created the need for purchase or lease of property elsewhere
Sale of Property	One-time capital benefit that exceeds the value of a 10-year lease at City Center
Lease of property	Allows revenue generation via public-private partnership that exceeds the value of the 10-year lease at City Center
Leverage	Allows for acquisition of property for City uses that might have created the need for purchase or lease of property elsewhere

Net Value?

☑

☑

☑

☑

Quantitative Analysis Assumptions (high level)

- ***DISCLAIMER**: these estimates all entirely hypothetical / the AZTC property working committee is developing recommendations, better scenarios*
- **New fee revenues** are **not calculated** here / not approved
- **Ten (10) Year Timeline**
- $6.5 million Assessed AZTC Property Value (3+/- years ago)
- Est. Lease Rate of AZTC property +/- $300,000/year (depends on a lot of factors)
- Initial Proposal for lease agreement +/-$192,000 X 10 years = $1.92 million (*still in final evaluation)

Option	Sale	Lease	Leverage	*Reuse or Re-build*
R.E. Asset Value / Land Revenue	+$6.5 M (one-time)	$6.5 M +$3 M ($300K X 10 years)	+$6.5 M value	+$6.5 M value
One time cost	-$1 M for demo?	-$1 M for demo?	-$1 M for demo?	TBD – Depends on use (preserve, rebuild, renovate, PPP model, etc.?)
Estimated maintenance cost (10 years)	Not applicable	Not applicable	$+/- $250,000 for new property?	Varies widely: - $1.5 - 3.5 million, depending on reuse
New property lease (est.)	-$1.92 M +/-	-$1.92 M +/-	-$1.92 M +/-	-$1.92 M +/-
EST. VALUE	**$3.58 M**	**$6.58 M**	**$3.33 M**	**TBD – will vary widely**

Ideal Site Considerations

#1. Visible:

Public-facing / Dedicated Storefront

#2. Accessible:

Welcoming & Easy to Find & Access

Elm Street Location

#3. Identifiable:

Surprise name in the title / aligned with the location

#4. Beneficial to City Center mission & vision:

Provides community engagement, OUAZ benefits, Civic center / downtown opportunity for growth

Location Considerations

Location options / City Center	Public-facing 'Surprise' storefront?	Welcoming & easy to find for businesses *specifically*?	Advances city's vibrant downtown mission?
Elm Street / City Center – dedicated space	**Yes**	**Yes**	**Yes**
Other commercial office space nearby	*Maybe – but it's not a storefront*	*Maybe – but not as easy to identify 'hidden' away in an office complex*	*Maybe? Better than previous location.*
Inside City Hall or inside Ottawa	No (limited/shared capacity)	No (limited/shared capacity)	*Maybe? Better than previous location.*
Inside Library	*Maybe?* (limited/shared capacity)	No (limited/shared capacity)	*Maybe? Better than previous location.*
Stadium	No (limited/shared capacity)	No (limited/shared capacity)	*Maybe? Better than previous location.*

Additional Considerations

- **This is a public program for our business community and not a 'business'** – think of it as a park, a pool, library, etc. but for a specific and growing segment of our economy.
- **This is an investment** in our startup and small businesses & local economy - not an expense.
- **Cities do lease space for city purposes.** With the cost of capital, cities lease space temporarily or permanently for their growth needs for lots of reasons. Buckeye, Glendale, Goodyear are current examples of cities with leases in the West Valley.

Our Goal: To Be The Best!

- **Quantitative analysis:** Value/benefit for City gained through sale, lease, leverage or repurpose of AZTC property exceeds a 10-year lease estimate at City Center
- **Qualitative analysis:** Unique, standout “storefront” opportunity with visibility, accessibility, identity and benefits to City Council’s downtown mission & vision
- **Alignment**: With Surprise City Hall campus, with OUAZ, partners & businesses
- **Dedicated program staff**

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Surprise Economic Development

Thank You!

Jeanine Jerkovic

Jeanine.jerkovic@surpriseaz.gov

Background

Recap / Old City Hall Property Estimates (provided in May 2024)

Scenario:	**Deactivate & Preserve the Property**	**Demolition & Leverage the Property**	**Renovate & Repurpose**
Scope:	• *Roof replacement* • *Power/Water/Sewer/HVAC maintained in working order* • *Property security and maintenance*	• *Demolition of all buildings* • *Post-demolition property value according to appraisal:* ***$6.5M*** • *Property security and maintenance*	• *Renovate, restructure and maintain 60,000 SF of buildings to* <u>*modern*</u> *office standard*
One-time cost estimate	*$1.25M - $1.5M*	*$750,000 - $1M*	*$8M - $12M*
Annual cost estimate	*$125,000 - $175,000*	*$10,000 - $25,000*	*$200,000 - $350,000*

Lease Agreement

Economic Development startup & small business services on Elm Street

Jeanine Jerkovic
Brian Sandusky
March 18, 2025

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Lease Agreement Overview

- **Lease Proposal Summary:**
- **10-year** lease agreement
- **Location**: Storefront on Elm Street, heart of City Center
- **Annual Lease**: $174,000 / +3% annual cost of living escalator
- **Purpose**:
  - Updated program model to serve businesses
  - Situated within active / high traffic area
  - Meet City Council’s strategic plan objectives

CITY OF SURPRISE
ECONOMIC DEVELOPMENT

AMERICA'S SBDC ARIZONA

SCORE

Ottawa University

SURPRISE
ARIZONA

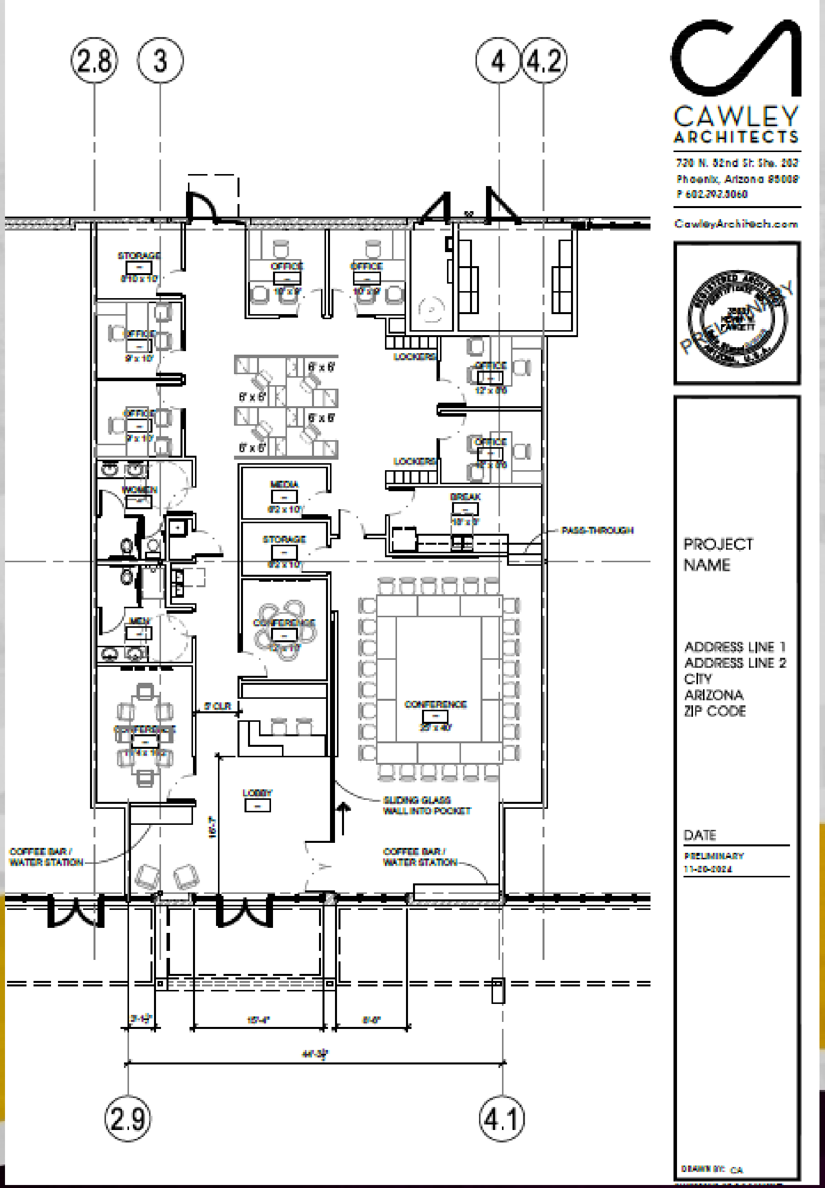
Background

- **Recap / 3 Previous Work Sessions:**
  - **May 21, 2024 Work Session**: Outlined declining property conditions + opportunity cost of the Bell & El Mirage location vs. the opportunity at a new location on Elm Street.
  - **October 15, 2024 Work Session**: Outlined new program plan / a new high-touch service/hands-on model. Presented small business survey & focus group responses.
  - **December 3, 2024 Work Session**: Provided a financial & qualitative analysis; property options considered; the new lease opportunity = net gain, provides capacity for new use options at former asset.

Additional Detail

- ***What's Happening with the 'Old' Property?*** Evaluating / City Multi-Department Property Reuse Working Group is leading a feasibility process to identify highest & best use property conditions. Sharing findings possibly mid/late 2025?
- **Updated Services**: Customized business programs; mentors; events; mixers; pitches; meeting spaces; podcast & media support, co-working options, & more!
- **What's in a name?** We've had a 'Spark' of inspiration & 'Surprise' will be in it!

Additional Detail



Lease Numbers	
Size	3,500 SF
Lease	$40/PSF
Triple Net	$8/PSF
Total	$174,000

Tenant Improvements to New Space: CIP of $360,000 earmarked for AZTC improvements may be reallocated to the new property for space improvements.

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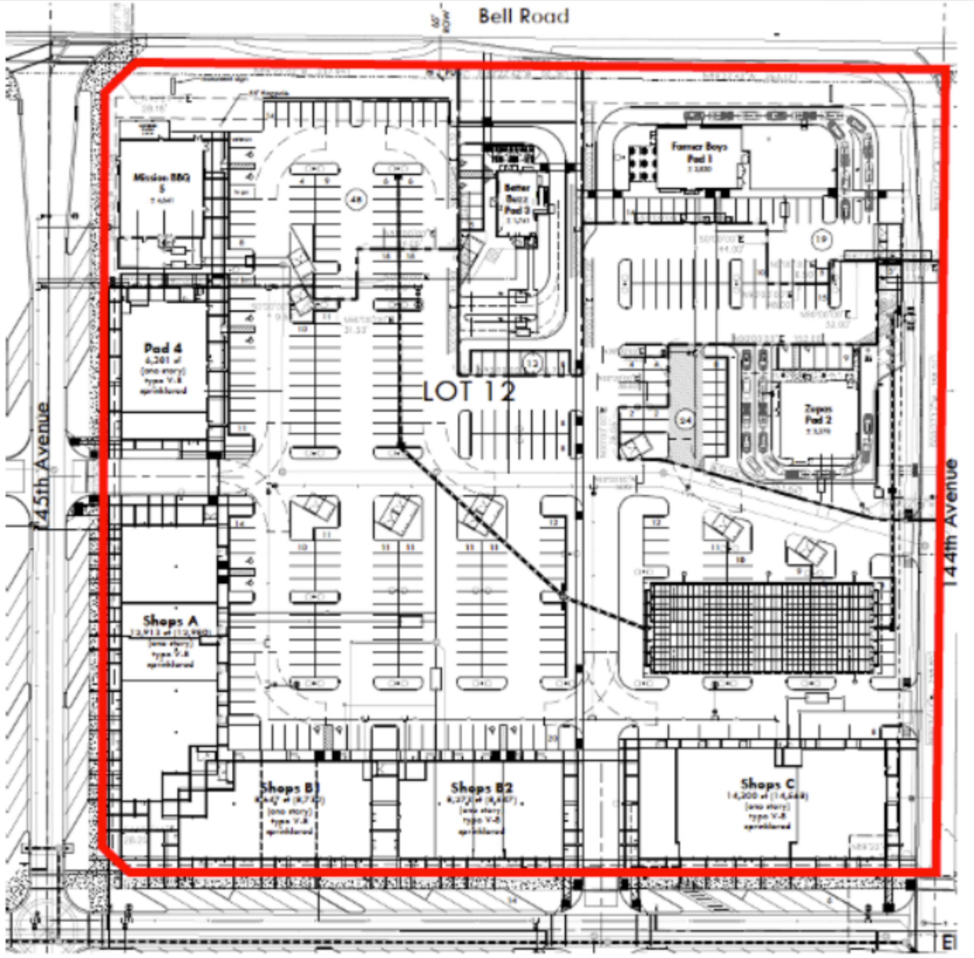
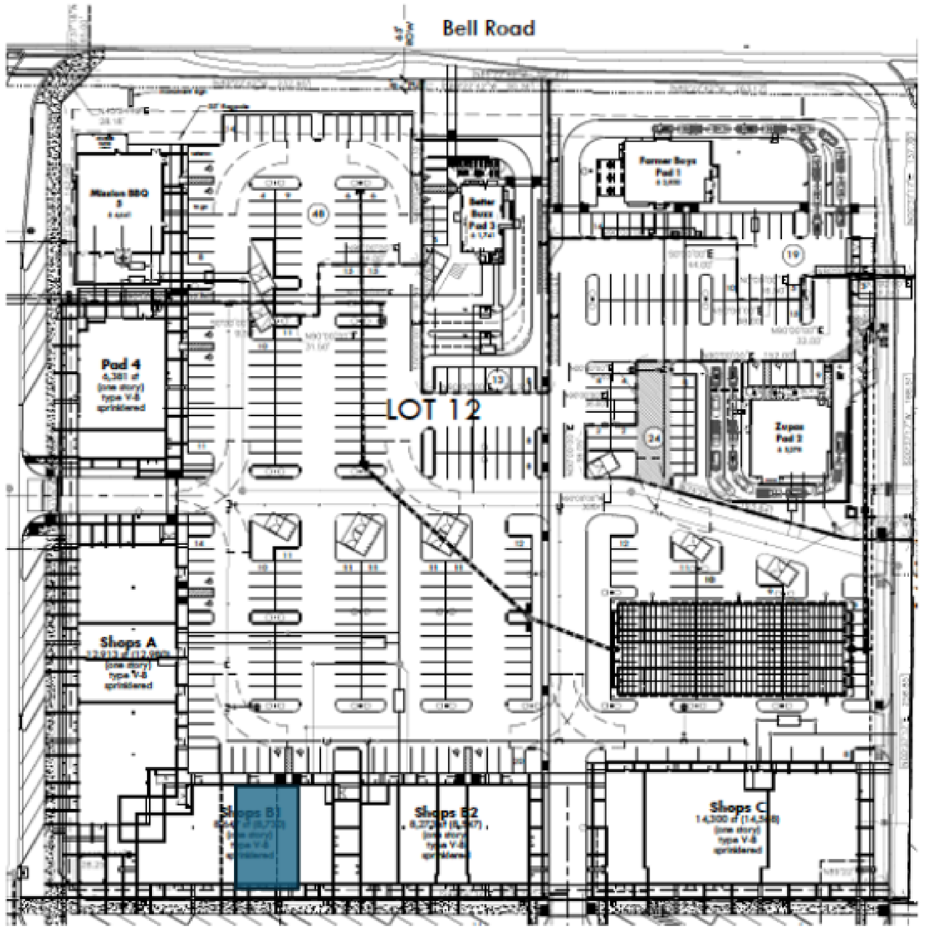
Additional Detail



SHOPPING CENTER



PREMISES

SURPRISE ARIZONA

Questions or Comments?

@SurpriseEconDev

@SurpriseEconDev

@surpriseazgov

Surprise Economic Development

THANK YOU

Jeanine Jerkovic
Jeanine.jerkovic@surpriseaz.gov
Brian Sandusky
Brian.Sandusky@surpriseaz.gov

SURPRISE ARIZONA

RESOLUTION # 2025-39

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AUTHORIZING THE CITY TO ENTER A LEASE AGREEMENT WITH CITY CENTER SIMON SURPRISE, LLC, AN ARIZONA LIMITED LIABILITY COMPANY, TO LEASE PROPERTY GENERALLY LOCATED SOUTHEAST OF BELL ROAD AND BULLARD AVENUE FOR A PERIOD OF TEN YEARS.

WHEREAS, the AZ Techcelerator was formally located in the Old City Hall, and accommodated the needs of small businesses, existing businesses, and businesses new to the community by providing mentors, training, affordable space, and a multitude of resources custom tailored for entrepreneurship and business ventures;

WHEREAS, Old City Hall is located several miles away from City Hall and Surprise City Center, including the recently constructed and improved Elm Street, the City's focal point for future "main street" City amenities;

WHEREAS, the Lease attached hereto as Exhibit A, will provide approximately 3,500 square feet of brand-new building space, to be designed and used by the City of Surprise for a relocated and rebranded version of the Techcelerator, to be known as SparkWorks Surprise;

WHEREAS, the Lease will provide business development, education, and visitor resources on Elm Street, the focus of public and private investment to make downtown amenities in Surprise City Center;

WHEREAS, the estimated Year 1 total cost of the lease is $173,544 and included in FY2026 budget;

WHEREAS, the remaining cost for future years of lease agreement will be included in future budgets;

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

<u>Section 1.</u> The Lease Agreement ("Lease") attached hereto as Exhibit A between the City of Surprise and City Center Simon Surprise, LLC, is approved.

<u>Section 2.</u> The Mayor is authorized to execute the Lease attached hereto as Exhibit A on behalf of the City.

Section 3. The City Manager, or his designee(s), is hereby authorized to execute such other documents and take such other action on behalf of the City as is reasonably necessary to implement and make effective the Lease.

APPROVED AND ADOPTED this _____day of ___________, 2025.

____
Kevin Sartor, Mayor

Attest:

____
Kristi Passarelli, City Clerk

Approved as to form:

____
Jeffrey Murray, Acting City Attorney

Resolution No. 2025-39
RFLS # 9543
Rev 06/23

EXHIBIT A

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Attest:

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Kristi Passarelli, City Clerk

Approved as to form:

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Jeffrey Murray, Acting City Attorney

Resolution No. 2025-39
RFLS # 9543
Rev 06/23

EXHIBIT A

LEASE AGREEMENT

This Lease Agreement (this "Lease") is dated for reference purposes as of _______________________, and is made and entered into by and between CITY CENTER SIMON SURPRISE, LLC, an Arizona limited liability company ("Landlord"), and CITY OF SURPRISE, ARIZONA, a municipal corporation ("Tenant" or "City").

SECTION 1: BASIC LEASE TERMS

1.01.	Shopping Center.	That real property and improvements now or to be located thereon at or near the southeast corner of Bell Road and Bullard Avenue in the City of Surprise, Maricopa County, Arizona, and more commonly known as Surprise City Center. The legal description of the land upon which the Shopping Center is or shall be is set forth on Exhibit A-1 attached hereto (the "Land") and a preliminary site plan is attached hereto as Exhibit A-2. For purposes of this Lease, the Shopping Center shall initially consist of the portion of the Surprise City Center development shown on Exhibit A-2, all improvements constructed thereon, together with such additions and deletions as Landlord may from time to time designate for the Shopping Center. Landlord may, from time to time, designate additions, deletions and other changes to the Shopping Center. Tenant acknowledges that the scope and configuration of the Shopping Center may change from time to time as portions thereof are developed, and that portions thereof may be condominiums, parcelized, subdivided or otherwise sold separate and apart from other portions thereof, and that as a result thereof, notwithstanding anything to the contrary contained in this Lease, Landlord may elect to exclude such portions of the Surprise City Center development from the Shopping Center. The Shopping Center shall consist of those portions of the Surprise City Center development that Landlord may elect, in Landlord's sole discretion, to include in such term from time to time.
1.02.	Shopping Center Area.	Approximately 50,000 square feet.
1.03.	Premises.	That certain space located within the Shopping Center leased to Tenant, pursuant to the terms and conditions of the Lease, as generally depicted on Exhibit A-3 attached hereto.
1.04.	Premises Area.	Approximately Three Thousand Five Hundred (3,500) square feet located within Shops B, as shown on Exhibit A-3 attached hereto.
1.05.	Landlord's Notice Address.	CITY CENTER SIMON SURPRISE, LLC c/o SimonCRE 6900 East 2nd Street Scottsdale, Arizona 85251 Attn: Joshua Simon Telephone: (480) 745-1956 Facsimile: (480) 588-4150
1.06.	Tenant's Notice Address.	CITY OF SURPRISE c/o Economic Development Department 16000 N Civic Center Plaza Surprise, Arizona 85374 Attn: Brian Sandusky, Project Manager Telephone: (623) 222-3322 Facsimile: Email Address: Brian.Sandusky@SurpriseAZ.Gov
1.07.	Tenant's Trade Name.	SparkWorks Surprise

1.08. Intentionally Deleted.

1.09. Tenant's Use. Tenant shall operate its SparkWorks Surprise from the Premises. The City of Surprise's SparkWorks Surprise offers programs designed to accommodate the needs of small businesses, existing businesses, and businesses new to the community by providing mentors, training, affordable space, and a multitude of resources custom tailored for entrepreneurship and business ventures. Surprise's SparkWorks Surprise may be used to transform ideas and amplify impact on the rapidly growing world of technological innovation. The SparkWorks Surprise offers space and a place to cultivate success through community, collaboration and coaching from reputable business professionals. (The "Permitted Use").

1.10. Initial Lease Term. Ten (10) Lease Years commencing on the Rent Commencement Date.

1.11. Base Rent.

Period	Base Rent per SF per Year	Base Rent per month
Initial Term:		
1st Lease Year	$40.00	$11,666.67
2nd Lease Year	$41.20	$12,016.67
3rd Lease Year	$42.44	$12,377.17
4th Lease Year	$43.71	$12,748.48
5th Lease Year	$45.02	$13,130.94
6th Lease Year	$46.37	$13,524.86
7th Lease Year	$47.76	$13,930.61
8th Lease Year	$49.19	$14,348.53
9th Lease Year	$50.67	$14,778.98
10th Lease Year	$52.19	$15,222.35

First Extension Term:

Base Rent payable by Tenant during the First Extension Term shall be adjusted as set forth in Exhibit H attached hereto.

Second Extension Term:

Base Rent payable by Tenant during the Second Extension Term shall be adjusted as set forth in Exhibit H attached hereto.

Any agreement by Landlord for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Landlord to or for Tenant of any cash or other bonus, inducement or consideration for Tenant's entering into this Lease, including, but not limited to, any tenant allowance, all of which concessions are hereinafter referred to as "Inducement Provisions" shall be deemed conditioned upon Tenant's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Tenant during the Initial Term hereof. If an event of default occurs during the first (1st) Lease Year, then any such Inducement Provision shall automatically be deemed deleted from the Lease and of no further force or effect.

SECTION 2: TERM; OPTIONS TO EXTEND

2.01. Lease Term. Except as set forth herein below, this Lease shall be effective and binding upon the mutual execution and delivery of this Lease and the "Initial Term" of this Lease commences upon the Rent Commencement Date and shall continue for the number of Lease Years set forth in Section 1.10 above. A "Lease Year" consists of twelve (12) consecutive calendar months, commencing on the Rent Commencement Date and expiring on the last day of the twelfth (12) full calendar month thereafter. The first Lease Year is the period beginning on the Rent Commencement Date and ending one (1) year after the last day of the month preceding the month in which the Rent Commencement Date occurs. The second Lease Year shall begin on the day after the end of the first Lease

Year, and shall end one (1) year after the end of the first Lease Year. The third and subsequent Lease Years shall begin and end on the appropriate anniversary dates of the beginning and ending dates of the second Lease Year. The Initial Term and all exercised Extension Terms (as defined in Exhibit H attached hereto), are sometimes collectively referred to herein as the “Lease Term”.

2.02. Appropriation of Funds. This Lease and the terms and rent provisions hereof, are subject to the City’s appropriation of funds. The City is a governmental agency which relies upon the appropriation of funds by its governing body to satisfy its obligations. The City represents that it intends to pay all monies due under this Lease if such funds have been legally appropriated. However, in the event that an appropriation is not granted and operating funds are not otherwise legally available to pay the monies due or to become due under this Lease, the City shall have the right to terminate this Lease without penalty on the last day of the fiscal period for which funds were legally available. In the event of such termination, City shall provide thirty (30) calendar days’ written notice to Landlord of the Tenant intent to terminate this Lease.

2.03. Options to Extend. See Exhibit H attached hereto.

SECTION 3: POSSESSION AND USE

3.01. Substantial Completion; Occupancy and Delivery of Possession. Tenant shall accept delivery of possession of the Premises upon receipt from Landlord of notice that the Delivery Date has occurred. As used herein, “Delivery Date” means the date that the Premises are available for occupancy by Tenant and Landlord has achieved substantial completion of Landlord’s Work as described in Exhibit B hereto. As used herein, “substantial completion of Landlord’s Work” means the date on which Landlord notifies Tenant that Landlord’s Work at the Premises is substantially complete notwithstanding the fact that minor or insubstantial details of construction, mechanical adjustment or decoration remain to be performed, it being understood and agreed that Landlord will not be required to install or complete all items of Landlord’s Work (such as heating, air conditioning and sprinkler systems, if applicable) until Tenant has commenced construction of Tenant’s Work and completed portions of same to a point when Landlord may reenter the Premises and complete all items of Landlord’s Work. Upon or within a reasonable period after the Delivery Date, Landlord may deliver a notice to Tenant setting forth the date of such delivery of possession and other key dates as provided herein in substantially the same form as attached hereto as Exhibit C.

3.02. Declaration; Rules and Regulations. Tenant acknowledges that, subject to the terms of Section 20.01 of this Lease, the Shopping Center and Premises are subject to the Declaration. As used herein, “Declaration” means, collectively, any deed or title restrictions, covenants, conditions and restrictions as may at any time or from time to time affect the Shopping Center or the Premises, or as same may be changed, amended, modified or supplemented, including but not limited to that certain (i) Declaration of Conditions Covenants, Restrictions and Easements recorded on July 8, 2004 as Instrument No. 20040784730 as amended by that certain First Amendment to Declaration of Conditions, Covenants, Restrictions and Easements recorded on February 8, 2013 as Instrument No. 20130129233, and (ii) Common Operation and Reciprocal Easement Agreement recorded on August 31, 2023 as Instrument No. 20230459323 in the Official Records of Maricopa County, State of Arizona. Tenant and all persons in possession or holding under Tenant shall at all times abide by the terms, conditions and restrictions of the Declaration and all amendments, modifications, extensions, renewals and replacements thereof. Tenant acknowledges that this Lease shall be subject to the Declaration, and the Declaration shall be binding upon Landlord, Tenant and the Shopping Center and run with the land. Tenant acknowledges that this Lease is subject and subordinate to all laws, including, without limitation, the Rules and Regulations, a copy of which are attached to this Lease as Exhibit E and Tenant agrees to comply with and observe all of the Rules and Regulations. Landlord may reasonably and in a non-discriminatory fashion amend the Rules and Regulations from time to time in Landlord’s reasonable discretion, provided that no such amendment may violate the terms of this Lease.

3.03. “As Is” and “Where Is” Condition; Nuisance. Subject to Landlord’s Work as described in Exhibit B hereto, Tenant shall accept the Premises in its “as is” and “where is” condition. Tenant shall not commit or suffer to be committed any waste upon the Premises or any nuisance or other act or thing which may disturb the quiet enjoyment of any other tenant or occupant of the Shopping Center.

3.04. Tenant’s Permitted Use; Use Restrictions; Permissibility of Tenant’s Use. Tenant shall use the Premises continuously and without interruption only for the Permitted Use specified in Section 1.09 hereof and Tenant shall not use or permit the Premises to be used for any other purpose whatsoever without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Tenant agrees that it shall be reasonable for Landlord to withhold its consent to a proposed change in the use if such proposed use (i) violates any current exclusive use of another tenant within the Shopping Center, (ii) is a use that is prohibited under the Declaration, or (iii) duplicates a primary use of another tenant in the Shopping Center. Tenant shall not use the Premises in violation of law or governmental regulation or in any manner that disturbs, trespasses on or adversely interferes with the business of any other tenant of the Shopping Center. Notwithstanding the foregoing, the Parties agree and acknowledge that the Tenant's use of the Premises in accordance with Section 1.09 hereof shall at all times be deemed to be compatible and consistent with, and to not interfere with, the business of any other tenant of the Shopping Center. Tenant shall not use, generate, release, store or dispose of any hazardous materials at the Premises and shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to emanate from the Premises. Tenant shall be responsible for complying with any and all covenants, conditions and/or restrictions of record and all provisions of the applicable municipal zoning code pertaining to the Shopping Center. Tenant shall be solely responsible at its sole cost and expense for obtaining any required special use permits to operate its business. Landlord and its representatives, agents, brokers or employees have made no representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business. Tenant shall be solely responsible for investigating and determining the permissibility, propriety and legality of Tenant's proposed use(s) within the Premises. Tenant shall comply with the rules and regulations governing the Shopping Center attached hereto as Exhibit E and such other reasonable rules and regulations that apply uniformly to all tenants of the Shopping Center as may be promulgated from time to time by Landlord related to the security and operation of the Shopping Center provided that Tenant receives advance written notice of any such other rules and regulations. Tenant shall in no event use the Premises for any of the exclusive, prohibited or restricted uses set forth on Exhibit G attached hereto and made a part hereof.

SECTION 4: RENT

4.01. Rent Commencement Date; Fixturization Period. The "Rent Commencement Date" shall occur on the date that is the earlier of (i) one hundred fifty (150) days following the Delivery Date; or (ii) the date that Tenant opens for business in the Premises. The period commencing on the Delivery Date and expiring the day before the Rent Commencement Date is defined herein as the "Fixturization Period". On or within a reasonable time after the Rent Commencement Date, upon the request of Landlord, Tenant shall execute a written memorandum confirming the Rent Commencement Date; provided, however, should Tenant fail to execute such memorandum and/or fail to reasonably object to the Rent Commencement Date designated in the memorandum within five (5) business days of receipt of same, the Rent Commencement Date in the memorandum prepared by or on behalf of Landlord shall be deemed correct, subject to a commercially reasonable and good faith dispute by the Tenant.

4.02. Base Rent. Subject to Section 2.02, Tenant shall pay to Landlord the guaranteed base rent ("Base Rent") set forth in Section 1.11 hereof, at Landlord's notice address designated in Section 1.05 hereof. The Base Rent is due in advance in equal monthly installments without setoff or deduction, notice or demand, and continuing thereafter due on or before the first (1st) day of each succeeding calendar month. The monthly Base Rent for any portion of a calendar month shall be prorated based upon the total number of days in such month. During any period of time when Base Rent may be abated in part or in full, if applicable, and subject to Section 2.02, Tenant shall remain obligated to pay all other charges due and payable under this Lease.

4.03. Late Fee, Returned Checks, Interest. Subject to Section 2.02, Landlord and Tenant agree that in the event Tenant fails to pay any installment of Base Rent or Additional Rent on or before the date due, such unpaid amounts shall bear interest at the rate of twelve percent (12%) per annum from the date due to the date of payment. In addition to such interest, if Tenant shall fail to pay any monthly installment of Base Rent or Additional Rent (as defined hereinbelow) on or before the date such installment is due, Tenant shall pay to Landlord a late charge equal to ten percent (10%) of the past due amount. If any check given by Tenant to Landlord is dishonored by reason of insufficient funds or any other reason, then Tenant shall pay Landlord an additional charge of Fifty and 00/100 Dollars ($50.00) for each dishonored check. Further, at any time after the receipt by Landlord of a dishonored check, then Tenant shall, at the option of Landlord and upon written notice to Tenant, remit all future amounts payable to Landlord hereunder by cashier's check or other bank certified funds. Tenant acknowledges that the foregoing late charges and fees represent a fair and reasonable estimate of the costs that Landlord will incur by reason of late or dishonored payments by Tenant. Nothing contained in this Lease shall be deemed to permit Tenant to delay the payment of any amount of money and acceptance of a late charge or fee by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any right or remedy granted under this Lease.

SECTION 5: SECURITY DEPOSIT; PREPAID RENT

Upon Tenant's execution and delivery of the Lease, Tenant shall deposit with Landlord the sums in the amounts of (i) Seventeen Thousand Three Hundred Sixty Six and 22/100 Dollars ($17,366.22) (the "Security Deposit"); and (ii) Thirteen Thousand Three Hundred Ten and 00/100 Dollars ($13,310.00) the "Prepaid Rent"). The Prepaid Rent shall be applied towards the Base Rent payable for the first month of the Lease Term. The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of the Lease and any renewals or extensions thereof. If Tenant defaults hereunder, Landlord may apply or retain all or any part of the Security Deposit for the payment of any sum due hereunder and/or for any amount which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. Upon the application or retention of any or all of the Security Deposit, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount and Tenant's failure to do so shall be a default under the Lease. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on such Security Deposit. If Tenant shall fully and faithfully perform every provision of the Lease to be performed by it, the Security Deposit or any remaining balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within thirty (30) days following expiration of the Lease Term. In the event of a sale or other transfer of the Premises by Landlord, Landlord shall transfer any and all of the remaining balance of the Security Deposit to Landlord's successor-in-interest and, thereupon, the selling/transferring Landlord shall be discharged from any further liability with respect such Security Deposit. The preceding sentence shall apply to each and every subsequent sale or transfer of the Premises.

SECTION 6: TAXES

6.01. Real Estate Taxes Defined. "Real Estate Taxes" means (i) all real estate taxes and assessments on the Property, and taxes and assessments levied in substitution or supplementation in whole or in part of such taxes, (ii) all personal property taxes for the Property's personal property, including license expenses, (iii) all taxes imposed on services of Landlord's agents and employees, (iv) all sales, use or other tax, excluding state and/or federal income tax now or hereafter imposed by any governmental authority upon rent received by Landlord, (v) all other taxes, fees or assessments now or hereafter levied by any governmental authority on the Property or its contents or on the operation and use thereof (except as relate to specific tenants), and (vi) all reasonable costs and fees incurred in connection with seeking reductions in or refunds in Real Estate Taxes including, without limitation, any costs incurred by Landlord to challenge the tax valuation of any portion of the Property, but excluding income taxes.

6.02. Tenant's Pro Rata Share of Real Estate Taxes. Beginning on the Rent Commencement Date, and thereafter on the first (1st) day of each calendar month during the Lease Term, Tenant shall pay to Landlord, as Additional Rent, one-twelfth (1/12) of an amount estimated by Landlord to be Tenant's pro rata share of the total Real Estate Taxes for that calendar year or balance thereof. Landlord's estimate of Tenant's pro rata share of Real Estate Taxes shall be made at the beginning of each calendar year and Landlord may adjust each estimate by providing Tenant with notice and evidence of the adjusted estimate. For purposes of Real Estate Taxes, "pro rata share" shall mean a fraction, the numerator of which shall be the gross leasable floor area of the Premises, and the denominator of which shall be the gross leasable floor area of the building or buildings which are part of the tax parcel on which the Premises are located (as the same may be adjusted from time to time). Real Estate Taxes for any partial calendar year shall be apportioned and adjusted so that Tenant shall not be responsible for Real Estate Taxes accruing prior or subsequent to the Lease Term.

6.03. Reconciliation of Real Estate Taxes. See Section 7.09 of this Lease.

6.04. Transaction Privilege Tax. In addition to and together with the Base Rent and Additional Rent, Tenant shall pay to Landlord the transaction privilege tax levied or imposed upon Landlord by any federal, state, county, city and municipal authority (other than income and/or estate taxes) attributable to or measured by the commercial rental income and other charges or prorations payable by Tenant pursuant to the Lease ("Privilege Tax").

6.05. Personal Property Taxes. Tenant shall pay all taxes assessed against the leasehold interest on personal property owned or placed in the Premises by Tenant prior to delinquency and prior to same becoming a lien on the Premises. Tenant shall protect and hold harmless Landlord and the Premises from any and all liability for Tenant's share of any and all such personal property taxes, assessments and charges together with any interest, penalties or other charges thereby imposed, and from any sale or other proceedings to enforce payment thereof.

SECTION 7: COMMON AREAS AND COMMON AREA MAINTENANCE EXPENSES

7.01. Common Areas Defined. “Common Areas” means all areas and facilities in the Shopping Center that are within the exterior boundaries and ingress and egress roadways of the Shopping Center, which are now or in the future available for general use, convenience and benefit of Landlord, Tenant and all other tenants and other Persons entitled to occupy floor space in the Shopping Center, including, without limitation, all parking areas, parking structures, driveways, open and enclosed courts and malls, sidewalks, walkways, service corridors, loading platforms, canopies, elevators, escalators, washrooms, signs, lounges, landscaped and planted areas, shelters, service areas and all other service facilities and equipment, if any.

7.02. Tenant’s Use of Common Areas. Landlord grants to Tenant and its agents, employees, licensees, invitees and contractors a non-exclusive right to use the Common Areas during the Lease Term. Tenant shall keep all Common Areas free and clear of any obstructions created or permitted by Tenant or resulting from Tenant’s operations. Tenant shall permit the use of Common Areas only for their intended purposes, including vehicular and pedestrian access, ingress and egress and parking. If the amount of the Common Areas is diminished at any time during the Lease Term, Landlord shall not be subject to any liability nor shall Tenant be entitled to any compensation or diminution or abatement of rent, nor shall the diminution in size of the Common Areas be deemed constructive or actual eviction.

7.03. Landlord’s Control of Common Areas. Landlord shall have exclusive control of the Common Areas, and may, without limitation, lease space within the Common Areas to tenants for the sale of merchandise or services, and permit advertising displays, educational displays and entertainment in the Common Areas. None of the foregoing shall materially adversely affect the visibility or accessibility of the Premises.

7.04. Landlord’s Right to Reconfigure and Limit Tenant Parking Spaces; Parking Lots. Notwithstanding anything herein to the contrary, Landlord shall have the right, to reconfigure the parking facilities within the Common Areas or any other parking area at the Shopping Center so long as any such reconfiguration does not materially affect Tenant and Tenant's use of the Premises.

7.05. Landlord’s Maintenance Responsibilities. Landlord shall be responsible for keeping the Common Areas neat, clean and orderly, properly lighted and landscaped, and shall cause to be repaired any damage to Common Areas facilities. Landlord shall not be liable to Tenant on account of its failure to maintain or make repairs in connection with the Common Areas unless Tenant shall have given Landlord written notice of the necessity for such maintenance or repairs and has afforded Landlord a reasonable opportunity to effect same after such notice and provided that any damage arising therefrom shall not have been caused by the negligence, willful act or omission of Tenant.

7.06. Fixed Common Area Costs Charge. From and after the Rent Commencement Date and throughout the Lease Term, Tenant will pay to Landlord, as Additional Rent, Tenant’s share of the costs and expenses paid by Landlord related to the maintenance, operation, management, replacement, repair and the keeping of the Common Areas (the “Fixed Common Area Costs Charge”). For the first Lease Year of the Term, the Fixed Common Area Costs Charge shall be Three and 50/100 Dollars ($3.50) per square foot of the floor area of the Premises. The Fixed Common Area Costs Charge shall increase on the first day of the second Lease Year (and on the same day each year thereafter) by three percent (3%). The Fixed Common Area Costs Charge shall not include (a) Real Estate Taxes, (b) utilities, (c) security, (d) Landlord’s insurance premiums, or (e) non-recurring expense items (e.g., clean-up after a major weather event such as a monsoon storm) (collectively, the “Non-Controllable Operating Expenses”) and Tenant shall pay to Landlord, as Additional Rent, Tenant’s pro rata share of Non-Controllable Operating Expenses in accordance with the terms of this Lease. Below is the amount of the Fixed Common Area Costs Charge for the first year of the Lease Term and Landlord’s estimates of the Non-Controllable Operating Expenses for the first year of the Lease Term.

First Lease Year *	Base Rent	Fixed CAM Charge	Real Estate Taxes	Insurance	Common Area Utilities	Security & Non-Recurring Charges	Totals for 3,500 SF
Per SF Per Year	$40.00	$3.50	$3.00	$0.50	$0.50	$0.50	$48.00
Annual Amount	$140,000.00	$12,250.00	$10,500.00	$1,750.00	$1,750.00	$1,750.00	($168,000.00 Plus TPT) $173,544.00
Monthly Amount	$11,666.67	$1,020.83	$875.00	$145.83	$145.83	$145.83	($14,000.00 Plus TPT) $14,462.00

* Such amount is an estimate only and is subject to (i) adjustment by Landlord as set forth in this Lease, and (ii) year-end reconciliation as set forth in this Lease. Tenant shall be liable for Tenant's actual pro rata share of Non-Controllable Operating Expenses regardless of whether Landlord's estimate is greater or less than Tenant's actual obligation.
TPT = Transaction Privilege Tax (City 2.8% & County 0.50%)

7.07. Payment of Fixed Common Area Costs Charge. The Fixed Common Area Costs Charge shall be paid by Tenant to Landlord in equal monthly installments on the first day of each calendar month during the Lease Term in an amount equal to one-twelfth (1/12th) of such amount and shall be payable without setoff, deduction, notice or demand. The amount due for any partial calendar months shall be prorated based upon the actual number of days in said month.

7.08. Tenant's Pro Rata Share of Non-Controllable Operating Expenses. Tenant's pro rata share of the annual charges for Non-Controllable Operating Expenses shall be paid by Tenant to Landlord, as Additional Rent, in advance in monthly installments beginning on the Rent Commencement Date in an amount reasonably estimated by Landlord, and shall be payable without setoff, deduction, notice or demand. Landlord's estimate of Tenant's pro rata share of Non-Controllable Operating Expenses shall be made at the beginning of each calendar year and Landlord may adjust each estimate by providing Tenant with notice of the adjusted estimate. For purposes of as Non-Controllable Operating Expenses, "pro rata share" shall mean a fraction, the numerator of which shall be the gross leasable floor area of the Premises, and the denominator of which shall be the gross leasable floor area of the Shopping Center (as the same may be adjusted from time to time).

7.09. Reconciliation of Non-Controllable Operating Expenses. Within one hundred (120) days following the end of each calendar year during the Lease Term, Landlord shall furnish Tenant a statement of the actual Non-Controllable Operating Expenses paid or incurred by Landlord during the previous calendar year, in reasonable detail and prepared in accordance with sound accounting practices. If Tenant's actual pro rata share of Non-Controllable Operating Expenses exceeds the payments made by Tenant during the previous calendar year, Tenant shall pay Landlord the deficiency within fifteen (15) days following Tenant's receipt of such notice. If the actual payments made by Tenant during the previous calendar year exceed Tenant's actual pro rata share of Non-Controllable Operating Expenses, Tenant shall be entitled to, subject to any offsets or monies due to Landlord by Tenant, a credit or, if the Lease has expired, a refund.

SECTION 8: MAINTENANCE AND REPAIRS OF PREMISES

8.01. Tenant's Obligations. Except as otherwise expressly set forth in Section 8.02 below, Tenant shall, at Tenant's sole cost and expense, repair and maintain the Premises in good and tenantable condition (except that portion of the Premises to be maintained by Landlord as provided in Section 8.02 hereof), including, without limitation, the following that are dedicated to and reserved solely for use in or by the Premises: utility meters, fixtures, heating, ventilation and air conditioning equipment (the "HVAC System"), electrical equipment, plumbing fixtures, pipes and conduits within the interior boundaries of the Premises, storefront, Tenant's signs, locks, windows, doors and floors Tenant shall repair and maintain the Premises in the same or substantially similar manner in which Tenant maintains its own public facilities including, but not limited to, City Hall. Tenant shall also provide for pest extermination as set forth in Exhibit E attached hereto. Tenant shall keep the outside areas immediately adjoining the Premises free of any obstructions, rubbish and/or merchandise with the exception of any merchandise necessary for the Tenant's use and/or advertisement of Tenant's occupation of the Premises. Tenant shall not erect on the roof or exterior walls of the Premises any aerial, satellite dish or other item requiring roof penetration without the prior written consent of Landlord. If Tenant fails to maintain or repair the Premises as required herein, Landlord shall provide notice to the Tenant that said repairs and/or maintenance are required. In the event Tenant fails to make such repairs and/or maintenance within a reasonable time, but not more than sixty (60) days after receiving notice from Landlord, Landlord may make such repairs at Tenant's cost plus twenty percent (20%) of such cost as overhead.

8.02. Landlord's Obligations. Subject to Section 8.01 hereof, Landlord shall keep, repair and maintain in good and tenantable condition the structural portions of the roof and roof membrane (including replacements thereof) and exterior walls, structural parts of the Premises and structural floor, pipes and conduits outside the Premises for the furnishing to the Premises of various utilities (except to the extent that such repairs may be the obligation of the appropriate public utility company). Landlord shall not be required to make repairs necessitated by the negligence, acts or omissions of Tenant or its agents, employees, licensees, invitees and contractors or by reason of the failure by Tenant to perform or observe any of its obligations herein. In no event shall Landlord be liable to Tenant on account of its failure to maintain or make repairs as provided herein unless Tenant shall have given Landlord written notice of the necessity for such maintenance or repairs and has afforded Landlord a reasonable opportunity to effect same after such notice.

8.03. Entry. Landlord and/or its agents have the right to enter the Premises at any time without prior notice to Tenant to make emergency repairs. In the event of non-emergency repairs, Tenant shall permit Landlord and/or its agents, upon prior notice of at least 24 hours, to enter the Premises during usual business hours to inspect and make repairs.

8.04. HVAC Replacement. So long as Tenant properly maintains and repairs the HVAC System in accordance with manufacturing specifications, if any HVAC unit or any major component thereof cannot feasibly be repaired, but requires replacement during the Lease Term, Landlord shall replace said unit or said major component in accordance with the requirements of this Section. If, during the Lease Term, Tenant believes that an HVAC unit serving the Premises or a major component of an HVAC unit serving the Premises cannot feasibly be repaired, Tenant shall deliver written notice to Landlord and Landlord shall have five (5) days following receipt of said notice from Tenant to engage its consultants and technicians to inspect the HVAC unit. Landlord shall then have five (5) days following the date of the inspection referenced in the preceding sentence to provide Tenant with Landlord's findings regarding the HVAC unit and, if the findings of Landlord's consultants and technicians indicate that the HVAC unit (or major component thereof) cannot feasibly be repaired, Landlord shall, at Landlord's sole cost and expense, replace the HVAC unit or major component thereof (as the case may be).

SECTION 9: BASE BUILDING IMPROVEMENTS; TENANT'S IMPROVEMENTS; PLANS

9.01. Base Building Improvements. Landlord agrees to complete within the Premises, at Landlord's sole cost and expense, the Base Building Improvements, as described in Exhibit B attached hereto.

9.02. Approval of Base Building Plans by Tenant. On or about that date that Landlord submits construction drawings to the appropriate governmental authority for the Base Building Improvements ("Landlord's Preliminary Plans"), Landlord will deliver Landlord's Preliminary Plans to Tenant. Tenant shall approve or provide comments to Landlord's Preliminary Plans within fifteen (15) days following Tenant's receipt of Landlord's Preliminary Plans. Landlord shall revise Landlord's Preliminary Plans in accordance with Tenant's comments (provided that such comments do not materially increase the cost of Landlord's Work) and incorporate such revisions into Landlord's Preliminary Plans. Failure by Tenant to approve or provide comments to Landlord's Preliminary Plans within (15) days following Tenant's receipt of Landlord's Preliminary Plans shall be deemed approval by Tenant of Landlord's Preliminary Plans. The version of Landlord's Preliminary Plans that are approved (or deemed approved) by Tenant shall be referred to herein as "Landlord's Approved Plans" and Landlord shall submit Landlord's Approved Plans to the appropriate governmental authority for approval. Upon receipt of approval of Landlord's Approved Plans by the appropriate governmental authority, Landlord shall deliver to Tenant the final approved set of plans for Landlord's Work (the "Base Building Plans"). Nothing herein shall obligate Tenant, as the appropriate governmental authority for the Base Building Improvements, to approve Landlord's Preliminary Plans, Landlord's Approved Plans or the

Base Building Plans. Landlord's Preliminary Plans, Landlord's Approved Plans and the Base Building plans shall be reviewed by Tenant in accordance with all applicable codes, laws and regulations.

9.03. Tenant Improvements. In addition to the Base Building Improvements, Landlord shall construct the Tenant Improvements. "Tenant Improvements" shall mean the scope of work set forth in the Tenant Improvement Plans (as defined in Section 9.05 below), and as set forth in Exhibit B attached hereto. The Tenant Improvements shall be designed as described in Section 9.04 below. Subject to the terms set forth in Exhibit I attached hereto, Tenant shall pay all direct and indirect costs in connection with design and construction of the Tenant Improvements. Such costs of Landlord may include, without limitation, space planning costs, construction documentation preparation costs (inclusion the costs to prepare the Tenant Improvement Plans), design costs, general conditions, construction costs and all costs incurred by Landlord in connection with obtaining permits for the Tenant Improvements.

9.04. Space Plan/Pricing Document. Promptly, but not later than sixty (60) days following the Effective Date, Tenant will provide Landlord with a space plan for the Tenant Improvements, which space plan will be (a) prepared by a space planner or architect, and (b) subject to Landlord's reasonable approval. The cost of preparation of the space plan shall be paid by Landlord and charged against the Tenant Improvement Allowance in the amount of One Hundred Fifty-Nine Thousand Seven Hundred Twenty and 00/100 Dollars ($159,720.00), as set forth in Exhibit I attached hereto. The space plan must (a) be compatible with the base building and the mechanical components of the base building (as reasonably determined by Landlord), (b) indicate, in reasonable detail, the design and appearance of the finishing material Landlord will use in connection with installing the Tenant Improvements, (c) contain such other detail or description as may be necessary to adequately outline the scope of the Tenant Improvements, (d) conform to all applicable governing codes and ordinances; and (e) otherwise contain all information necessary for construction cost estimating.

9.05. Approval of Tenant Improvement Plans by Tenant. After Landlord approves Tenant's space plan, Landlord shall arrange for the preliminary plans for the Tenant Improvements (the "Preliminary TI Plans") to be prepared and Landlord shall deliver the Preliminary TI Plans to Tenant. Tenant shall have fifteen (15) days following receipt of the Preliminary TI Plans to deliver any objections to the Preliminary TI Plans to Landlord. Failure by Tenant to approve or provide comments to the Preliminary TI Plans within (15) days following receipt of the Preliminary TI Plans shall be deemed approval by Tenant of the Preliminary TI Plans. In the event that Tenant provides Landlord with reasonable written objections to the Preliminary TI Plans within said fifteen (15) period, Landlord shall promptly revise the Preliminary TI Plans and resubmit the Preliminary TI Plans to Tenant for Tenant's approval, and such process shall continue until Tenant approves the Preliminary TI Plans. The version of the Preliminary TI Plans that are approved (or deemed approved) by Tenant shall be referred to herein as the "Approved TI Plans," and Landlord shall submit the Approved TI Plans to the appropriate governmental authority for approval. The version of the Approved TI Plans that is approved by the appropriate governmental authority shall be referred to herein as the "Tenant Improvement Plans" and Landlord shall construct the Tenant Improvements in accordance with the Tenant Improvement Plans. The cost of preparation of the Tenant Improvement Plans shall be paid by Landlord and charged against the Tenant Improvement Allowance.

9.06. Tenant Improvement Allowance. See Exhibit I attached hereto.

SECTION 10: ALTERATIONS AND IMPROVEMENTS TO THE PREMISES

Tenant may, at Tenant's sole cost and expense, after giving Landlord advance written notice of at least twenty (20) days, make such alterations and improvements to the interior of the Premises (except those of a structural nature) as Tenant may find necessary or convenient for Tenant's purposes, provided that the value of the Premises is not thereby diminished. In no event, however, may alterations or improvements costing more than Twenty-Five Thousand and 00/100 Dollars ($25,000.00) in the aggregate be made without first obtaining the written consent of Landlord. No changes may be made by Tenant to the exterior or roof of the Premises and Tenant may not penetrate the ceiling without written permission from Landlord. Tenant shall be responsible for any and all damages resulting from any construction by or at the direction of Tenant in or about the Premises and all such work shall be done in accordance with the laws and regulations of relevant governmental authorities. Tenant and its contractors shall carry adequate liability and workers' insurance covering any work done at the Premises on or at the direction of Tenant.

SECTION 11: SIGNS AND ADVERTISING

So long as Tenant obtains the prior written approval of Landlord and complies with all applicable laws in connection therewith and the terms of the Declaration, Tenant shall be entitled to the maximum signage Allowable Under Applicable Laws for the Premises. “Allowable Under Applicable Laws” means signage which is not prohibited by the express provisions of any applicable governmental rules, codes and regulations and/or which may be permitted as non-conforming uses, grandfathered rights, variances, special permits or other exceptional rights obtained at any time by Lessee. Tenant shall submit to Landlord, for Landlord’s written approval, a set of drawings showing the dimensions and specifications of Tenant’s proposed signs to be installed by Tenant at the Premises. Landlord shall approve all of Tenant’s proposed signs, lighting, window treatments and displays visible from the outside of the Premises, in Landlord’s reasonable discretion and subject to all applicable Laws. Tenant may erect, maintain and replace from time to time upon Premises any permanent or temporary exterior signage on the front, rear and side walls, glass surfaces, windows and doors (including any secondary signage), any permanent or temporary interior signage, including signage on the glass surfaces, windows and doors, posters, all directional signs, banners, spanners, grand opening signage and trademark items as it may deem proper and as is Allowable Under Applicable Laws. Landlord shall (i) cooperate with and assist Tenant, at no out of pocket cost or expense to Landlord, in its efforts to obtain any rezoning, variance or other permits or approvals requested by Tenant in order to obtain any such signage, and (ii) take no action which would diminish the amount of signage that may be obtained by Tenant for the Premises. Tenant shall be responsible for the cost of all maintenance related to Tenant’s signage.

SECTION 12: MECHANIC’S LIENS

Tenant shall pay for all work done at the Premises by Tenant or its contractors and shall keep the Premises and Shopping Center free and clear of all mechanic’s liens, materialmen’s liens and other liens on account of work done or materials supplied to Tenant or any person or entity claiming under Tenant.

SECTION 13: UTILITIES

Tenant shall, on or before the Delivery Date, transfer all billings of the utilities to its name and promptly pay for all gas, electricity, water, sewer, telephone and other utilities, temporary and permanent, that are delivered to or otherwise provided to the Premises. If any utilities are not separately billed to Tenant via separate meter(s), Tenant shall pay to Landlord its share as Additional Rent. Tenant’s share shall be based upon the floor area of the Premises relative to the floor area of all tenants upon such meter. Landlord shall not be liable to Tenant if the furnishing by Landlord or by any other supplier of any utility service to the Premises is interrupted or impaired by fire, accident, riot, strike, act of God, shortage of supply, governmental regulation, or by any cause beyond Landlord’s control and such interruption or impairment shall not be construed as an eviction or disturbance of possession.

SECTION 14: HAZARDOUS MATERIALS

Tenant shall not use, generate, release, manage, treat, manufacture, store or dispose of on, under or about the Premises or transport to or from the Premises (any of the foregoing hereinafter referred to as a “Use”) any hazardous material unless: (a) such Use is specifically disclosed to and approved by Landlord prior to such Use; and (b) such Use is conducted in compliance with any and all federal, state and local hazardous materials statutes, laws, ordinances, rules, decrees, orders and regulations (“Hazardous Material Laws”). Tenant shall indemnify, defend and hold Landlord harmless for, from and against any and all liabilities, claims, damages and costs, including reasonable attorneys’ fees, in connection with any breach by Tenant of any provision of this Section 14. The foregoing indemnity shall survive the termination of the Lease.

SECTION 15: TENANT’S DEFAULT AND LANDLORD’S REMEDIES

15.01. Events of Default by Tenant. The occurrence of one or more of the following events (each referred to herein as an “Event of Default”) shall constitute a material default and breach of the Lease by Tenant:

(a) Failure by Tenant to pay by the date due any Base Rent or Additional Rent payable by Tenant hereunder where such failure shall continue for a period of five (5) days after written notice thereof from Landlord.

(b) Abandonment or vacating of the Premises by Tenant, which shall include Tenant’s failure to take possession of the Premises upon delivery of same and the cessation of Tenant’s business within the Premises for more than one hundred twenty (120) days unless such cessation is excused or permitted under the express terms of the Lease.

(c) Making by Tenant or any guarantor of the Lease of a general assignment or general arrangement for the benefit of creditors of any proceeding under any insolvency or bankruptcy law, or the appointment of a trustee or receiver to take possession of all or substantially all of Tenant's assets located upon the Premises or of Tenant's interest in the Lease.

(d) Failure by Tenant to proceed with Tenant's Work after delivery of possession of the Premises to Tenant and to thereafter complete same and open for business not later than the Rent Commencement Date.

(e) Failure by Tenant to secure and maintain any insurance required hereunder.

(f) Any assignment, subletting, pledge, mortgage or other transfer of the Lease by Tenant, or any transfer of any interest in Tenant in violation of the provisions of the Lease.

(g) Any occurrence of an Event of Default as defined anywhere else in the Lease.

(h) Failure by Tenant to promptly observe or fully perform any of the covenants, promises, conditions or terms of the Lease not provided for in (a) through (g), above, where such failure shall continue for a period of ten (10) days after written notice thereof from Landlord, provided that if such default cannot reasonably be cured within a ten (10) day period, an Event of Default shall not exist if Tenant shall commence to cure such default and thereafter diligently proceeds to cure the default no event later than thirty (30) days after written notice has been given.

15.02. Landlord's Remedies. If an Event of Default occurs, Landlord shall have (in addition to all other rights and remedies provided by law or otherwise provided for in this Lease) the right, at the option of Landlord, then or at any time thereafter while such Event of Default continues, to elect any one or more of the following remedies:

(a) To continue the Lease in full force and effect and collect all sums payable hereunder when due for the remainder of the Lease Term;

(b) To terminate the Lease upon written notice to Tenant, such termination having the effect of automatically and concurrently terminating any option to extend the Lease Term that may be otherwise provided hereunder;

(c) To cure Tenant's default at Tenant's cost and expense without prejudice to any other remedies which Landlord might otherwise have.

(d) There shall be no personal liability of Tenant or its elected officials, appointed officials, employees, officers, agents, appointees, contractors, sub-contractors, business invitees, or managers with respect to this Lease, the Shopping Center and/or the Premises. Notwithstanding anything to the contrary herein, Tenant shall not be liable under any circumstances for injury or damage to, or interference with, Landlord's or any other tenant's business, including, without limitation, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

15.03. Damages. Should Landlord elect to terminate the Lease pursuant to this Section 15 and/or re-enter and repossess the Premises and/or elect to bring an action against Tenant in unlawful detainer or an action for damages or both, Landlord's alleged damages shall be limited to payment by Tenant of the following as damages: Any and all unpaid Base Rent and Additional Rent payable by Tenant hereunder at the time of termination plus interest at the rate of twelve percent (12%) per annum from the date due of each portion thereof until paid.

SECTION 16: LANDLORD'S DEFAULT AND TENANT'S REMEDIES

16.01. Default by Landlord. Landlord shall not be in default hereunder unless Landlord fails to observe or perform any of the express covenants, promises, conditions or terms of the Lease and such failure shall continue for a period of twenty (20) days after written notice thereof from Tenant, provided that if such default cannot reasonably be cured within a thirty (30) day period, Landlord shall not be in default if Landlord shall commence to cure such default and thereafter diligently proceeds to cure same.

16.02. Tenant's Remedies; Limitations on Recovery Against Landlord. The aggregate monetary liability of Landlord to Tenant for any default by Landlord under this Lease and/or relating to the Shopping Center or Premises shall be limited solely and exclusively to an amount equal to the interest of Landlord in the Shopping Center and there shall be no personal liability of Landlord or its officers, partners, employees, shareholders, members, managers or agents with respect to this Lease, the Shopping Center and/or the Premises. Notwithstanding anything to the contrary herein, Landlord shall not be liable under any circumstances for injury or damage to, or interference with, Tenant's business, including, without limitation, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring. In the event that Landlord fails to cure any default in accordance with Section 16.01 above, Tenant shall have the right to cure Landlord's breach at Landlord's expense and offset such actual costs to cure such breach from Rents due hereunder, reserving from Tenant's right to reimbursement from Landlord. Tenant shall document the cost of the cure and promptly deliver such documentation to Landlord. Furthermore, in the event that Landlord fails to cure any default in accordance with Section 16.01 above within one hundred eighty (180) days following Landlord's receipt of written notice from Tenant, Tenant shall have the right to immediately terminate this Lease, in which event this Lease shall be of no further force or effect and each of the parties shall be relieved of all further liability hereunder.

SECTION 17: SURRENDER OF POSSESSION

Upon expiration of the Lease Term or earlier termination of the Lease, Tenant shall, without notice from Landlord, vacate the Premises in broom clean condition and in good order and repair, surrender all keys to the Premises and remove all personal property, trade fixtures and signs belonging to Tenant. Any damage caused by Tenant in the removal of such items shall be repaired by Tenant. Further, all toilet fixtures, power panels, switches and transformers, and if requested by Landlord, floor covering, wall covering, ceiling material, fixed partitions, and installed lighting equipment (whether or not the same are trade fixtures), and/or other fixtures (other than trade fixtures) designated by Landlord shall remain upon and be surrendered with the Premises. Tenant shall not be required to remove the Tenant Improvement work or to restore or remove any alterations or improvements allowed to be made by Tenant.

SECTION 18: HOLDING OVER

Should Tenant hold over after the expiration of the Lease Term or earlier termination of the Lease, such tenancy shall be at the sufferance of Landlord and not a renewal of the Lease Term and in such case, Base Rent and Additional Rent payable by Tenant hereunder shall be payable at one and one-half (1.5) times the amounts payable in effect immediately prior to such hold over period and Tenant shall be subject to every other term, covenant and provision of the Lease. In the event Tenant holds over, Tenant shall be liable for all of Landlord's direct and consequential damages, including costs, fees, expenses, damages and attorneys' fees incurred by Landlord as a result of Tenant's holding over, including but not limited to, damages and expenses incurred by Landlord for its inability to deliver possession of the Premises to any new tenant.

SECTION 19: ASSIGNMENT, SUBLEASING AND HYPOTHECATION

Tenant, without the prior written consent of Landlord, shall not: (a) assign this Lease; (b) sublease all or any part of the Premises; (c) sell, transfer, convey, pledge, mortgage, encumber, hypothecate or otherwise dispose of all or any portion of its interest in this Lease or the Premises or allow to exist or occur any lien upon this Lease or Tenant's interest herein by operation of law or otherwise; or (d) sell, lease, transfer, convey or assign any of Tenant's material assets, directly or indirectly, unless Tenant shall receive adequate consideration for such assets and such transaction will not have a material adverse effect on the financial condition of Tenant. Without limiting the foregoing, Landlord will not unreasonably withhold, condition or delay its consent to any proposed subletting or assignment of the Premises. No assignment, sublease or other transfer of the Premises, or any part of it, or any of Tenant's rights under this Lease, will release Tenant from any of Tenant's obligations under this Lease, and Tenant will be and remain primarily bound and obligated to pay the rent and to perform all other obligations under this Lease for the Lease Term notwithstanding any assignment, sublease, or other transfer. Landlord's consent to one assignment, sublease, or other transfer will not be deemed consent to any subsequent transfer or encumbrance. Landlord may consent to subsequent sublettings or assignments or amendments or modifications to this Lease by transferees without notifying Tenant, and without obtaining Tenant's consent thereto. No such actions will relieve Tenant from primary liability under this Lease.

SECTION 20: INSURANCE AND INDEMNITY

20.01. Tenant's Insurance. On or before the Delivery Date, and throughout the Lease Term, Tenant shall carry and maintain at its sole cost and expense, the following types of insurance, in the amounts specified or in such higher amounts as requested by Landlord and which are customary in the locale where the Shopping Center is located:

a) Commercial general liability insurance with a limit of not less than Two Million and 00/100 Dollars ($2,000,000.00) per occurrence and Three Million and 00/100 Dollars ($3,000,000.00) aggregate insuring against any and all liability of the insured with respect to the Shopping Center, and/or arising out of the maintenance, use or occupancy of the Premises. Such liability insurance shall specifically insure the performance by Tenant of the indemnity agreement as to liability for injury to or death of persons and injury or damage to property contained in this Lease. If the Permitted Use of the Premises includes the sale of alcoholic beverages, the policy of commercial general liability insurance shall include coverage for employer's liability, host liquor liability and liquor liability coverage with a combined single limit of not less than Three Million and 00/100 Dollars ($3,000,000.00), per occurrence.

b) Insurance covering all plate glass on the Premises (meaning the glass located on the storefront of the Premises between the demising walls of the Premises).

c) Boiler and machinery insurance on all boilers, pressure vessels, gas-fired equipment, air conditioning equipment and systems serving the Premises. If not covered by the insurance described in Section 20.01(d) below, then the insurance specified in this Section 20.01 shall be in an amount not less than One Hundred Thousand and 00/100 Dollars ($100,000.00).

d) "Causes of loss-special form" property insurance (including during the course of any construction, builders risk insurance in form reasonably acceptable to Landlord) including coverage for sprinkler leakage, vandalism and malicious mischief covering all of Tenant's Work, Tenant's leasehold improvements, alterations, additions or improvements permitted hereunder, removable personal property from time to time in, on or upon the Premises, in an amount not less than one hundred percent (100%) of their full replacement cost without depreciation, providing coverage at least as broad as ISO policy form CF 10 30 or its equivalent. The policy required pursuant to the provisions of this Section 20.01(d) shall not have a deductible in excess of Twenty-Five Thousand and 00/100 Dollars ($25,000.00). Any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed unless this Lease shall cease and terminate under the provisions of Section 22 hereof.

e) A policy or policies of workers' compensation insurance with an insurance carrier and in amounts required by applicable governmental restrictions and a policy of employer's liability insurance with limits of liability not less than the greater of the minimum statutory requirements or One Million and 00/100 Dollars ($1,000,000.00), each accident; One Million and 00/100 Dollars ($1,000,000.00), disease policy limit; and One Million and 00/100 Dollars ($1,000,000.00) disease each employee.

f) A policy or policies of business income/business interruption insurance and extra expense coverage (collectively, "Business Income Insurance") with coverage that will reimburse Tenant for all direct and indirect loss of income and charges and costs incurred arising out of all named perils insured against by Tenant's policies of property insurance, including prevention of, or denial of use of or access to, all or part of the Premises or Landlord's Parcel or Shopping Center as a result of those named perils. The Business Income Insurance coverage must provide coverage for no less than twelve (12) months of the loss of income, charges and costs contemplated under this Lease.

g) All policies of insurance to be procured by Tenant as described above shall be issued by insurance companies having a general policy holders rating of not less than A:/VIII in the most current available "Best's Key Rating Guide," and qualified to do business in the State where the Shopping Center is situated. All property policies shall be issued in the name of Tenant, and shall name Landlord (and any other person or entity that may be designated by Landlord) as "loss payees as their interests may appear." All liability policies obtained by Tenant shall name Landlord as additional insured. In addition, Tenant's liability policies shall be endorsed as needed to provide cross-liability coverage for Tenant, Landlord, and Landlord's lender (if any) and shall provide for severability of interests. All liability policies shall contain a provision that Landlord, although named as additional insured, shall nevertheless be entitled to recovery under the policy for any loss occasioned to Landlord by reason of the negligence of Tenant or its Representatives. As often as any such policy shall expire or terminate, renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent. All policies of insurance delivered to Landlord must contain a provision that the company writing the policy shall give Landlord at least twenty (20) days notice in writing in advance of any cancellation or lapse or the effective date of any material change in the policy, including any reduction in the amounts of insurance. All liability, property and other casualty policies shall be written as primary policies and shall provide that any insurance which Landlord may carry is strictly excess, secondary and non-contributing with any insurance carried by Tenant. The insurance requirements contained in this Section 20.01 are independent of Tenant's waiver, indemnification and other obligations under this Lease and shall not be construed or interpreted in any way to restrict, limit or modify Tenant's waiver, indemnification or other obligations or to in any way limit Tenant's obligations under this Lease.

Notwithstanding anything to the contrary set forth in this Section 20.01, Tenant shall be required to maintain insurance in accordance with the requirements of this Section 20.01. Tenant shall be under no obligation to comply with, and shall incur no liability for failure to comply with, any insurance requirements set forth in the Declaration (or similar recorded matters of record affecting the Shopping Center).

20.02. Evidence of Insurance. Evidence of insurance meeting the requirements of Acord Form No. 28 (2003) or its equivalent or such other evidence as may be reasonably acceptable to Landlord and Landlord's lender (if any) and evidence of required additional insured endorsements on ISO Form CG 20-26 or its equivalent (collectively referred to as "Certificates") shall be delivered to Landlord prior to any entry by Tenant in the Premises and thereafter, executed copies of renewal policies or Certificates thereof shall be delivered to Landlord within thirty (30) days prior to the expiration of the term of each such policy and any time during the Lease Term within five (5) days of the written request therefor by Landlord.

20.03. Landlord's Insurance. Landlord shall maintain fire and extended coverage insurance, rental loss insurance or any other insurance coverage deemed appropriate by Landlord and/or Landlord's lender in an amount equal to at least ninety percent (90%) of the replacement value (exclusive of foundation and excavation costs) of the Premises and/or the building of which the Premises are a part. Tenant shall be responsible for the payment of its pro rata share of the cost of premiums for Landlord's insurance with respect to the Shopping Center, including all insurance premiums for public liability, fire and property damage covering the Common Areas and other parts of the Shopping Center. For purposes of this Section, the term "pro rata share" shall have the meaning ascribed to such term in Section 7.08 above.

20.04. Indemnification of Landlord. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims, demands, actions, damages, liability and expense in connection with loss of life, personal injury and/or damage to property arising solely from Tenant's use of the Premises from or out of any occurrence in, upon or at the Premises, or the occupancy or use by Tenant of the Premises or any part thereof, or occasioned wholly or in part by any act or omission of Tenant or any of its agents, employees, licensees, invitees and contractors. This indemnification shall not apply to damages resulting from the negligence of Landlord.

SECTION 21: ESTOPPELS, ATTORNMENT, SUBORDINATION

21.01. Estoppel Certificate. Within ten (10) days following Landlord's written request therefor, Tenant may deliver an estoppel certificate if approved by Tenant of the form created by Landlord, to Landlord or any proposed mortgagee, ground lessor or purchaser certifying that the Lease is in full force and effect and that there is no known event of non-performance by either party. Additionally, in compliance with Arizona's Public Records law(s), City may release a copy of the Lease, clean or redacted, as determined within the sole discretion of the City.

21.02. Attornment. Tenant shall, in the event any proceedings are brought for the foreclosure or exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Premises, attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under the Lease provided that any purchaser or mortgagee shall recognize the Lease as remaining in full force and effect so long as Tenant is not in default hereunder.

21.03. Subordination. The Lease is and shall be automatically subject and subordinate to all ground and underlying leases, and to all renewals, modifications, consolidations, replacements and extensions thereof. In addition, upon request of Landlord, Tenant will subordinate its rights hereunder to the lien of any mortgage or the lien resulting from any other method of financing or refinancing, now or hereafter in force against the land and buildings of which the Premises are a part or upon any buildings hereafter placed upon the land of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof. This Section 21.03 shall be self-operative and no further instrument of subordination shall be required unless requested by the lienholder or its successors.

21.04. Sale of Premises. Any sale, transfer or exchange by Landlord of its interest in the Premises shall be subject to the Lease and the rights and obligations of Tenant hereunder; and Tenant shall attorn to Landlord's successor-in-interest. Upon any such sale, transfer or exchange, Landlord shall be automatically and entirely released of any and all obligation or liability arising hereunder.

SECTION 22: DAMAGE AND DESTRUCTION OF PREMISES

22.01. Damage Covered by Insurance. If the Premises are damaged or destroyed by fire or other casualty insurable under standard fire and extended coverage insurance so as to become partially or totally untenantable, the Premises shall be repaired and restored by Landlord. Notwithstanding the foregoing, Tenant may elect, by delivering written notice to Landlord within fifteen (15) days following such event, to terminate this Lease, in which event this Lease shall be of no further force or effect and each of the parties shall be relieved of all further liability hereunder.

22.02. Damage Not Covered by Insurance. If the Premises are damaged or destroyed by fire or other casualty not insurable under standard fire and extended coverage insurance (the "Uninsured Event") so as to become partially or totally untenantable, then Landlord shall have the option to either: (a) repair and restore the Premises, in which event the Lease shall continue in full force and effect; or (b) terminate the Lease by giving written notice to Tenant of its election to terminate within thirty (30) days after such Uninsured Event. Notwithstanding the foregoing, Tenant may elect, by delivering written notice to Landlord within fifteen (15) days following such event, to terminate this Lease, in which event this Lease shall be of no further force or effect and each of the parties shall be relieved of all further liability hereunder.

22.03. Destruction of Shopping Center. If the Shopping Center shall be rendered wholly or partially untenantable by reason of such occurrence (i.e., destruction of 25% or more), then Landlord shall promptly after receipt of insurance proceeds cause such damage to be repaired, and the Rent shall meanwhile be abated in whole, provided, however, that Landlord shall have the right, to be exercised by notice in writing delivered to Tenant within sixty (60) days from and after said occurrence, to elect not to reconstruct the destroyed Shopping Center, and in such event this Lease and the tenancy hereby created shall cease as of the date of the said occurrence, the Rent to be adjusted as of such date. Notwithstanding the foregoing, Tenant may elect, by delivering written notice to Landlord within fifteen (15) days following such occurrence, to immediately terminate this Lease, in which event this Lease shall be of no further force or effect and each of the parties shall be relieved of all further liability hereunder.

22.04. Termination. Upon any termination of the Lease pursuant to this section, Landlord and Tenant shall each be released without further obligations to the other coincident with the surrender of possession of the Premises to Landlord, except for sums which have previously accrued and remain unpaid.

SECTION 23: EMINENT DOMAIN

If all or any part of the Premises are taken by any public or quasi-public authority under the power or threat of eminent domain or by private purchase in lieu thereof, then the term of the Lease shall cease as of the date possession shall be taken by such public or quasi-public authority, and Landlord shall make a pro rata refund to Tenant of any Base Rent that may have been paid in advance. In the event that less than the entire Shopping Center is so taken and the Premises are not in that portion of the Shopping Center so taken, and provided the Premises are not rendered untenantable as determined by Tenant (in Tenant's sole, commercially reasonable discretion, then the Lease shall terminate only at the option of Landlord. All damages awarded pursuant to any eminent domain action involving the Shopping Center shall be determined and apportioned in accordance with Arizona law. Tenant shall also have the right to pursue a separate claim against the condemning authority, for the value of any unexpired term of the Lease.

SECTION 24: BROKERS

Landlord and Tenant hereby acknowledge and consent to the representation of Landlord by GBLS COMMERCIAL REAL ESTATE SERVICES, INC. (Phoenix Commercial Advisors) ("Landlord's Broker"). Other than Landlord's Broker, Tenant and Landlord each represent and warrant to the other that neither has had any dealings with any broker, agent or finder in connection with the negotiation of the Lease and no other firm, broker, agent or finder is entitled to any commission or finder's fee in connection with same. Tenant and Landlord do each hereby indemnify, defend and hold the other harmless for, from and against any costs and expenses, including attorneys' fees, and/or liability for compensation of charges which may be claimed by any such unnamed broker, agent or finder by reason of any dealings with or actions of the indemnifying party. Tenant acknowledges that Landlord and/or certain of Landlord's employees, officers, affiliates and constituent partners or members are licensed real estate brokers and/or real estate salespersons in the State of Arizona.

SECTION 25: NOTICES

Wherever in the Lease it shall be required or permitted that notice or demand be given by either party to the other, such notice or demand shall be made in writing and forwarded by U.S. Mail, certified or registered mail, or by personal delivery (which may include public or private express delivery and overnight courier services) to the addresses specified in Sections 1.05 and 1.06, respectively, above. Either party may change its notice address by written notice in the manner specified above for the giving of notices to the other. Notice shall be deemed received, given or delivered: (a) if deposited in the U.S. Mail, then on the earlier of the day of actual delivery or three (3) days following the day deposited in the U.S. Mail; or (b) if made by personal delivery, then when delivered or actually received or refused by the party to whom delivery was made. Notices by a party may be given by legal counsel to the authorized agent of a party. In no event shall notices be deemed to have been given or served if transmitted only by facsimile or electronic mail.

SECTION 27: INTENTIONALLY OMITTED

SECTION 28: MISCELLANEOUS

28.01. Intentionally Omitted.

28.02. Amendment to Lease Upon Completion of Improvements. On or within a reasonable time after the Rent Commencement Date, the exact floor area of the Premises shall be determined by Landlord's architect, and shall, unless there is manifest error, be conclusive and binding upon Landlord and Tenant. The floor area of the Premises shall be determined by measurement from the outside of exterior building walls and from the center of demising walls. Upon the request of Landlord, the parties shall enter into an amendment to this Lease that specifies certain matters that may change as a result of the square footage of the Shopping Center and/or the Premises. Tenant's failure to execute such amendment shall not affect any obligation of Tenant under this Lease and if Tenant does not timely execute and deliver to Landlord such amendment, Landlord and any prospective purchaser or encumbrancer may conclusively rely upon the information contained in the unexecuted amendment which Landlord delivered to Tenant. However, under no circumstances, and regardless of Landlord's architect's final determination of square footage, will the amounts of Base Rent (per square foot and/or per year) set forth in Section 1.11 be subject to change.

28.03. Exhibits. All exhibits attached to the Lease are incorporated herein by reference and made a part of the Lease.

28.04. Additional Rent. All sums of money which become due from and/or payable by Tenant under this Lease at any time and from time to time, with the exception of Base Rent, constitutes "Additional Rent". Subject to the objections and exceptions set forth herein, Tenant agrees to pay Additional Rent when the same shall become due under the terms of this Lease. Base Rent and Additional Rent are sometimes referred to herein collectively as "Rent".

28.05. Quiet Enjoyment. So long as there is not in existence a default under the Lease on the part of Tenant, Landlord shall take any and all action, legal or otherwise, to promise, secure, and ensure that at all times, Tenant shall quietly have, hold and enjoy the Premises during the Lease Term, subject to the terms and provisions of the Lease and subject to all mortgages, deeds of trust, ground or underlying leases, zoning laws, restrictive covenants, easements, rights-of-ways, agreements and encumbrances to which the Lease is or may become subordinate.

28.06. Governing Law; Venue. The validity, construction, interpretation and administration of the Lease shall be governed by the laws of the State of Arizona. The parties agree that in the event any action or proceeding is commenced in connection with the Lease, Premises and/or Shopping Center, venue for such action or proceeding shall be exclusive and proper only in a court of competent jurisdiction located in Maricopa County, Arizona.

28.07. Waiver. The waiver by either Party of any breach or default by the other Party of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of same or any other term, covenant or condition herein contained. No term, covenant or condition of the Lease shall be deemed to have been waived by either Party, unless such waiver is in writing.

28.08. Time of the Essence. Time is of the essence in the Lease and each and every provision herein.

28.09. Neutral Interpretation. All provisions of the Lease have been negotiated by all parties at arm's length and no party shall be deemed the scrivener of the Lease. In addition, if either party has made a scrivener's error with regard to division, multiplication, addition or subtraction of any numbers or arithmetic calculation herein, the Lease shall not be construed for or against either party by reason of the authorship or alleged authorship of any provision hereof.

28.10. Entire Agreement; Modifications; Severability. The Lease supersedes and cancels any and all previous negotiations, agreements and understandings between Landlord and Tenant with respect to the subject matter hereof and is the only and entire agreement between them. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein, and no modification of the Lease shall be effective unless in writing and signed by all parties hereto. If any provision of the Lease is deemed invalid or unenforceable, the remainder of the Lease shall not be affected thereby.

28.11. Force Majeure. If either party cannot perform any of its obligations under this Lease due to events beyond such party's control, the time provided for such party performing such obligations shall be extended by a period of time equal to the delay caused by such events. Events beyond a party's control include, but are not limited to, acts of the other party, strikes, threats of strikes, blackouts, war, threats of war, bombing, labor disputes, shortages of labor or material, insurrection, invasion, acts of God, calamities, civil commotions, weather conditions, fire, flood or other casualty, action or regulation of any governmental authority, state law or ordinances, impossibility of obtaining materials, pandemics, and epidemics (collectively, "Force Majeure Delays"). Events beyond a party's control shall in no event include financial inability and subject to Section 2.02 above, shall not operate to excuse Tenant from the prompt payment of any monetary obligations which have commenced, including Base Rent.

28.12. Tenant Delay. Any delay that Landlord may encounter in the performance of Landlord's obligations under this Lease because of any act or omission of any nature by Tenant or its agents or contractors, including any delay attributable to (1) changes by Tenant in or additions to the Tenant's Plans after the approval thereof; (2) the postponement of any Tenant improvements work or Landlord's Work at the request of Tenant; or (3) delay by Tenant in the submission of information or the giving of authorizations or approvals within the time limits set forth in this Lease shall be considered a "Tenant Delay". Notwithstanding the foregoing, this Section 28.12 does not apply to Tenant's obligations and duties to review, comment, and/or approve Landlord's building permit application(s) and/or other required submittals.

28.13. Independent Legal Counsel; Attorneys' fees. Landlord and Tenant mutually acknowledge that they each have had the opportunity to be represented by independent legal counsel in negotiations leading up to and in executing the Lease. Further, Landlord and Tenant acknowledge that each has read the Lease carefully, knows and understands the contents hereof, and each has made such investigation of the facts pertaining to the subject matter hereof. If any party hereto commences any legal action against the other which in any way arises from or in connection with the Lease, the prevailing party shall be entitled to all reasonable attorneys' fees and costs, and neither Party shall be entitled to recover its attorneys' fees or costs from the other Party.

28.14. Obligations Separate. Tenant's covenants and obligations hereunder are independent of Landlord's covenants and obligations hereunder. Except for Tenant's right to immediately terminate as set forth above in Section 16.02, Tenant shall not be released from the performance of any of its covenants and obligations hereunder (including, without limitation, the obligation to pay rent) due to a breach or default by Landlord unless expressly permitted by the terms of the Lease. Landlord shall not be released from the performance of any of its covenants and obligations hereunder due to a breach or default by Tenant unless expressly permitted by the terms of the Lease.

28.15. Counterparts; Facsimile or Electronic Signatures. This Lease may be executed and delivered in multiple counterparts and each counterpart so delivered which bears the original signature of a party hereto shall be binding as to such party, and all counterparts together shall constitute one original and the same instrument. This Lease may be executed and delivered by any party by fax or electronic mail to the other party and a facsimile or electronic signature on this Lease by a party shall have the same force and effect as an original signature.

28.16. Intentionally Omitted.

28.17. Development Matters. Tenant hereby acknowledges and agrees that Landlord shall have the right to improve or cause to be improved or to convey or lease to third parties for improvement (without the necessity of obtaining Tenant's consent) certain portions of the Shopping Center or building containing the Premises or any lots contiguous or adjacent to the Shopping Center to which legal or equitable title is acquired by Landlord at any time during the Lease Term, as separate and independent developments from the remainder of the Shopping Center, and the same may (at Landlord's sole election) be excluded from the Shopping Center (and the covenants and restrictions contained herein) for purposes of this Lease, provided that such portions and the remainder of the Shopping Center shall nevertheless constitute an integrated shopping center. In the event of a sale, transfer or other conveyance of any portion of the Shopping Center, or any lots contiguous or adjacent to the Shopping Center, Landlord may enter into an agreement with the transferee granting appropriate easement and other rights (which may be in addition to, or in substitution of, such rights granted pursuant to the Declaration), and containing such other matters as Landlord and such transferee may agree, to the extent not inconsistent with this Lease.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant hereby execute this Lease Agreement as of the Effective Date.

LANDLORD:

CITY CENTER SIMON SURPRISE, LLC,
an Arizona limited liability company

By: SIMONCRE C550 II, LLC, an Arizona limited liability company, its Manager

By: SIMON & COMPANY, INC., an Arizona corporation, its Manager

By:_________________________________
Name: Joshua Simon
Title: President

TENANT:

CITY OF SURPRISE, ARIZONA,
a municipal corporation

By:_________________________________
Name:_______________________________
Title:________________________________

EXHIBIT A-1

LEGAL DESCRIPTION OF LAND

The Land referred to herein below is situated in the County of Maricopa, State of Arizona, and is described as follows:

LOT 10, OF SIMONCRE AT SURPRISE CENTER, ACCORDING TO THE PLAT RECORDED IN BOOK 1750 OF MAPS, MAP 25, RECORDS OF MARICOPA COUNTY, ARIZONA.

EXHIBIT A-2

LOCATION OF SHOPPING CENTER

The site plan(s) and/or floor plan(s) contained herein is for general informational purposes only. Any and all features, matters and other information depicted thereon are for illustrative purposes only and subject to the provisions of the Lease, are subject to modification without notice, are not intended to be relied upon by Tenant and are not intended to constitute representations, warranties or covenants as to the size and nature of the improvements to be constructed (or that any improvements will be constructed) or as to the identity or nature of any occupants thereof.

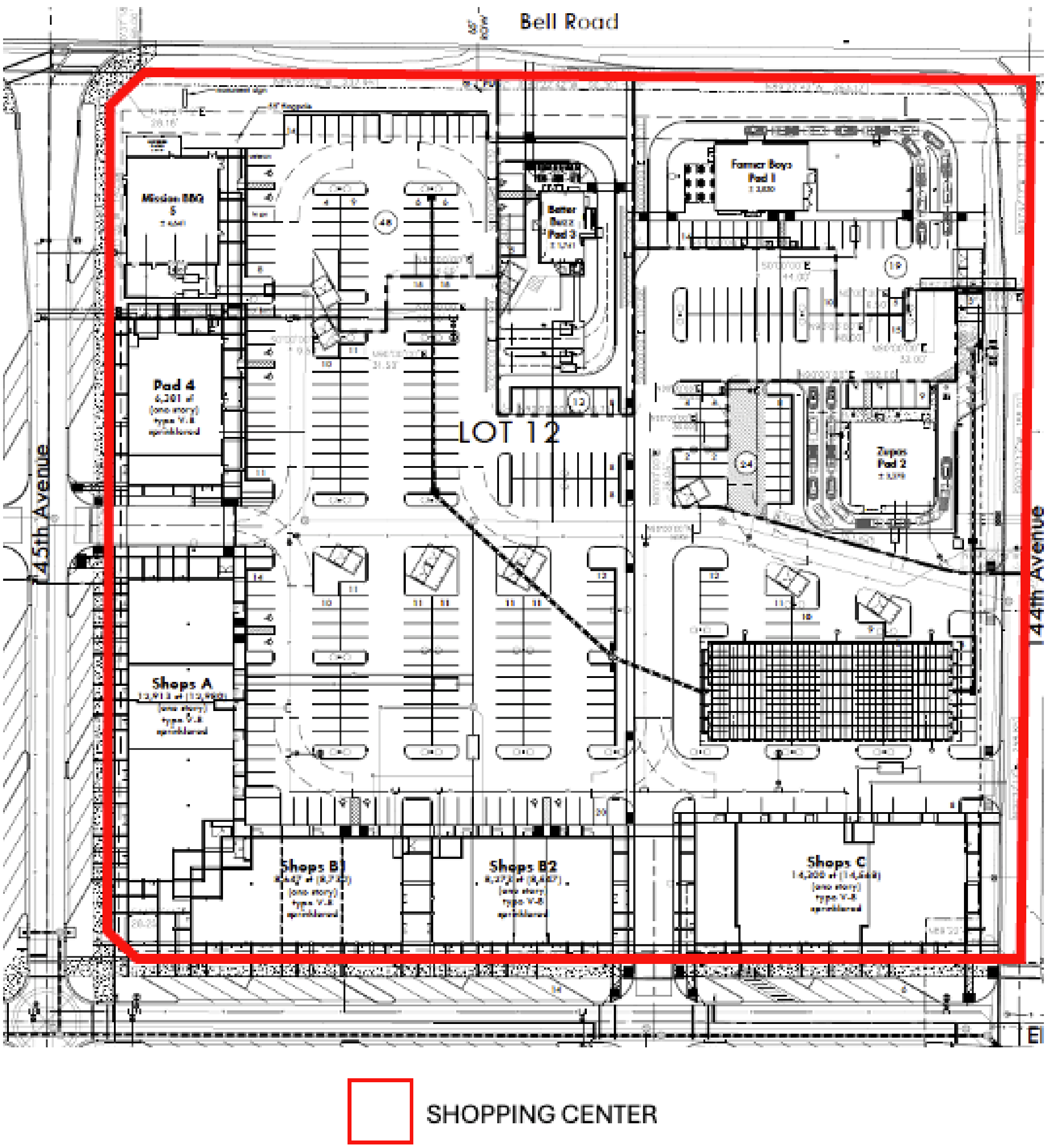
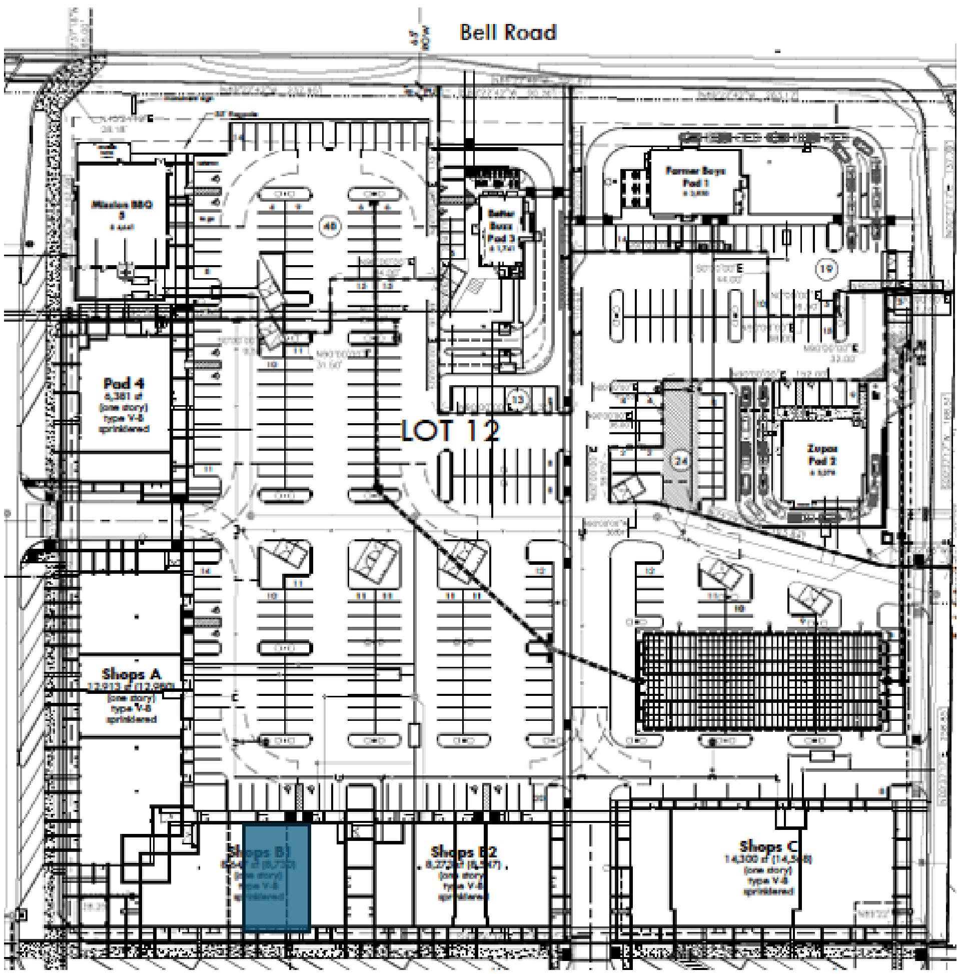


EXHIBIT A-3

LOCATION OF PREMISES

The site plan(s) and/or floor plan(s) contained herein is for general informational purposes only. Any and all features, matters and other information depicted thereon are for illustrative purposes only and subject to the provisions of the Lease, are subject to modification without notice, are not intended to be relied upon by Tenant and are not intended to constitute representations, warranties or covenants as to the size and nature of the improvements to be constructed (or that any improvements will be constructed) or as to the identity or nature of any occupants thereof.



PREMISES

EXHIBIT B

BASE BUILDING IMPROVEMENTS AND TENANT IMPROVEMENTS

BASE BUILDING IMPROVEMENTS

Landlord will install within the Premises, at Landlord's sole cost and expense, the Base Building Improvements in accordance with the scope of work described below.

Electrical

- Electric service to be 200 amps, 208/120 volt, 3 phase, 4 wire.
- Feeders and electrical panel shall be installed by Landlord as part of the Tenant Improvements.
- Landlord shall furnish one (1) empty conduit with pull string from the SES, located on the rear of the building.
- Any utility charges and/or deposits shall be Tenant's responsibility.
- There will no receptacles, light fixtures, interior wiring or circuits provided as part of the Base Building Improvements. All receptacles, light fixtures, interior wiring and circuits shall be delivered by Landlord as part of the Tenant Improvements and in accordance with the Tenant Improvement Plans.
- Rear security lighting (if required by local code) to be delivered per the specifications of Landlord's architect.
- Landlord shall install canopy lights and wire circuits to Landlord's meter.
- Landlord shall install a junction box on the building for electrical connection of Tenant's building signage.
- Any electrical requirements (step-down transformer, distribution, wiring, convenience outlets, etc.) beyond the scope outlined above shall be installed by Landlord as part of the Tenant Improvements in accordance with the Tenant Improvement Plans.
- Landlord shall provide parking lot lighting as required by applicable municipal code.

Telephone / Internet Service

- Landlord to provide one (1), one inch (1") conduit with pull string from the property's terminal box to the rear wall of the Premises.
- All voice and data cabling shall be installed by Landlord as part of the Tenant Improvements in accordance with Tenant's requirements.

Plumbing

- Four inch (4") sanitary sewer service stub out shall be provided to the rear interior of the Premises.
- One inch (1") water service stub out shall be provided to the rear interior of the Premises.
- All toilet or bathroom fixtures will be provided by Landlord as part of the Tenant Improvements in accordance with the Tenant Improvement Plans.

HVAC

- Landlord will install roof top units on the Premises that will provide capacity of 1 ton of supplied air for every 300 square feet of the Premises.
- Landlord shall be responsible for distributing ductwork throughout the Premises as part of the Tenant Improvements and in accordance with the Tenant Improvement Plans.
- Landlord to supply thermostat(s) at the unit(s).
- In the event that Tenant's use of the Premises requires fresh air and/or exhaust air for special equipment, cooking equipment, additional personnel, stock room areas, or show windows, and the like, the scope of this work shall be included in the Tenant Improvement Plans and delivered by Landlord as part of the Tenant Improvements.

Fire Suppression System

- Landlord to provide and install Class 1 fire alarm consistent with applicable municipal code.
- Landlord will provide and install a sprinkler system including lateral lines and backflow device for the Premises (if required by code for Tenant's use) subject to the following:
    - Landlord will be responsible for all flow switches, tamper valves, and other control and monitoring devices on the exterior of the Premises.
    - Final drops and modifications, based upon the Tenant Improvement Plans, shall be provided by Landlord as part of the Tenant Improvements.

Ceiling

- No finished ceiling will be provided by Landlord as part of the Base Building Improvements.
- Finished ceiling will be delivered by Landlord as part of the Tenant Improvements in accordance with the Tenant Improvement Plans.

Storefront and Rear Service Entrance Door

- Storefront to be designed by Landlord's architect and constructed by Landlord.
- Insulated glass with anodized aluminum or steel trim.
- Single glass door with aluminum or steel frame enclosure at main entrance to Premises. Door will be delivered with cylinder lock and closer.
- If required by local code, a hollow metal door with hardware will be provided at the rear entrance of the Premises in a location determined by Landlord.

Interior Walls

- The Base Building Improvements shall include delivery by Landlord of the interior walls in the following fashion.
    - Demising wall(s) between tenant suites shall be unpainted drywall finish, taped over stud.
    - The interior surface of exterior and rear wall(s) shall be unpainted masonry or concrete finish (or such other material(s) as selected by Landlord).
- Final preparation and finish of all interior walls shall be delivered by Landlord as part of the Tenant Improvements in accordance with the Tenant Improvement Plans.

Interior Doors and Trim

- There will be no interior doors, walls or trim delivered by Landlord as part of the Base Building Improvements.
- All interior doors, walls and trim shall be delivered by Landlord as part of the Tenant Improvements in accordance with the Tenant Improvement Plans.

Floor

- Landlord shall, as part of the Base Building Improvements, furnish a smooth finished concrete slab poured in the front half of Premises (with a leave out in the back half of the Premises).
- The balance of the slab pour shall be completed by Landlord as part of the Tenant Improvements.

Roof

- The roof of the Premises shall be fully constructed and in good repair and condition.

Parking Lot

- Parking lot and service drive to have adequate drainage away from the building in order to prevent standing water or flooding in parking areas serving the Premises.
- Parking lot lighting and striping as specified by Landlord's architect and meeting applicable local codes.

TENANT IMPROVEMENTS

Landlord shall cause to be constructed, in accordance with the Tenant Improvement Plans (as defined in Section 9.03 of the Lease) the Tenant Improvements (as defined in Section 9.03 of the Lease).

EXHIBIT C

FORM OF TURNOVER LETTER

TURNOVER NOTICE

[DATE OF NOTICE]

Tenant Name
Tenant Address
City, State Zip

RE: NOTICE OF DELIVERY DATE OF PREMISES
[NAME OF SHOPPING CENTER]
[LOCATION OF SHOPPING CENTER]

Dear _________________:

Please be advised that delivery of possession of the above-referenced premises to [TENANT] occurred on the date noted below. Other key dates are set forth below, some of which may be subject to change as set forth in the Lease Agreement dated ___________________, with [LANDLORD], as landlord:

_______________, 20__:	Delivery Date
_______________, 20__:	Rent Commencement Date.
_______________, 20__:	Expiration of Lease Term.

Sincerely,

[LANDLORD SIGNATURE BOCK]

EXHIBIT D

INTENTIONALLY OMITTED

EXHIBIT E

SHOPPING CENTER RULES AND REGULATIONS

Landlord agrees to use its reasonable efforts to cause compliance by tenants of the Shopping Center with these Rules and Regulations, as they may be revised or amended by Landlord from time to time in its commercially reasonable discretion (as amended, the "Rules and Regulations"), but in no event shall Landlord be responsible for the violation or nonperformance of any of these Rules and Regulations by any other tenant. Unless otherwise provided, all terms used in these Rules and Regulations shall have the same meaning as set forth in this Lease. To the extent that the provisions of these Rules and Regulations are inconsistent with the provisions of this Lease, the provisions of the Lease shall control. In the event Tenant violates any of the Rules and Regulations and such violation continues for more than twenty-four (24) hours after Tenant's receipt of notice thereof from Landlord, then Tenant shall pay Landlord, as liquidated damages, an amount equal to Fifty and 00/100 Dollars ($50.00) per day so long as such violation continues. Tenant recognizes that its violation of the Rules and Regulations will result in damages to Landlord and that the nature and amount of such damages is difficult or impossible to quantify, and that the foregoing amount represents a reasonable approximation of the actual damages Landlord would suffer in the event Tenant violates the Rules and Regulations. As used herein, the term "Legal Requirements" means all applicable current or future statutes, ordinances, orders, rules, regulations, judgements and requirements of public authorities with jurisdiction over the Shopping Center and/or the Premises.

1. Intentionally Omitted.

2. Common Areas. Tenant shall not use the Common Areas, including areas adjacent to the Premises (except any outdoor seating area approved by Landlord pursuant to Section 9 below), for any purpose other than ingress and egress, and in accordance with all other applicable provisions of this Lease, including these Rules and Regulations. Without limiting the generality of the foregoing, Tenant shall not use the Common Areas to canvass, solicit business or information from, or distribute any article or material to, other tenants, occupants or invitees of the Shopping Center, without the express written consent of Landlord. Tenant shall not allow anything to remain in or to obstruct any passageway, sidewalk, court, corridor, stairway, entrance, exit, elevator, shipping area, or other area outside the Premises (except as set forth in Section 9 below). Janitorial closets, utility closets, telephone closets, broom closets, electrical closets, storage closets, and other such closets, rooms and areas shall be used only for the purposes and in the manner designated by Landlord, and may not be used by Tenant, or its contractors, agents, employees, or other parties without Landlord's prior written consent.

3. No Outside Sales; Loading Areas. Tenant agrees not to use any portion of the Common Areas for sale or display of any merchandise or any other business, occupation, undertaking or solicitation of customers and further agrees to receive or ship articles of any kind only through loading areas as designated by Landlord.

4. Deliveries. Deliveries of furniture, inventory and all other items shall be brought into the Shopping Center in compliance with all Legal Requirements and at Tenant's sole risk. Tenant shall use commercially reasonable efforts to ensure that all such deliveries shall be made prior to 10:00 am and only through the service entrances of Tenant's Premises and service entrances of the Shopping Center, when available. Landlord may inspect items brought into the Shopping Center or the Premises with respect to weight or dangerous nature or compliance with this Lease or applicable laws. Tenant shall move all inventories, supplies, furniture, equipment and other items directly into the Premises immediately upon receipt.

5. Trash; Recycling Program. All garbage, refuse, trash and other waste shall be kept in the kind of container, placed in the areas, and prepared for collection in the manner and at the times and places specified by Landlord, subject to the Section in the Lease concerning Hazardous Substances. Tenant shall not burn any trash or garbage of any kind in or about the Premises or the Shopping Center. Landlord reserves the right to require that Tenant participate in any recycling program designated by Landlord. If Tenant is permitted under this Lease to handle foodstuffs, garbage and refuse shall be stored and daily removed from the Premises in leak proof, airtight containers. If any leakage occurs, Tenant shall promptly clean and remove any evidence of such leakage at its expense. Tenant shall immediately clean up and remove spills and debris in connection with its disposal of waste at or from the Premises.

6. Pest Control. Tenant shall, at its sole cost, arrange for pest control at such intervals as may reasonably be required by Landlord. Tenant shall provide Landlord with evidence of Tenant's compliance with this provision within five (5) days after Landlord's written request. Tenant will be responsible for pest control within the

Premises. Landlord will be responsible for pest control within the Common Areas (with such cost being included as part of the Fixed Common Area Costs Charge).

7. Sign and Display Windows. Tenant shall not place any sign or any other item outside the Premises (including, without limitation, on the exterior walls and roof), or on the interior or exterior surfaces of doors or glass panes or windows, without the express written consent of Landlord. Tenant shall not install within the Premises any sign that is visible from outside the Premises or that is illuminated, without Landlord's prior written approval. If Landlord approves or requires illuminated signs, Tenant shall keep them illuminated each day during the hours designated by Landlord from time to time. All Tenant's signs shall be professionally designed, prepared and installed and in good taste so as not to detract from the general appearance of the Premises or the Shopping Center and shall comply with the sign criteria developed by Landlord as set forth in the Lease. The term "sign" for purposes of this Section shall mean any sign, placard, picture, name, direction, lettering, insignia, trademark, advertising material, advertising display, awning or other similar item, including Tenant's storefront sign. Sign will be consistent with the city code definition of sign: Any device depicting written letters, words, numerals, figures, emblems, logos, trademarks, pictures, or any part or combination thereof used for visual communication. Blinds, shades, drapes and other such items shall not be placed in or about the windows in the Premises except to the extent, if any, that the character, shape, designs, color, material and make thereof is first approved by Landlord in writing. During such periods as Tenant is required to operate its store hereunder, Tenant shall keep the display window(s) and signs, if any, in the Premises well lit during business hours and daily until at least 11:00 p.m., at Landlord's discretion.

8. Display of Merchandise. Tenant shall not place or maintain any permanent or temporary fixture or other item or display any merchandise: (a) outside of the Premises; or (b) anywhere inside the Premises within 6 feet of any entrance to the Premises (except that, with respect to any recessed entry of the Premises, Tenant shall not place or maintain any such fixtures or other item within three (3) feet of any entrance). Tenant shall not place, maintain or permit any merchandise, chemicals or other nail salon waste products, trash, debris, refuse or other articles in or on any sidewalks, driveways, curbs, entryways, passages, courts or corridors adjacent to the exterior of the Premises. All displays of merchandise shall be tasteful and professional.

9. Outdoor Seating. Tenant is not permitted to maintain outdoor seating without the express written consent of Landlord. Any outdoor seating area (the "Outdoor Seating Area"), including the placement and quantity of furniture, fixtures and equipment in, and the design and materials of, the Outdoor Seating Area, must be approved by Landlord. The Outdoor Seating Area shall be installed and maintained at Tenant's sole cost and expense, in accordance with all applicable laws and at all times clean and free of debris. Tenant shall store the Outdoor Seating Area furniture, fixtures and equipment during the winter months in an appropriate location, which, if on the Premises, shall be approved by Landlord in the exercise of its sole and absolute discretion.

10. Plumbing Equipment. The toilet rooms, urinals, wash bowls, drains and sewers and other plumbing fixtures, equipment and lines shall not be misused or used for any purpose other than that for which they were constructed, and no foreign substance of any kind shall be deposited therein. The expense incurred due to any breakage, stoppage or damage resulting from a violation of this provision shall be borne by Tenant, who shall, or whose employees, invitees or agents shall, have caused such breakage, stoppage or damage.

11. Exhaust System; Grease Traps; Odor Control. If Tenant operates a business on the Premises in which smoke and/or odor cannot be avoided by an exhaust termination location design, Tenant shall, at Tenant's sole cost and expense, provide and maintain an exhaust air pollution control system approved by Landlord for preventing and eliminating any odors or fumes which may interfere with other tenants' use, enjoyment or occupancy of their premises. If Tenant operates a restaurant, prior to opening for business, Tenant shall install and thereafter maintain, at Tenant's sole cost and expense, a grease containment system, approved by Landlord, and in compliance with Legal Requirements, on all roof exhaust fans serving the Premises. In addition, Tenant shall properly maintain, clean, repair and replace adequate grease traps. Tenant shall clean all grease interceptors no less than 4 times per year. Notwithstanding anything to the contrary contained in these Rules and Regulations and the Lease, Tenant shall use reasonable and diligent efforts to promptly resolve any odor problems arising from its use of the Premises during the Lease Term.

12. Roof; Awnings and Projections. Tenant shall not install any aerial, antennae, satellite dish or any other device on the roof, exterior walls or Common Areas of the Shopping Center without obtaining Landlord's prior written consent, provided that Tenant shall be permitted to install, at Tenant's sole cost and expense, cable television service to the Premises. No awning or other projection shall be attached by or for Tenant to the exterior walls of the Premises or the building containing the Premises. Any item set forth in this Section installed without the

prior written consent of Landlord shall be subject to removal by Landlord without notice to Tenant all at Tenant's sole cost and expense. Tenant shall not have access to the roof of the Building.

13. Overloading Floors. Tenant shall not overload any floor or part thereof in the Premises, the building containing the Premises, or the Shopping Center, including any public corridors or elevators therein, and Landlord may designate the location of safes, vaults and all other heavy articles and require supplementary supports of such material and dimensions as Landlord may deem necessary to properly distribute the weight at Tenant's expense (including expenses for structural review and engineering).

14. Locks and Keys. Upon termination of this Lease or Tenant's right to possession, Tenant shall: (a) return to Landlord all keys, parking stickers or key cards, and in the event of loss of any such items, shall pay Landlord therefor; and (b) advise Landlord as to the combination of any vaults or locks that Landlord permits to remain in the Premises.

15. Unattended Premises. Before leaving the Premises unattended, Tenant shall close and securely lock all doors or other means of entry to the Premises and shut off all lights (except signs required to be illuminated hereunder), water faucets and other utilities in the Premises (except heat to the extent necessary to prevent the freezing or bursting of pipes). This provision shall not imply that Tenant may leave the Premises unattended in violation of the operating requirements set forth elsewhere in this Lease.

16. Heating Facilities. If the Premises are equipped with heating facilities separate from those in the remainder of the Shopping Center, Tenant shall keep the Premises at a temperature sufficiently high to prevent freezing of water in pipes and fixtures.

17. Food and Beverages; Game and Vending Machines. Except to the extent expressly permitted under this Lease, Tenant shall not: (a) use the Premises for the manufacture, preparation, display, sale, barter, trade, gift or service of food or beverages, including, without limitation, intoxicating liquors; or (b) install, operate or use any video, electronic or pinball game or machine, or any coin or token operated vending machine or device to provide products, merchandise, food, beverages, candy, cigarettes or other commodities or services, including, but not limited to, pay lockers, pay toilets, scales and amusement devices; PROVIDED, HOWEVER, that Tenant may install vending machines for the sale of non-alcoholic beverages, food and candy in an area not visible from the sale area or exterior of the Premises for the exclusive use of Tenant's employees.

18. Intentionally Omitted.

19. Landlord's Trade Name and Trademarks. No symbol, design, name (other than the name of the Shopping Center in Tenant's advertising as permitted or required by this Lease), mark or insignia adopted by Landlord for the Shopping Center or picture or likeness of the Shopping Center shall be used by Tenant without the prior written consent of Landlord. Nor shall Landlord use, rely on, or advertise in any way, the City's name, likeness, images, symbols, marks, or insignia's without the City's express, prior written consent.

20. Prohibited Activities. Tenant shall not: (a) use strobe, flashing lights or rotating spotlights in or on the Premises (or other areas of the Shopping Center) or in any signs for the Premises; (b) use, sell or distribute leaflets, handbills, bumper stickers, other stickers or decals, balloons or other such articles in the Premises (or other areas of the Shopping Center); (c) operate any loudspeaker, telephone set, phonograph, radio, CD player or other musical or sound producing instrument or devise that can be heard outside the Premises; (d) operate any electrical or other device which interferes with or impairs radio, television, microwave, or other broadcasting or reception from or in the Shopping Center or elsewhere; (e) make or permit objectionable noise, vibration, smoke, fumes, vapors or odors to emanate from the Premises unless, in the case of smoke, fumes, vapors, or odors, Tenant installs and maintains a grease containment system or, if applicable, skin and hair salon odor control system, approved by Landlord in writing; (f) do or permit anything in or about the Premises or any other areas of the Shopping Center that is unlawful, immoral, obscene, pornographic, or which tends to create or maintain a nuisance or do any act tending to injure the reputation of the Shopping Center; (g) use or permit upon the Premises or other areas of the Shopping Center anything that violates the certificates of occupancy issued for the Premises or the Shopping Center, or causes a cancellation of Landlord's insurance policies or increases Landlord's insurance premiums (and Tenant shall comply with all requirements of Landlord's insurance carriers, the American Insurance Association, and any board of fire underwriters); (h) use the Premises for any purpose, or permit upon the Premises or any areas of the Shopping Center anything that may be dangerous to parties or property (including, but not limited to, flammable oils, fluids, paints, chemicals, firearms or any explosive articles or material(s); (i) cause, conduct, permit

or advertise any auction or closing-out or wholesale business in the Premises, or any distress sale, fire sale, bankruptcy sale, liquidation, relocation sale, closing sale, going-out-of-business sale, sheriff's sale, receiver's sale, or any other sale that, in Landlord's opinion, adversely affects the reputation of the Shopping Center or suggests that the business operations are to be discontinued in the Premises; nor (j) do or permit anything to be done upon the Premises or any other areas of the Shopping Center in any way tending to disturb, bother or annoy any other tenant at the Shopping Center or the occupants of neighboring property. Tenant shall not permit any fluids or other substances to leave or be discharged from the Premises. If any leak or spill shall occur or if fluids or other substances shall be released or discharged from the Premises, Tenant shall be responsible for and shall immediately cause the same to be cleaned and removed from the Premises and Tenant shall restore any damage to the Premises and be responsible for any costs incurred by Landlord to cause such leaks or spills to be cleaned and removed from the Shopping Center and/or Common Areas and/or other tenants' premises or to restore any damage to the Shopping Center and/or Common Areas and/or other tenants' premises that may result therefrom.

21. Responsibility for Compliance. Tenant shall be responsible for ensuring compliance with these Rules and Regulations, as they may be amended from time to time, by Tenant's employees and, as applicable, by Tenant's agents, invitees, contractors, subcontractors and suppliers.

EXHIBIT F

INTENTIONALLY OMITTED

EXHIBIT G

EXISTING RESTRICTED AND EXCLUSIVE USES

Exclusive Uses of Other Tenants

Mission BBQ:
Landlord agrees that, for so long as this Lease remain in full force and effect and further provided that Tenant is open and operating for the Permitted Use (as hereinafter defined), Landlord or any entity controlled by Landlord, will not enter into a new lease for, nor shall permit any space within Tenant's Exclusive Area (as shown on the Site Plan) to be used or occupied by, a tenant or other party whose principal business is the operation of a barbeque style restaurant or a restaurant offering barbeque catering or "to go" services, nor shall permit any restaurant to operate in the Shopping Center which uses as part of its name "BBQ", "Barbeque" or any variant thereof. A barbeque restaurant shall be defined as a restaurant primarily selling any of the following: barbeque beef, barbeque chicken, barbeque pork, barbeque turkey, pit cooked/smoked ribs and beef, any type of protein that is prepared as a smoked/barbeque type cuisine, as well as steak and prime rib for on and off site consumption. The foregoing shall not apply to any existing tenants in the Shopping Center. In addition, the foregoing shall not prohibit any restaurant from selling barbeque food items as an accessory use (less than 10% of sales), in conjunction with a full menu of alternate food selections. Upon request, in the event of an alleged violation, Landlord shall provide to Tenant verbatim copies of the permitted use clauses of such other tenant at the Shopping Center

Better Buzz Coffee Company:
So long as Tenant, following initial opening of its business to the public from the Demised Premises, has not ceased continuously and without interruption conducting business operations within the Demised Premises for the Permitted Use of the Demised Premises for one hundred twenty (180) days or more (except for reasonable closures due to Force Majeure, and periods of repair and reconstruction after casualty, condemnation or refurbishments) and provided that there is not then in existence a default on the part of Tenant (any required notice having been given and any applicable cure period having expired), Landlord (and any entity controlling, controlled by, or under common control with Landlord) will not, during the Lease Term, sell or lease or permit any other tenant or occupant to sell within the "Exclusive Area" (set forth on Exhibit F attached hereto): (a) whole or ground coffee beans; (b) coffee, espresso, tea; (c) coffee, espresso, or tea-based drinks; (d) acai bowls; and/or (e) blended beverages (other than juice) ("Tenant's Exclusive Use"). In the event that Landlord sells any pads or any portion(s) of the Exclusive Area, Landlord, at or prior to the closing of such sale, shall ensure that such Tenant's Exclusive Use is memorialized in a recorded instrument affecting such pads or portion(s) and reasonably acceptable to Tenant, whether through the Declaration or otherwise. Notwithstanding the foregoing, (i) other tenants operating restaurants in Tenant's Exclusive Area (and the Future Exclusive Area, defined below) may sell pre-bottled tea drinks, brewed coffee or brewed tea as part of such tenants' regular menu offerings so long as it is not either gourmet or brand-identified, and (ii) one (1) full service restaurant having incidental sales of acai bowls of less than five percent (5%) of gross sales shall be permitted in Tenant's Exclusive Area (and the Future Exclusive Area, defined below). In the event that Landlord leases or sells any parcels located in the area identified as the "Future Exclusive Area" on Exhibit F attached hereto, Landlord shall ensure that such owners, users and/or occupants are restricted from selling the products described in Tenant's Exclusive Use.

Note: The term "Future Exclusive Area" refers to the area located immediately along Bell Road between 145th Avenue and 146th Avenue.

Osteria Mia:
During the Lease Term, so long as the originally named Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof, Landlord shall not lease space within the area identified as "Tenant's Exclusive Area" on Exhibit F attached hereto to another tenant whose primary business is the sale of Italian food ("Tenant's Exclusive Use"). Tenant's Exclusive Use shall not apply to leases executed prior to the Effective Date. Furthermore, nothing contained within this Lease shall prohibit Landlord from leasing space within the Shopping Center to Parry's Pizzeria & Taphouse

Amazing Lash Studio:
During the Lease Term, so long as following the Rent Commencement Date Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof (excluding periodic closures due to remodeling (not to exceed 90-consecutive days) closures due to casualty, Force Majeure, and national and state holidays), and so long as Tenant is not in default under the Lease, Landlord agrees

that it shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is providing eyelash extensions and refills or eye enhancing services (including eyebrow and eyelash tinting, and eyelash perming services) (the "Tenant's Exclusive"). Tenant's Exclusive shall not apply to tenants (a) with leases executed prior to the Effective Date, or (b) that generate fifteen percent (15%) or less of its gross sales within the Shopping Center from the services described in Tenant's Exclusive

Cafe Zupas:
Subject to existing Lessee leases executed on or before the Effective Date, or any Lessee occupying more than 10,000 square feet of leased space in the Shopping Center, Lessor agrees that it shall not lease a space in the Exclusive Area as depicted on Exhibit B-1 to any Lessee whose primary sales are derived from the sale of soups, salads, or sandwiches, including specifically Panera Bread, Paradise Bakery, Corner Bakery, Atlanta Bread Company, Apple Spice Junction, McAllister's, Jason's Deli, Cosi, Au Bon Pain, La Madeleine, Kneaders, Soup Plantation, La Boulange, Core Eatery, Mod Market an Sweet Tomatoes.

Farmer Boys:
During the term of this Lease provided Tenant or Tenant's assignee or sublessee has possession of the Premises and is open and operating for permitted use, subject to any Permitted Closures, as defined below, Landlord shall not use or allow any other person or entity (except Tenant) to use any portion of the Shopping Center for the sale of freshly cooked and assembled hamburgers, for on or off-site consumption; provided, however this restriction shall not apply to any existing tenants of the Shopping Center as of the date of this Lease as set forth on Exhibit "G". The sale of pre-cooked and pre-packaged hamburgers and breakfast items is not prohibited by this exclusive use clause. Furthermore, Landlord will not use or allow any other person or entity to use any portion of the buildings identified as Pad 2 and Pad 3 on the site plan attached hereto as Exhibit A to operate a full-service restaurant specializing in the sale of breakfast items (e.g. Denny's, First Watch, Waffle House, Snooze, Breakfast Club). Tenant hereby agrees that (a) Cafe Zupas shall be permitted to operate in Pad 2 or Pad 3, and (b) a business that specializes in the sale of gourmet coffee and offers breakfast items as part of its standard menu (e.g. Dunkin, Starbucks, Better Buzz Coffee, Black Rock Coffee, Black Rifle Coffee, etc.) shall be permitted to operate in Pad 2 or Pad 3.

The parties hereby agree that, notwithstanding the terms of Section 1.g. of the Lease, one (1) tenant within the building identified as Shops B-1 on the site plan attached hereto as Exhibit A shall be permitted to the sell hamburgers for on and off premises consumption as long as (a) such tenant operates a sit down restaurant where orders are taken at the tables by servers from seated customers, (b) such tenant does not have the words "hamburger, burger, or cheeseburger" in such tenant's trade name, and (c) the sales of hamburgers derived by such tenant from such tenant's premises are less than fifteen percent (15%) of the total gross sales derived by such tenant from such tenant's premises.

Lush Nails:
During the Lease Term, so long as Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof, and so long as Tenant is not in default under the Lease, Landlord shall not lease space within the Shopping Center to another tenant whose primary use is the operation of a nail salon ("Tenant's Exclusive Use"). The term "primary use" is defined as deriving fifteen percent (15%) or more of gross sales from services of manicures and pedicures. Tenant's Exclusive Use shall not apply to (i) tenants with leases executed prior to the Effective Date, or (ii) tenants who derive less than 15% of its gross sales from services of manicures and pedicures.

Salon Lofts:
Provided Tenant is open and operating for the Permitted Use and is not in an Event of Default under this Lease, Tenant shall have the exclusive right in the Project to operate (i) a full service hair salon and (ii) a salon suite business (collectively "Tenant's Exclusive Services"). As used herein, "salon suite business" shall mean a salon suites business concept whereby individual spaces are made available to independent operators for hair cutting, styling or any of the uses typically found in a salon or day spa such as, but not limited to, Sola Salon Studios, Phenix Salon Studios or Salon Suites. Accordingly, Landlord agrees not to lease or sell any space in the Project (other than the Premises) to or otherwise permit to be operated therein another business which provides any of the Tenant's Exclusive Services as its Primary Source of Business. "Primary Source of Business" shall mean more than 250 square feet devoted thereto or more than 10% of revenue derived therefrom. Notwithstanding the foregoing, Section 6.2 shall not prohibit any tenant under a lease existing on the date of this Lease (including any renewals, extensions or modifications) from using space occupied by it for any use permitted under such tenant's

lease as of the date hereof. In addition, Landlord shall be permitted to lease space within the Retail Component to one (1) (a) nail salon, (b) barber shop, (c) business offering massage services (such as Massage Envy), (d) business offering eyelash services and (e) low cost haircut provider (such as Fantastic Sam's).

Tacos Chilango:
During the Lease Term, so long as Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof, and so long as Tenant is not in default under this Lease, Landlord agrees that it shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is the operation of a quick service / fast casual restaurant primarily serving Mexican cuisine ("Tenant's Exclusive"). Tenant's Exclusive shall not apply to tenants (a) with leases executed prior to the Effective Date, (b) that generate fifteen percent (15%) or less of its gross sales within the Shopping Center from the sale of Mexican cuisine, or (c) that operate full service sit-down restaurants where orders are taken by staff members from seated customers.

Pita Kitchen:
During the Lease Term, so long as Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof, and so long as Tenant is not in default under this Lease, Landlord agrees that it shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is the operation of a full service / quick service / fast casual restaurant primarily serving Greek cuisine ("Tenant's Exclusive"). Tenant's Exclusive shall not apply to tenants (a) with leases executed prior to the Effective Date, or (b) that generate twenty percent (20%) or less of its gross sales within the Shopping Center from the sale of Greek food items, such as pitas, gyros, shawarma, hummus and/or kabobs.

Jet's Pizza:
During the Lease Term, so long as Tenant is not in default beyond any applicable notice and cure period, and so long as the originally named Tenant is conducting business operations within the Premises in compliance with Section 3.04 above for the use specified in Section 1.09 hereof, Landlord agrees that it shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is the operation of a restaurant that provides pizza for take-out and delivery ("Tenant's Exclusive"). Tenant's Exclusive shall not apply to tenants (a) with leases executed prior to the Effective Date, (b) that generate fifteen percent (15%) or less of its gross sales within the Shopping Center from the services described herein, or (iii) that operate a full service sit down Italian restaurant that serves pizza as part of its typical menu offerings.

Pacific Dental Services:
Landlord hereby grants Tenant the exclusive right to provide general dentistry and specialty dentistry (including, without limitation, orthodontics, pediatric dentistry, endodontics, periodontics, prosthodontics, cosmetic dentistry and oral and maxillofacial surgery) services and operations in the Shopping Center Accordingly, Landlord agrees that it shall not lease, license, sell or otherwise convey to, or otherwise permit the operation of, any other tenant or occupant that provides any amount of general dentistry or specialty dentistry (including, without limitation, orthodontics, pediatric dentistry, endodontics, periodontics, prosthodontics, cosmetic dentistry and oral and maxillofacial surgery) services and/or operations within the Shopping Center (the "Exclusive Use"). The foregoing Exclusive Use restrictions shall automatically terminate as of the date which is the earliest of (i) a material change in the Initial Permitted Uses set forth in Section 1.1.K (such that the Premises are used for purposes entirely other than any amount of general and or specialty dentistry services or operations); or (ii) the expiration or earlier termination of the Lease.

Elements Massage:
During the Lease Term, provided: (i) while Tenant is open for business to the public, Tenant is conducting its business within the Premises for the Permitted Use (as specified in Section 1.09 hereof) and, (ii) Tenant is not in material default under this Lease beyond the applicable cure period (during which periods the Tenant's Exclusive shall be temporarily suspended), Landlord shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is the operation of a massage studio providing various massage services consistent with those of a typical "*Elements Massage Studio*" ("Tenant's Exclusive"). The foregoing notwithstanding, Tenant's Exclusive shall not apply to: (a) any tenant (or assignee) whose lease was executed prior to the Effective Date, or (b) any tenant that generates fifteen percent (15%) or less of its gross sales from such tenant's premises within the Shopping Center from massage services.

Petersen’s Ice Cream:
During the Lease Term, so long as Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof, and so long as Tenant is not in default under this Lease, Landlord agrees that it shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is the sale of ice cream and gelato for on and off-premises consumption (“Tenant’s Exclusive”). Tenant’s Exclusive shall not apply to tenants (a) with leases executed prior to the Effective Date, (b) that generate fifteen percent (15%) or less of its gross sales within the Shopping Center from the sale of ice cream or gelato, or (c) that operate a full service sit-down restaurant where orders are taken by staff members from seated customers.

Restricted and Prohibited Uses

Any and all exclusive, restricted or prohibited uses set forth in the Declaration.

EXHIBIT H

OPTIONS TO EXTEND LEASE TERM

1. **Grant of Option**. Landlord grants to Tenant the option to extend the Initial Term of this Lease for up to two (2) additional periods of five (5) years each (each, an "Option"). Each such additional period is referred to as an "Extension Term."

2. **Exercising Options**. Tenant shall exercise each Option by delivering written notice ("Option Notice") to Landlord on or before the date that is two hundred seventy (270) days prior to the expiration of the Lease Term or any Extension Term, as applicable (the "Option Notice Deadline"). If Tenant fails to deliver the Option Notice on or before the Option Notice Deadline, Tenant's right to unilaterally extend the Lease Term shall terminate, and this Lease shall expire as of the end of the Initial Term or the applicable Extension Term, unless the Parties otherwise mutually agree to a First or Second Extension Term, as the case may be. Tenant may only exercise an Option if Tenant is not in default of any provisions of this Lease at the time the Option Notice is delivered to Landlord and at the commencement date of each Extension Term.

3. **Base Rent for the Extension Terms**. Except as otherwise may be mutually agreed to by the Parties, upon the commencement of each Extension Term, all provisions of this Lease shall remain in full force and effect, except that (a) previously exercised Options shall expire, and (b) Tenant shall pay Base Rent in accordance with Section 4 below.

4. **Rent Adjustment for Extension Terms**. Except as otherwise may be mutually agreed to by the Parties, the Base Rent for any Extension Term shall be an amount equal to the greater of: (i) Fair Market Rent (defined herein); or (ii) three percent (3%) above the most recent Base Rent payable (the "Adjusted Rent"). As used herein, "Fair Market Rent" means an amount equal to the then prevailing rate for similar space in a comparable building located within the City of Surprise metropolitan area during the six (6) month period immediately preceding the date of Tenant's delivery of the Option Notice. In the event that Landlord and Tenant are unable to agree upon the Fair Market Rent within ten (10) days after the date of Tenant's delivery of the Option Notice, then Fair Market Rent shall be determined by an appraisal as set forth below:

   a. Either Landlord or Tenant may submit the matter to appraisal by notifying the other party in writing. Not less than ten (10) days after the date of such notice, Landlord and Tenant shall each (i) appoint an appraiser; and (ii) give written notice to the other identifying that party's appraiser and indicating whether that party will submit supplemental written or oral evidence to support its proposal for Fair Market Rent. Any appraiser selected under this subsection shall be an appraiser or licensed real estate broker who has substantial experience in building management and marketing in the geographic real estate market where the Premises are situated and who has not been regularly employed or retained as a consultant, appraiser or agent of either party during the last twelve (12) months.

   b. Not later than ten (10) days after both appraisers have been appointed, Landlord and Tenant shall each submit a sealed envelope to each appraiser containing its proposed Fair Market Rent and shall provide a copy of such submission to the other party. If neither party notified the other that supplemental information would be submitted then each envelope shall contain only a proposed Fair Market Rent and no further information. If either notice given under subsection (a) above indicated that supplemental information would be provided then either party may supplement its submission with written and/or oral presentations to both appraisers. Within ten (10) days after receipt of both parties' proposals, the appraisers shall review the submissions and shall select one proposal as being closer to the actual Fair Market Rent for the Premises which shall become the Fair Market Rent for the Premises for that Extension Term. The appraisers shall promptly notify the parties of their decision, which shall be final and binding upon Landlord and Tenant.

   c. If the appraisers do not agree as to which party's proposal is closest to the actual Fair Market Rent, then not later than ten (10) days after the appraisers have notified the parties of this fact, unless both Landlord and Tenant direct otherwise, the appraisers shall jointly select an arbitrator who shall determine which proposal is the closest to the actual Fair Market Rent. The arbitrator must have the same qualifications stated for an appraiser under subsection (a) above. The arbitrator may conduct an arbitration under the provisions of the commercial arbitration rules of the American Arbitration

Association. The arbitrator shall decide only which Fair Market Rent submission is closer to the actual Fair Market Rent for the Premises. The arbitrator's decision shall be binding on all parties and shall apply retroactively to the beginning of the Extension Term. The arbitrator shall make a final decision within thirty (30) days of the arbitrator's appointment.

d. The final determination of the Fair Market Rent shall apply retroactively to the beginning of the Extension Term. Throughout the period during which the Fair Market Rent is being determined, Tenant shall continue to pay the most current applicable Base Rent. Once the Fair Market Value is determined, Tenant shall pay Landlord the difference between the Fair Market Rent and the Base Rent paid by Tenant during the Fair Market determination period together with the next payment of Base Rent.

Once the Adjusted Rent is determined as set forth herein, Tenant shall pay the Adjusted Rent for the first Lease Year of each such Extension Term. Thereafter, the Adjusted Rent shall increase by three percent (3%) on the first day of each Lease Year throughout the remainder of such Extension Term.

EXHIBIT I

TENANT IMPROVEMENT ALLOWANCE

Except as provided in this Exhibit, the performance of the Tenant Improvements shall be performed and completed by Landlord at Tenant's sole cost and expense. Subject to the provisions of this Exhibit I, Landlord shall credit an amount, not to exceed One Hundred Fifty-Nine Thousand Seven Hundred Twenty and 00/100 Dollars ($159,720.00), against Tenant's obligation to pay for the design and installation of the Tenant Improvements (the "Tenant Improvement Allowance"). Tenant agrees to contribute an amount toward the cost of the Tenant Improvements of at least Three Hundred Eight Thousand and 00/100 Dollars ($308,000.00). Within thirty (30) days following the date that the parties approve the space plan referenced in Section 9.04 of the Lease, Landlord shall deliver to Tenant (a) three (3) competitive bids of the cost of the Tenant Improvements from qualified general contractors licensed in the State of Arizona, and (b) Landlord's estimate of the total hard costs required to complete the Tenant Improvements (the "TI Estimate"). If the TI Estimate exceeds Four Hundred Sixty-Seven Thousand Seven Hundred Twenty and 00/100 Dollars ($467,720.00) (the "Maximum TI Cost"), then (i) Landlord may elect to contribute all or some of the difference between the TI Estimate and the Maximum TI Cost (the "TI Shortfall") upon terms and conditions mutually acceptable to the parties, including, without limitation, acceptable adjustments to the Base Rent payable under the Lease; or (ii) Tenant may elect for Landlord to complete the Tenant Improvements without additional contribution from Landlord. In the event Tenant elects to have Landlord complete the Tenant Improvements without additional contribution from Landlord and either Landlord is unwilling to contribute to the TI Shortfall, or Landlord and Tenant are unable to agree upon the terms and conditions of Landlord's contribution to the TI Shortfall within thirty (30) days following Landlord's notice to Tenant of the TI Estimate, either party may terminate the Lease effective upon written notice to the other, at which point, the Lease shall be deemed immediately and irrevocably terminated without further action by the parties. In the event Landlord and Tenant agree upon terms under which Landlord will contribute to the TI Shortfall, such contribution shall be deemed part of the Tenant Improvement Allowance and the parties will enter into an amendment to the Lease, the purpose of which will be to document the terms of the Lease that will be revised as a result of Landlord and Tenant agreeing to modify the Lease pursuant to the terms of this Exhibit I.

LEASE AGREEMENT

This Lease Agreement (this "Lease") is dated for reference purposes as of ______________________, and is made and entered into by and between CITY CENTER SIMON SURPRISE, LLC, an Arizona limited liability company ("Landlord"), and CITY OF SURPRISE, ARIZONA, a municipal corporation ("Tenant" or "City").

SECTION 1: BASIC LEASE TERMS

1.01. Shopping Center. That real property and improvements now or to be located thereon at or near the southeast corner of Bell Road and Bullard Avenue in the City of Surprise, Maricopa County, Arizona, and more commonly known as Surprise City Center. The legal description of the land upon which the Shopping Center is or shall be is set forth on Exhibit A-1 attached hereto (the "Land") and a preliminary site plan is attached hereto as Exhibit A-2. For purposes of this Lease, the Shopping Center shall initially consist of the portion of the Surprise City Center development shown on Exhibit A-2, all improvements constructed thereon, together with such additions and deletions as Landlord may from time to time designate for the Shopping Center. Landlord may, from time to time, designate additions, deletions and other changes to the Shopping Center. Tenant acknowledges that the scope and configuration of the Shopping Center may change from time to time as portions thereof are developed, and that portions thereof may be condominiums, parcelized, subdivided or otherwise sold separate and apart from other portions thereof, and that as a result thereof, notwithstanding anything to the contrary contained in this Lease, Landlord may elect to exclude such portions of the Surprise City Center development from the Shopping Center. The Shopping Center shall consist of those portions of the Surprise City Center development that Landlord may elect, in Landlord's sole discretion, to include in such term from time to time.

1.02. Shopping Center Area. Approximately 50,000 square feet.

1.03. Premises. That certain space located within the Shopping Center leased to Tenant, pursuant to the terms and conditions of the Lease, as generally depicted on Exhibit A-3 attached hereto.

1.04. Premises Area. Approximately Three Thousand Five Hundred (3,500) square feet located within Shops B, as shown on Exhibit A-3 attached hereto.

1.05. Landlord's Notice Address.
CITY CENTER SIMON SURPRISE, LLC
c/o SimonCRE
6900 East 2nd Street
Scottsdale, Arizona 85251
Attn: Joshua Simon
Telephone: (480) 745-1956
Facsimile: (480) 588-4150

1.06. Tenant's Notice Address.
CITY OF SURPRISE
c/o Economic Development Department
16000 N Civic Center Plaza
Surprise, Arizona 85374
Attn: Brian Sandusky, Project Manager
Telephone: (623) 222-3322
Facsimile:
Email Address: Brian.Sandusky@SurpriseAZ.Gov

1.07. Tenant's Trade Name. SparkWorks Surprise

1.08. Intentionally Deleted.

1.09. Tenant's Use. Tenant shall operate its SparkWorks Surprise from the Premises. The City of Surprise's SparkWorks Surprise offers programs designed to accommodate the needs of small businesses, existing businesses, and businesses new to the community by providing mentors, training, affordable space, and a multitude of resources custom tailored for entrepreneurship and business ventures. Surprise's SparkWorks Surprise may be used to transform ideas and amplify impact on the rapidly growing world of technological innovation. The SparkWorks Surprise offers space and a place to cultivate success through community, collaboration and coaching from reputable business professionals. (The "Permitted Use").

1.10. Initial Lease Term. Ten (10) Lease Years commencing on the Rent Commencement Date.

1.11. Base Rent.

Period	Base Rent per SF per Year	Base Rent per month
Initial Term:		
1st Lease Year	$40.00	$11,666.67
2nd Lease Year	$41.20	$12,016.67
3rd Lease Year	$42.44	$12,377.17
4th Lease Year	$43.71	$12,748.48
5th Lease Year	$45.02	$13,130.94
6th Lease Year	$46.37	$13,524.86
7th Lease Year	$47.76	$13,930.61
8th Lease Year	$49.19	$14,348.53
9th Lease Year	$50.67	$14,778.98
10th Lease Year	$52.19	$15,222.35

First Extension Term:

Base Rent payable by Tenant during the First Extension Term shall be adjusted as set forth in Exhibit H attached hereto.

Second Extension Term:

Base Rent payable by Tenant during the Second Extension Term shall be adjusted as set forth in Exhibit H attached hereto.

Any agreement by Landlord for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Landlord to or for Tenant of any cash or other bonus, inducement or consideration for Tenant's entering into this Lease, including, but not limited to, any tenant allowance, all of which concessions are hereinafter referred to as "Inducement Provisions" shall be deemed conditioned upon Tenant's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Tenant during the Initial Term hereof. If an event of default occurs during the first (1st) Lease Year, then any such Inducement Provision shall automatically be deemed deleted from the Lease and of no further force or effect.

SECTION 2: TERM; OPTIONS TO EXTEND

2.01. Lease Term. Except as set forth herein below, this Lease shall be effective and binding upon the mutual execution and delivery of this Lease and the "Initial Term" of this Lease commences upon the Rent Commencement Date and shall continue for the number of Lease Years set forth in Section 1.10 above. A "Lease Year" consists of twelve (12) consecutive calendar months, commencing on the Rent Commencement Date and expiring on the last day of the twelfth (12) full calendar month thereafter. The first Lease Year is the period beginning on the Rent Commencement Date and ending one (1) year after the last day of the month preceding the month in which the Rent Commencement Date occurs. The second Lease Year shall begin on the day after the end of the first Lease

Year, and shall end one (1) year after the end of the first Lease Year. The third and subsequent Lease Years shall begin and end on the appropriate anniversary dates of the beginning and ending dates of the second Lease Year. The Initial Term and all exercised Extension Terms (as defined in Exhibit H attached hereto), are sometimes collectively referred to herein as the “Lease Term”.

2.02. Appropriation of Funds. This Lease and the terms and rent provisions hereof, are subject to the City’s appropriation of funds. The City is a governmental agency which relies upon the appropriation of funds by its governing body to satisfy its obligations. The City represents that it intends to pay all monies due under this Lease if such funds have been legally appropriated. However, in the event that an appropriation is not granted and operating funds are not otherwise legally available to pay the monies due or to become due under this Lease, the City shall have the right to terminate this Lease without penalty on the last day of the fiscal period for which funds were legally available. In the event of such termination, City shall provide thirty (30) calendar days’ written notice to Landlord of the Tenant intent to terminate this Lease.

2.03. Options to Extend. See Exhibit H attached hereto.

SECTION 3: POSSESSION AND USE

3.01. Substantial Completion; Occupancy and Delivery of Possession. Tenant shall accept delivery of possession of the Premises upon receipt from Landlord of notice that the Delivery Date has occurred. As used herein, “Delivery Date” means the date that the Premises are available for occupancy by Tenant and Landlord has achieved substantial completion of Landlord’s Work as described in Exhibit B hereto. As used herein, “substantial completion of Landlord’s Work” means the date on which Landlord notifies Tenant that Landlord’s Work at the Premises is substantially complete notwithstanding the fact that minor or insubstantial details of construction, mechanical adjustment or decoration remain to be performed, it being understood and agreed that Landlord will not be required to install or complete all items of Landlord’s Work (such as heating, air conditioning and sprinkler systems, if applicable) until Tenant has commenced construction of Tenant’s Work and completed portions of same to a point when Landlord may reenter the Premises and complete all items of Landlord’s Work. Upon or within a reasonable period after the Delivery Date, Landlord may deliver a notice to Tenant setting forth the date of such delivery of possession and other key dates as provided herein in substantially the same form as attached hereto as Exhibit C.

3.02. Declaration; Rules and Regulations. Tenant acknowledges that, subject to the terms of Section 20.01 of this Lease, the Shopping Center and Premises are subject to the Declaration. As used herein, “Declaration” means, collectively, any deed or title restrictions, covenants, conditions and restrictions as may at any time or from time to time affect the Shopping Center or the Premises, or as same may be changed, amended, modified or supplemented, including but not limited to that certain (i) Declaration of Conditions Covenants, Restrictions and Easements recorded on July 8, 2004 as Instrument No. 20040784730 as amended by that certain First Amendment to Declaration of Conditions, Covenants, Restrictions and Easements recorded on February 8, 2013 as Instrument No. 20130129233, and (ii) Common Operation and Reciprocal Easement Agreement recorded on August 31, 2023 as Instrument No. 20230459323 in the Official Records of Maricopa County, State of Arizona. Tenant and all persons in possession or holding under Tenant shall at all times abide by the terms, conditions and restrictions of the Declaration and all amendments, modifications, extensions, renewals and replacements thereof. Tenant acknowledges that this Lease shall be subject to the Declaration, and the Declaration shall be binding upon Landlord, Tenant and the Shopping Center and run with the land. Tenant acknowledges that this Lease is subject and subordinate to all laws, including, without limitation, the Rules and Regulations, a copy of which are attached to this Lease as Exhibit E and Tenant agrees to comply with and observe all of the Rules and Regulations. Landlord may reasonably and in a non-discriminatory fashion amend the Rules and Regulations from time to time in Landlord’s reasonable discretion, provided that no such amendment may violate the terms of this Lease.

3.03. “As Is” and “Where Is” Condition; Nuisance. Subject to Landlord’s Work as described in Exhibit B hereto, Tenant shall accept the Premises in its “as is” and “where is” condition. Tenant shall not commit or suffer to be committed any waste upon the Premises or any nuisance or other act or thing which may disturb the quiet enjoyment of any other tenant or occupant of the Shopping Center.

3.04. Tenant’s Permitted Use; Use Restrictions; Permissibility of Tenant’s Use. Tenant shall use the Premises continuously and without interruption only for the Permitted Use specified in Section 1.09 hereof and Tenant shall not use or permit the Premises to be used for any other purpose whatsoever without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Tenant agrees that it shall be reasonable for Landlord to withhold its consent to a proposed change in the use if such proposed use (i) violates any current exclusive use of another tenant within the Shopping Center, (ii) is a use that is prohibited under the Declaration, or (iii) duplicates a primary use of another tenant in the Shopping Center. Tenant shall not use the Premises in violation of law or governmental regulation or in any manner that disturbs, trespasses on or adversely interferes with the business of any other tenant of the Shopping Center. Notwithstanding the foregoing, the Parties agree and acknowledge that the Tenant's use of the Premises in accordance with Section 1.09 hereof shall at all times be deemed to be compatible and consistent with, and to not interfere with, the business of any other tenant of the Shopping Center. Tenant shall not use, generate, release, store or dispose of any hazardous materials at the Premises and shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to emanate from the Premises. Tenant shall be responsible for complying with any and all covenants, conditions and/or restrictions of record and all provisions of the applicable municipal zoning code pertaining to the Shopping Center. Tenant shall be solely responsible at its sole cost and expense for obtaining any required special use permits to operate its business. Landlord and its representatives, agents, brokers or employees have made no representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business. Tenant shall be solely responsible for investigating and determining the permissibility, propriety and legality of Tenant's proposed use(s) within the Premises. Tenant shall comply with the rules and regulations governing the Shopping Center attached hereto as Exhibit E and such other reasonable rules and regulations that apply uniformly to all tenants of the Shopping Center as may be promulgated from time to time by Landlord related to the security and operation of the Shopping Center provided that Tenant receives advance written notice of any such other rules and regulations. Tenant shall in no event use the Premises for any of the exclusive, prohibited or restricted uses set forth on Exhibit G attached hereto and made a part hereof.

SECTION 4: RENT

4.01. Rent Commencement Date; Fixturization Period. The "Rent Commencement Date" shall occur on the date that is the earlier of (i) one hundred fifty (150) days following the Delivery Date; or (ii) the date that Tenant opens for business in the Premises. The period commencing on the Delivery Date and expiring the day before the Rent Commencement Date is defined herein as the "Fixturization Period". On or within a reasonable time after the Rent Commencement Date, upon the request of Landlord, Tenant shall execute a written memorandum confirming the Rent Commencement Date; provided, however, should Tenant fail to execute such memorandum and/or fail to reasonably object to the Rent Commencement Date designated in the memorandum within five (5) business days of receipt of same, the Rent Commencement Date in the memorandum prepared by or on behalf of Landlord shall be deemed correct, subject to a commercially reasonable and good faith dispute by the Tenant.

4.02. Base Rent. Subject to Section 2.02, Tenant shall pay to Landlord the guaranteed base rent ("Base Rent") set forth in Section 1.11 hereof, at Landlord's notice address designated in Section 1.05 hereof. The Base Rent is due in advance in equal monthly installments without setoff or deduction, notice or demand, and continuing thereafter due on or before the first (1^{st}) day of each succeeding calendar month. The monthly Base Rent for any portion of a calendar month shall be prorated based upon the total number of days in such month. During any period of time when Base Rent may be abated in part or in full, if applicable, and subject to Section 2.02, Tenant shall remain obligated to pay all other charges due and payable under this Lease.

4.03. Late Fee, Returned Checks, Interest. Subject to Section 2.02, Landlord and Tenant agree that in the event Tenant fails to pay any installment of Base Rent or Additional Rent on or before the date due, such unpaid amounts shall bear interest at the rate of twelve percent (12%) per annum from the date due to the date of payment. In addition to such interest, if Tenant shall fail to pay any monthly installment of Base Rent or Additional Rent (as defined hereinbelow) on or before the date such installment is due, Tenant shall pay to Landlord a late charge equal to ten percent (10%) of the past due amount. If any check given by Tenant to Landlord is dishonored by reason of insufficient funds or any other reason, then Tenant shall pay Landlord an additional charge of Fifty and 00/100 Dollars ($50.00) for each dishonored check. Further, at any time after the receipt by Landlord of a dishonored check, then Tenant shall, at the option of Landlord and upon written notice to Tenant, remit all future amounts payable to Landlord hereunder by cashier's check or other bank certified funds. Tenant acknowledges that the foregoing late charges and fees represent a fair and reasonable estimate of the costs that Landlord will incur by reason of late or dishonored payments by Tenant. Nothing contained in this Lease shall be deemed to permit Tenant to delay the payment of any amount of money and acceptance of a late charge or fee by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any right or remedy granted under this Lease.

SECTION 5: SECURITY DEPOSIT; PREPAID RENT

Upon Tenant's execution and delivery of the Lease, Tenant shall deposit with Landlord the sums in the amounts of (i) Seventeen Thousand Three Hundred Sixty Six and 22/100 Dollars ($17,366.22) (the "Security Deposit"); and (ii) Thirteen Thousand Three Hundred Ten and 00/100 Dollars ($13,310.00) the "Prepaid Rent"). The Prepaid Rent shall be applied towards the Base Rent payable for the first month of the Lease Term. The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants and conditions of the Lease and any renewals or extensions thereof. If Tenant defaults hereunder, Landlord may apply or retain all or any part of the Security Deposit for the payment of any sum due hereunder and/or for any amount which Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. Upon the application or retention of any or all of the Security Deposit, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount and Tenant's failure to do so shall be a default under the Lease. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on such Security Deposit. If Tenant shall fully and faithfully perform every provision of the Lease to be performed by it, the Security Deposit or any remaining balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within thirty (30) days following expiration of the Lease Term. In the event of a sale or other transfer of the Premises by Landlord, Landlord shall transfer any and all of the remaining balance of the Security Deposit to Landlord's successor-in-interest and, thereupon, the selling/transferring Landlord shall be discharged from any further liability with respect such Security Deposit. The preceding sentence shall apply to each and every subsequent sale or transfer of the Premises.

SECTION 6: TAXES

6.01. Real Estate Taxes Defined. "Real Estate Taxes" means (i) all real estate taxes and assessments on the Property, and taxes and assessments levied in substitution or supplementation in whole or in part of such taxes, (ii) all personal property taxes for the Property's personal property, including license expenses, (iii) all taxes imposed on services of Landlord's agents and employees, (iv) all sales, use or other tax, excluding state and/or federal income tax now or hereafter imposed by any governmental authority upon rent received by Landlord, (v) all other taxes, fees or assessments now or hereafter levied by any governmental authority on the Property or its contents or on the operation and use thereof (except as relate to specific tenants), and (vi) all reasonable costs and fees incurred in connection with seeking reductions in or refunds in Real Estate Taxes including, without limitation, any costs incurred by Landlord to challenge the tax valuation of any portion of the Property, but excluding income taxes.

6.02. Tenant's Pro Rata Share of Real Estate Taxes. Beginning on the Rent Commencement Date, and thereafter on the first (1st) day of each calendar month during the Lease Term, Tenant shall pay to Landlord, as Additional Rent, one-twelfth (1/12) of an amount estimated by Landlord to be Tenant's pro rata share of the total Real Estate Taxes for that calendar year or balance thereof. Landlord's estimate of Tenant's pro rata share of Real Estate Taxes shall be made at the beginning of each calendar year and Landlord may adjust each estimate by providing Tenant with notice and evidence of the adjusted estimate. For purposes of Real Estate Taxes, "pro rata share" shall mean a fraction, the numerator of which shall be the gross leasable floor area of the Premises, and the denominator of which shall be the gross leasable floor area of the building or buildings which are part of the tax parcel on which the Premises are located (as the same may be adjusted from time to time). Real Estate Taxes for any partial calendar year shall be apportioned and adjusted so that Tenant shall not be responsible for Real Estate Taxes accruing prior or subsequent to the Lease Term.

6.03. Reconciliation of Real Estate Taxes. See Section 7.09 of this Lease.

6.04. Transaction Privilege Tax. In addition to and together with the Base Rent and Additional Rent, Tenant shall pay to Landlord the transaction privilege tax levied or imposed upon Landlord by any federal, state, county, city and municipal authority (other than income and/or estate taxes) attributable to or measured by the commercial rental income and other charges or prorations payable by Tenant pursuant to the Lease ("Privilege Tax").

6.05. Personal Property Taxes. Tenant shall pay all taxes assessed against the leasehold interest on personal property owned or placed in the Premises by Tenant prior to delinquency and prior to same becoming a lien on the Premises. Tenant shall protect and hold harmless Landlord and the Premises from any and all liability for Tenant's share of any and all such personal property taxes, assessments and charges together with any interest, penalties or other charges thereby imposed, and from any sale or other proceedings to enforce payment thereof.

SECTION 7: COMMON AREAS AND COMMON AREA MAINTENANCE EXPENSES

7.01. Common Areas Defined. "Common Areas" means all areas and facilities in the Shopping Center that are within the exterior boundaries and ingress and egress roadways of the Shopping Center, which are now or in the future available for general use, convenience and benefit of Landlord, Tenant and all other tenants and other Persons entitled to occupy floor space in the Shopping Center, including, without limitation, all parking areas, parking structures, driveways, open and enclosed courts and malls, sidewalks, walkways, service corridors, loading platforms, canopies, elevators, escalators, washrooms, signs, lounges, landscaped and planted areas, shelters, service areas and all other service facilities and equipment, if any.

7.02. Tenant's Use of Common Areas. Landlord grants to Tenant and its agents, employees, licensees, invitees and contractors a non-exclusive right to use the Common Areas during the Lease Term. Tenant shall keep all Common Areas free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's operations. Tenant shall permit the use of Common Areas only for their intended purposes, including vehicular and pedestrian access, ingress and egress and parking. If the amount of the Common Areas is diminished at any time during the Lease Term, Landlord shall not be subject to any liability nor shall Tenant be entitled to any compensation or diminution or abatement of rent, nor shall the diminution in size of the Common Areas be deemed constructive or actual eviction.

7.03. Landlord's Control of Common Areas. Landlord shall have exclusive control of the Common Areas, and may, without limitation, lease space within the Common Areas to tenants for the sale of merchandise or services, and permit advertising displays, educational displays and entertainment in the Common Areas. None of the foregoing shall materially adversely affect the visibility or accessibility of the Premises.

7.04. Landlord's Right to Reconfigure and Limit Tenant Parking Spaces; Parking Lots. Notwithstanding anything herein to the contrary, Landlord shall have the right, to reconfigure the parking facilities within the Common Areas or any other parking area at the Shopping Center so long as any such reconfiguration does not materially affect Tenant and Tenant's use of the Premises.

7.05. Landlord's Maintenance Responsibilities. Landlord shall be responsible for keeping the Common Areas neat, clean and orderly, properly lighted and landscaped, and shall cause to be repaired any damage to Common Areas facilities. Landlord shall not be liable to Tenant on account of its failure to maintain or make repairs in connection with the Common Areas unless Tenant shall have given Landlord written notice of the necessity for such maintenance or repairs and has afforded Landlord a reasonable opportunity to effect same after such notice and provided that any damage arising therefrom shall not have been caused by the negligence, willful act or omission of Tenant.

7.06. Fixed Common Area Costs Charge. From and after the Rent Commencement Date and throughout the Lease Term, Tenant will pay to Landlord, as Additional Rent, Tenant's share of the costs and expenses paid by Landlord related to the maintenance, operation, management, replacement, repair and the keeping of the Common Areas (the "Fixed Common Area Costs Charge"). For the first Lease Year of the Term, the Fixed Common Area Costs Charge shall be Three and 50/100 Dollars ($3.50) per square foot of the floor area of the Premises. The Fixed Common Area Costs Charge shall increase on the first day of the second Lease Year (and on the same day each year thereafter) by three percent (3%). The Fixed Common Area Costs Charge shall not include (a) Real Estate Taxes, (b) utilities, (c) security, (d) Landlord's insurance premiums, or (e) non-recurring expense items (e.g., clean-up after a major weather event such as a monsoon storm) (collectively, the "Non-Controllable Operating Expenses") and Tenant shall pay to Landlord, as Additional Rent, Tenant's pro rata share of Non-Controllable Operating Expenses in accordance with the terms of this Lease. Below is the amount of the Fixed Common Area Costs Charge for the first year of the Lease Term and Landlord's estimates of the Non-Controllable Operating Expenses for the first year of the Lease Term.

First Lease Year *	Base Rent	Fixed CAM Charge	Real Estate Taxes	Insurance	Common Area Utilities	Security & Non-Recurring Charges	Totals for 3,500 SF
Per SF Per Year	$40.00	$3.50	$3.00	$0.50	$0.50	$0.50	$48.00
Annual Amount	$140,000.00	$12,250.00	$10,500.00	$1,750.00	$1,750.00	$1,750.00	($168,000.00 Plus TPT) $173,544.00
Monthly Amount	$11,666.67	$1,020.83	$875.00	$145.83	$145.83	$145.83	($14,000.00 Plus TPT) $14,462.00

* Such amount is an estimate only and is subject to (i) adjustment by Landlord as set forth in this Lease, and (ii) year-end reconciliation as set forth in this Lease. Tenant shall be liable for Tenant's actual pro rata share of Non-Controllable Operating Expenses regardless of whether Landlord's estimate is greater or less than Tenant's actual obligation.
TPT = Transaction Privilege Tax (City 2.8% & County 0.50%)

7.07. Payment of Fixed Common Area Costs Charge. The Fixed Common Area Costs Charge shall be paid by Tenant to Landlord in equal monthly installments on the first day of each calendar month during the Lease Term in an amount equal to one-twelfth (1/12th) of such amount and shall be payable without setoff, deduction, notice or demand. The amount due for any partial calendar months shall be prorated based upon the actual number of days in said month.

7.08. Tenant's Pro Rata Share of Non-Controllable Operating Expenses. Tenant's pro rata share of the annual charges for Non-Controllable Operating Expenses shall be paid by Tenant to Landlord, as Additional Rent, in advance in monthly installments beginning on the Rent Commencement Date in an amount reasonably estimated by Landlord, and shall be payable without setoff, deduction, notice or demand. Landlord's estimate of Tenant's pro rata share of Non-Controllable Operating Expenses shall be made at the beginning of each calendar year and Landlord may adjust each estimate by providing Tenant with notice of the adjusted estimate. For purposes of as Non-Controllable Operating Expenses, "pro rata share" shall mean a fraction, the numerator of which shall be the gross leasable floor area of the Premises, and the denominator of which shall be the gross leasable floor area of the Shopping Center (as the same may be adjusted from time to time).

7.09. Reconciliation of Non-Controllable Operating Expenses. Within one hundred (120) days following the end of each calendar year during the Lease Term, Landlord shall furnish Tenant a statement of the actual Non-Controllable Operating Expenses paid or incurred by Landlord during the previous calendar year, in reasonable detail and prepared in accordance with sound accounting practices. If Tenant's actual pro rata share of Non-Controllable Operating Expenses exceeds the payments made by Tenant during the previous calendar year, Tenant shall pay Landlord the deficiency within fifteen (15) days following Tenant's receipt of such notice. If the actual payments made by Tenant during the previous calendar year exceed Tenant's actual pro rata share of Non-Controllable Operating Expenses, Tenant shall be entitled to, subject to any offsets or monies due to Landlord by Tenant, a credit or, if the Lease has expired, a refund.

SECTION 8: MAINTENANCE AND REPAIRS OF PREMISES

8.01. Tenant's Obligations. Except as otherwise expressly set forth in Section 8.02 below, Tenant shall, at Tenant's sole cost and expense, repair and maintain the Premises in good and tenantable condition (except that portion of the Premises to be maintained by Landlord as provided in Section 8.02 hereof), including, without limitation, the following that are dedicated to and reserved solely for use in or by the Premises: utility meters, fixtures, heating, ventilation and air conditioning equipment (the "HVAC System"), electrical equipment, plumbing fixtures, pipes and conduits within the interior boundaries of the Premises, storefront, Tenant's signs, locks, windows, doors and floors Tenant shall repair and maintain the Premises in the same or substantially similar manner in which Tenant maintains its own public facilities including, but not limited to, City Hall. Tenant shall also provide for pest extermination as set forth in Exhibit E attached hereto. Tenant shall keep the outside areas immediately adjoining the Premises free of any obstructions, rubbish and/or merchandise with the exception of any merchandise necessary for the Tenant's use and/or advertisement of Tenant's occupation of the Premises. Tenant shall not erect on the roof or exterior walls of the Premises any aerial, satellite dish or other item requiring roof penetration without the prior written consent of Landlord. If Tenant fails to maintain or repair the Premises as required herein, Landlord shall provide notice to the Tenant that said repairs and/or maintenance are required. In the event Tenant fails to make such repairs and/or maintenance within a reasonable time, but not more than sixty (60) days after receiving notice from Landlord, Landlord may make such repairs at Tenant's cost plus twenty percent (20%) of such cost as overhead.

8.02. Landlord's Obligations. Subject to Section 8.01 hereof, Landlord shall keep, repair and maintain in good and tenantable condition the structural portions of the roof and roof membrane (including replacements thereof) and exterior walls, structural parts of the Premises and structural floor, pipes and conduits outside the Premises for the furnishing to the Premises of various utilities (except to the extent that such repairs may be the obligation of the appropriate public utility company). Landlord shall not be required to make repairs necessitated by the negligence, acts or omissions of Tenant or its agents, employees, licensees, invitees and contractors or by reason of the failure by Tenant to perform or observe any of its obligations herein. In no event shall Landlord be liable to Tenant on account of its failure to maintain or make repairs as provided herein unless Tenant shall have given Landlord written notice of the necessity for such maintenance or repairs and has afforded Landlord a reasonable opportunity to effect same after such notice.

8.03. Entry. Landlord and/or its agents have the right to enter the Premises at any time without prior notice to Tenant to make emergency repairs. In the event of non-emergency repairs, Tenant shall permit Landlord and/or its agents, upon prior notice of at least 24 hours, to enter the Premises during usual business hours to inspect and make repairs.

8.04. HVAC Replacement. So long as Tenant properly maintains and repairs the HVAC System in accordance with manufacturing specifications, if any HVAC unit or any major component thereof cannot feasibly be repaired, but requires replacement during the Lease Term, Landlord shall replace said unit or said major component in accordance with the requirements of this Section. If, during the Lease Term, Tenant believes that an HVAC unit serving the Premises or a major component of an HVAC unit serving the Premises cannot feasibly be repaired, Tenant shall deliver written notice to Landlord and Landlord shall have five (5) days following receipt of said notice from Tenant to engage its consultants and technicians to inspect the HVAC unit. Landlord shall then have five (5) days following the date of the inspection referenced in the preceding sentence to provide Tenant with Landlord's findings regarding the HVAC unit and, if the findings of Landlord's consultants and technicians indicate that the HVAC unit (or major component thereof) cannot feasibly be repaired, Landlord shall, at Landlord's sole cost and expense, replace the HVAC unit or major component thereof (as the case may be).

SECTION 9: BASE BUILDING IMPROVEMENTS; TENANT'S IMPROVEMENTS; PLANS

9.01. Base Building Improvements. Landlord agrees to complete within the Premises, at Landlord's sole cost and expense, the Base Building Improvements, as described in Exhibit B attached hereto.

9.02. Approval of Base Building Plans by Tenant. On or about that date that Landlord submits construction drawings to the appropriate governmental authority for the Base Building Improvements ("Landlord's Preliminary Plans"), Landlord will deliver Landlord's Preliminary Plans to Tenant. Tenant shall approve or provide comments to Landlord's Preliminary Plans within fifteen (15) days following Tenant's receipt of Landlord's Preliminary Plans. Landlord shall revise Landlord's Preliminary Plans in accordance with Tenant's comments (provided that such comments do not materially increase the cost of Landlord's Work) and incorporate such revisions into Landlord's Preliminary Plans. Failure by Tenant to approve or provide comments to Landlord's Preliminary Plans within (15) days following Tenant's receipt of Landlord's Preliminary Plans shall be deemed approval by Tenant of Landlord's Preliminary Plans. The version of Landlord's Preliminary Plans that are approved (or deemed approved) by Tenant shall be referred to herein as "Landlord's Approved Plans" and Landlord shall submit Landlord's Approved Plans to the appropriate governmental authority for approval. Upon receipt of approval of Landlord's Approved Plans by the appropriate governmental authority, Landlord shall deliver to Tenant the final approved set of plans for Landlord's Work (the "Base Building Plans"). Nothing herein shall obligate Tenant, as the appropriate governmental authority for the Base Building Improvements, to approve Landlord's Preliminary Plans, Landlord's Approved Plans or the

Base Building Plans. Landlord's Preliminary Plans, Landlord's Approved Plans and the Base Building plans shall be reviewed by Tenant in accordance with all applicable codes, laws and regulations.

9.03. Tenant Improvements. In addition to the Base Building Improvements, Landlord shall construct the Tenant Improvements. "Tenant Improvements" shall mean the scope of work set forth in the Tenant Improvement Plans (as defined in Section 9.05 below), and as set forth in Exhibit B attached hereto. The Tenant Improvements shall be designed as described in Section 9.04 below. Subject to the terms set forth in Exhibit I attached hereto, Tenant shall pay all direct and indirect costs in connection with design and construction of the Tenant Improvements. Such costs of Landlord may include, without limitation, space planning costs, construction documentation preparation costs (inclusion the costs to prepare the Tenant Improvement Plans), design costs, general conditions, construction costs and all costs incurred by Landlord in connection with obtaining permits for the Tenant Improvements.

9.04. Space Plan/Pricing Document. Promptly, but not later than sixty (60) days following the Effective Date, Tenant will provide Landlord with a space plan for the Tenant Improvements, which space plan will be (a) prepared by a space planner or architect, and (b) subject to Landlord's reasonable approval. The cost of preparation of the space plan shall be paid by Landlord and charged against the Tenant Improvement Allowance in the amount of One Hundred Fifty-Nine Thousand Seven Hundred Twenty and 00/100 Dollars ($159,720.00), as set forth in Exhibit I attached hereto. The space plan must (a) be compatible with the base building and the mechanical components of the base building (as reasonably determined by Landlord), (b) indicate, in reasonable detail, the design and appearance of the finishing material Landlord will use in connection with installing the Tenant Improvements, (c) contain such other detail or description as may be necessary to adequately outline the scope of the Tenant Improvements, (d) conform to all applicable governing codes and ordinances; and (e) otherwise contain all information necessary for construction cost estimating.

9.05. Approval of Tenant Improvement Plans by Tenant. After Landlord approves Tenant's space plan, Landlord shall arrange for the preliminary plans for the Tenant Improvements (the "Preliminary TI Plans") to be prepared and Landlord shall deliver the Preliminary TI Plans to Tenant. Tenant shall have fifteen (15) days following receipt of the Preliminary TI Plans to deliver any objections to the Preliminary TI Plans to Landlord. Failure by Tenant to approve or provide comments to the Preliminary TI Plans within (15) days following receipt of the Preliminary TI Plans shall be deemed approval by Tenant of the Preliminary TI Plans. In the event that Tenant provides Landlord with reasonable written objections to the Preliminary TI Plans within said fifteen (15) period, Landlord shall promptly revise the Preliminary TI Plans and resubmit the Preliminary TI Plans to Tenant for Tenant's approval, and such process shall continue until Tenant approves the Preliminary TI Plans. The version of the Preliminary TI Plans that are approved (or deemed approved) by Tenant shall be referred to herein as the "Approved TI Plans," and Landlord shall submit the Approved TI Plans to the appropriate governmental authority for approval. The version of the Approved TI Plans that is approved by the appropriate governmental authority shall be referred to herein as the "Tenant Improvement Plans" and Landlord shall construct the Tenant Improvements in accordance with the Tenant Improvement Plans. The cost of preparation of the Tenant Improvement Plans shall be paid by Landlord and charged against the Tenant Improvement Allowance.

9.06. Tenant Improvement Allowance. See Exhibit I attached hereto.

SECTION 10: ALTERATIONS AND IMPROVEMENTS TO THE PREMISES

Tenant may, at Tenant's sole cost and expense, after giving Landlord advance written notice of at least twenty (20) days, make such alterations and improvements to the interior of the Premises (except those of a structural nature) as Tenant may find necessary or convenient for Tenant's purposes, provided that the value of the Premises is not thereby diminished. In no event, however, may alterations or improvements costing more than Twenty-Five Thousand and 00/100 Dollars ($25,000.00) in the aggregate be made without first obtaining the written consent of Landlord. No changes may be made by Tenant to the exterior or roof of the Premises and Tenant may not penetrate the ceiling without written permission from Landlord. Tenant shall be responsible for any and all damages resulting from any construction by or at the direction of Tenant in or about the Premises and all such work shall be done in accordance with the laws and regulations of relevant governmental authorities. Tenant and its contractors shall carry adequate liability and workers' insurance covering any work done at the Premises on or at the direction of Tenant.

SECTION 11: SIGNS AND ADVERTISING

So long as Tenant obtains the prior written approval of Landlord and complies with all applicable laws in connection therewith and the terms of the Declaration, Tenant shall be entitled to the maximum signage Allowable Under Applicable Laws for the Premises. "Allowable Under Applicable Laws" means signage which is not prohibited by the express provisions of any applicable governmental rules, codes and regulations and/or which may be permitted as non-conforming uses, grandfathered rights, variances, special permits or other exceptional rights obtained at any time by Lessee. Tenant shall submit to Landlord, for Landlord's written approval, a set of drawings showing the dimensions and specifications of Tenant's proposed signs to be installed by Tenant at the Premises. Landlord shall approve all of Tenant's proposed signs, lighting, window treatments and displays visible from the outside of the Premises, in Landlord's reasonable discretion and subject to all applicable Laws. Tenant may erect, maintain and replace from time to time upon Premises any permanent or temporary exterior signage on the front, rear and side walls, glass surfaces, windows and doors (including any secondary signage), any permanent or temporary interior signage, including signage on the glass surfaces, windows and doors, posters, all directional signs, banners, spanners, grand opening signage and trademark items as it may deem proper and as is Allowable Under Applicable Laws. Landlord shall (i) cooperate with and assist Tenant, at no out of pocket cost or expense to Landlord, in its efforts to obtain any rezoning, variance or other permits or approvals requested by Tenant in order to obtain any such signage, and (ii) take no action which would diminish the amount of signage that may be obtained by Tenant for the Premises. Tenant shall be responsible for the cost of all maintenance related to Tenant's signage.

SECTION 12: MECHANIC'S LIENS

Tenant shall pay for all work done at the Premises by Tenant or its contractors and shall keep the Premises and Shopping Center free and clear of all mechanic's liens, materialmen's liens and other liens on account of work done or materials supplied to Tenant or any person or entity claiming under Tenant.

SECTION 13: UTILITIES

Tenant shall, on or before the Delivery Date, transfer all billings of the utilities to its name and promptly pay for all gas, electricity, water, sewer, telephone and other utilities, temporary and permanent, that are delivered to or otherwise provided to the Premises. If any utilities are not separately billed to Tenant via separate meter(s), Tenant shall pay to Landlord its share as Additional Rent. Tenant's share shall be based upon the floor area of the Premises relative to the floor area of all tenants upon such meter. Landlord shall not be liable to Tenant if the furnishing by Landlord or by any other supplier of any utility service to the Premises is interrupted or impaired by fire, accident, riot, strike, act of God, shortage of supply, governmental regulation, or by any cause beyond Landlord's control and such interruption or impairment shall not be construed as an eviction or disturbance of possession.

SECTION 14: HAZARDOUS MATERIALS

Tenant shall not use, generate, release, manage, treat, manufacture, store or dispose of on, under or about the Premises or transport to or from the Premises (any of the foregoing hereinafter referred to as a "Use") any hazardous material unless: (a) such Use is specifically disclosed to and approved by Landlord prior to such Use; and (b) such Use is conducted in compliance with any and all federal, state and local hazardous materials statutes, laws, ordinances, rules, decrees, orders and regulations ("Hazardous Material Laws"). Tenant shall indemnify, defend and hold Landlord harmless for, from and against any and all liabilities, claims, damages and costs, including reasonable attorneys' fees, in connection with any breach by Tenant of any provision of this Section 14. The foregoing indemnity shall survive the termination of the Lease.

SECTION 15: TENANT'S DEFAULT AND LANDLORD'S REMEDIES

15.01. Events of Default by Tenant. The occurrence of one or more of the following events (each referred to herein as an "Event of Default") shall constitute a material default and breach of the Lease by Tenant:

(a) Failure by Tenant to pay by the date due any Base Rent or Additional Rent payable by Tenant hereunder where such failure shall continue for a period of five (5) days after written notice thereof from Landlord.

(b) Abandonment or vacating of the Premises by Tenant, which shall include Tenant's failure to take possession of the Premises upon delivery of same and the cessation of Tenant's business within the Premises for more than one hundred twenty (120) days unless such cessation is excused or permitted under the express terms of the Lease.

(c) Making by Tenant or any guarantor of the Lease of a general assignment or general arrangement for the benefit of creditors of any proceeding under any insolvency or bankruptcy law, or the appointment of a trustee or receiver to take possession of all or substantially all of Tenant's assets located upon the Premises or of Tenant's interest in the Lease.

(d) Failure by Tenant to proceed with Tenant's Work after delivery of possession of the Premises to Tenant and to thereafter complete same and open for business not later than the Rent Commencement Date.

(e) Failure by Tenant to secure and maintain any insurance required hereunder.

(f) Any assignment, subletting, pledge, mortgage or other transfer of the Lease by Tenant, or any transfer of any interest in Tenant in violation of the provisions of the Lease.

(g) Any occurrence of an Event of Default as defined anywhere else in the Lease.

(h) Failure by Tenant to promptly observe or fully perform any of the covenants, promises, conditions or terms of the Lease not provided for in (a) through (g), above, where such failure shall continue for a period of ten (10) days after written notice thereof from Landlord, provided that if such default cannot reasonably be cured within a ten (10) day period, an Event of Default shall not exist if Tenant shall commence to cure such default and thereafter diligently proceeds to cure the default no event later than thirty (30) days after written notice has been given.

15.02. Landlord's Remedies. If an Event of Default occurs, Landlord shall have (in addition to all other rights and remedies provided by law or otherwise provided for in this Lease) the right, at the option of Landlord, then or at any time thereafter while such Event of Default continues, to elect any one or more of the following remedies:

(a) To continue the Lease in full force and effect and collect all sums payable hereunder when due for the remainder of the Lease Term;

(b) To terminate the Lease upon written notice to Tenant, such termination having the effect of automatically and concurrently terminating any option to extend the Lease Term that may be otherwise provided hereunder;

(c) To cure Tenant's default at Tenant's cost and expense without prejudice to any other remedies which Landlord might otherwise have.

(d) There shall be no personal liability of Tenant or its elected officials, appointed officials, employees, officers, agents, appointees, contractors, sub-contractors, business invitees, or managers with respect to this Lease, the Shopping Center and/or the Premises. Notwithstanding anything to the contrary herein, Tenant shall not be liable under any circumstances for injury or damage to, or interference with, Landlord's or any other tenant's business, including, without limitation, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

15.03. Damages. Should Landlord elect to terminate the Lease pursuant to this Section 15 and/or re-enter and repossess the Premises and/or elect to bring an action against Tenant in unlawful detainer or an action for damages or both, Landlord's alleged damages shall be limited to payment by Tenant of the following as damages: Any and all unpaid Base Rent and Additional Rent payable by Tenant hereunder at the time of termination plus interest at the rate of twelve percent (12%) per annum from the date due of each portion thereof until paid.

SECTION 16: LANDLORD'S DEFAULT AND TENANT'S REMEDIES

16.01. Default by Landlord. Landlord shall not be in default hereunder unless Landlord fails to observe or perform any of the express covenants, promises, conditions or terms of the Lease and such failure shall continue for a period of twenty (20) days after written notice thereof from Tenant, provided that if such default cannot reasonably be cured within a thirty (30) day period, Landlord shall not be in default if Landlord shall commence to cure such default and thereafter diligently proceeds to cure same.

16.02. Tenant's Remedies; Limitations on Recovery Against Landlord. The aggregate monetary liability of Landlord to Tenant for any default by Landlord under this Lease and/or relating to the Shopping Center or Premises shall be limited solely and exclusively to an amount equal to the interest of Landlord in the Shopping Center and there shall be no personal liability of Landlord or its officers, partners, employees, shareholders, members, managers or agents with respect to this Lease, the Shopping Center and/or the Premises. Notwithstanding anything to the contrary herein, Landlord shall not be liable under any circumstances for injury or damage to, or interference with, Tenant's business, including, without limitation, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring. In the event that Landlord fails to cure any default in accordance with Section 16.01 above, Tenant shall have the right to cure Landlord's breach at Landlord's expense and offset such actual costs to cure such breach from Rents due hereunder, reserving from Tenant's right to reimbursement from Landlord. Tenant shall document the cost of the cure and promptly deliver such documentation to Landlord. Furthermore, in the event that Landlord fails to cure any default in accordance with Section 16.01 above within one hundred eighty (180) days following Landlord's receipt of written notice from Tenant, Tenant shall have the right to immediately terminate this Lease, in which event this Lease shall be of no further force or effect and each of the parties shall be relieved of all further liability hereunder.

SECTION 17: SURRENDER OF POSSESSION

Upon expiration of the Lease Term or earlier termination of the Lease, Tenant shall, without notice from Landlord, vacate the Premises in broom clean condition and in good order and repair, surrender all keys to the Premises and remove all personal property, trade fixtures and signs belonging to Tenant. Any damage caused by Tenant in the removal of such items shall be repaired by Tenant. Further, all toilet fixtures, power panels, switches and transformers, and if requested by Landlord, floor covering, wall covering, ceiling material, fixed partitions, and installed lighting equipment (whether or not the same are trade fixtures), and/or other fixtures (other than trade fixtures) designated by Landlord shall remain upon and be surrendered with the Premises. Tenant shall not be required to remove the Tenant Improvement work or to restore or remove any alterations or improvements allowed to be made by Tenant.

SECTION 18: HOLDING OVER

Should Tenant hold over after the expiration of the Lease Term or earlier termination of the Lease, such tenancy shall be at the sufferance of Landlord and not a renewal of the Lease Term and in such case, Base Rent and Additional Rent payable by Tenant hereunder shall be payable at one and one-half (1.5) times the amounts payable in effect immediately prior to such hold over period and Tenant shall be subject to every other term, covenant and provision of the Lease. In the event Tenant holds over, Tenant shall be liable for all of Landlord's direct and consequential damages, including costs, fees, expenses, damages and attorneys' fees incurred by Landlord as a result of Tenant's holding over, including but not limited to, damages and expenses incurred by Landlord for its inability to deliver possession of the Premises to any new tenant.

SECTION 19: ASSIGNMENT, SUBLEASING AND HYPOTHECATION

Tenant, without the prior written consent of Landlord, shall not: (a) assign this Lease; (b) sublease all or any part of the Premises; (c) sell, transfer, convey, pledge, mortgage, encumber, hypothecate or otherwise dispose of all or any portion of its interest in this Lease or the Premises or allow to exist or occur any lien upon this Lease or Tenant's interest herein by operation of law or otherwise; or (d) sell, lease, transfer, convey or assign any of Tenant's material assets, directly or indirectly, unless Tenant shall receive adequate consideration for such assets and such transaction will not have a material adverse effect on the financial condition of Tenant. Without limiting the foregoing, Landlord will not unreasonably withhold, condition or delay its consent to any proposed subletting or assignment of the Premises. No assignment, sublease or other transfer of the Premises, or any part of it, or any of Tenant's rights under this Lease, will release Tenant from any of Tenant's obligations under this Lease, and Tenant will be and remain primarily bound and obligated to pay the rent and to perform all other obligations under this Lease for the Lease Term notwithstanding any assignment, sublease, or other transfer. Landlord's consent to one assignment, sublease, or other transfer will not be deemed consent to any subsequent transfer or encumbrance. Landlord may consent to subsequent sublettings or assignments or amendments or modifications to this Lease by transferees without notifying Tenant, and without obtaining Tenant's consent thereto. No such actions will relieve Tenant from primary liability under this Lease.

SECTION 20: INSURANCE AND INDEMNITY

20.01. <u>Tenant's Insurance</u>. On or before the Delivery Date, and throughout the Lease Term, Tenant shall carry and maintain at its sole cost and expense, the following types of insurance, in the amounts specified or in such higher amounts as requested by Landlord and which are customary in the locale where the Shopping Center is located:

a) Commercial general liability insurance with a limit of not less than Two Million and 00/100 Dollars ($2,000,000.00) per occurrence and Three Million and 00/100 Dollars ($3,000,000.00) aggregate insuring against any and all liability of the insured with respect to the Shopping Center, and/or arising out of the maintenance, use or occupancy of the Premises. Such liability insurance shall specifically insure the performance by Tenant of the indemnity agreement as to liability for injury to or death of persons and injury or damage to property contained in this Lease. If the Permitted Use of the Premises includes the sale of alcoholic beverages, the policy of commercial general liability insurance shall include coverage for employer's liability, host liquor liability and liquor liability coverage with a combined single limit of not less than Three Million and 00/100 Dollars ($3,000,000.00), per occurrence.

b) Insurance covering all plate glass on the Premises (meaning the glass located on the storefront of the Premises between the demising walls of the Premises).

c) Boiler and machinery insurance on all boilers, pressure vessels, gas-fired equipment, air conditioning equipment and systems serving the Premises. If not covered by the insurance described in Section 20.01(d) below, then the insurance specified in this Section 20.01 shall be in an amount not less than One Hundred Thousand and 00/100 Dollars ($100,000.00).

d) "Causes of loss-special form" property insurance (including during the course of any construction, builders risk insurance in form reasonably acceptable to Landlord) including coverage for sprinkler leakage, vandalism and malicious mischief covering all of Tenant's Work, Tenant's leasehold improvements, alterations, additions or improvements permitted hereunder, removable personal property from time to time in, on or upon the Premises, in an amount not less than one hundred percent (100%) of their full replacement cost without depreciation, providing coverage at least as broad as ISO policy form CF 10 30 or its equivalent. The policy required pursuant to the provisions of this Section 20.01(d) shall not have a deductible in excess of Twenty-Five Thousand and 00/100 Dollars ($25,000.00). Any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed unless this Lease shall cease and terminate under the provisions of Section 22 hereof.

e) A policy or policies of workers' compensation insurance with an insurance carrier and in amounts required by applicable governmental restrictions and a policy of employer's liability insurance with limits of liability not less than the greater of the minimum statutory requirements or One Million and 00/100 Dollars ($1,000,000.00), each accident; One Million and 00/100 Dollars ($1,000,000.00), disease policy limit; and One Million and 00/100 Dollars ($1,000,000.00) disease each employee.

f) A policy or policies of business income/business interruption insurance and extra expense coverage (collectively, "Business Income Insurance") with coverage that will reimburse Tenant for all direct and indirect loss of income and charges and costs incurred arising out of all named perils insured against by Tenant's policies of property insurance, including prevention of, or denial of use of or access to, all or part of the Premises or Landlord's Parcel or Shopping Center as a result of those named perils. The Business Income Insurance coverage must provide coverage for no less than twelve (12) months of the loss of income, charges and costs contemplated under this Lease.

g) All policies of insurance to be procured by Tenant as described above shall be issued by insurance companies having a general policy holders rating of not less than A:/VIII in the most current available "Best's Key Rating Guide," and qualified to do business in the State where the Shopping Center is situated. All property policies shall be issued in the name of Tenant, and shall name Landlord (and any other person or entity that may be designated by Landlord) as "loss payees as their interests may appear." All liability policies obtained by Tenant shall name Landlord as additional insured. In addition, Tenant's liability policies shall be endorsed as needed to provide cross-liability coverage for Tenant, Landlord, and Landlord's lender (if any) and shall provide for severability of interests. All liability policies shall contain a provision that Landlord, although named as additional insured, shall nevertheless be entitled to recovery under the policy for any loss occasioned to Landlord by reason of the negligence of Tenant or its Representatives. As often as any such policy shall expire or terminate, renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent. All policies of insurance delivered to Landlord must contain a provision that the company writing the policy shall give Landlord at least twenty (20) days notice in writing in advance of any cancellation or lapse or the effective date of any material change in the policy, including any reduction in the amounts of insurance. All liability, property and other casualty policies shall be written as primary policies and shall provide that any insurance which Landlord may carry is strictly excess, secondary and non-contributing with any insurance carried by Tenant. The insurance requirements contained in this Section 20.01 are independent of Tenant's waiver, indemnification and other obligations under this Lease and shall not be construed or interpreted in any way to restrict, limit or modify Tenant's waiver, indemnification or other obligations or to in any way limit Tenant's obligations under this Lease.

Notwithstanding anything to the contrary set forth in this Section 20.01, Tenant shall be required to maintain insurance in accordance with the requirements of this Section 20.01. Tenant shall be under no obligation to comply with, and shall incur no liability for failure to comply with, any insurance requirements set forth in the Declaration (or similar recorded matters of record affecting the Shopping Center).

20.02. Evidence of Insurance. Evidence of insurance meeting the requirements of Acord Form No. 28 (2003) or its equivalent or such other evidence as may be reasonably acceptable to Landlord and Landlord's lender (if any) and evidence of required additional insured endorsements on ISO Form CG 20-26 or its equivalent (collectively referred to as "Certificates") shall be delivered to Landlord prior to any entry by Tenant in the Premises and thereafter, executed copies of renewal policies or Certificates thereof shall be delivered to Landlord within thirty (30) days prior to the expiration of the term of each such policy and any time during the Lease Term within five (5) days of the written request therefor by Landlord.

20.03. Landlord's Insurance. Landlord shall maintain fire and extended coverage insurance, rental loss insurance or any other insurance coverage deemed appropriate by Landlord and/or Landlord's lender in an amount equal to at least ninety percent (90%) of the replacement value (exclusive of foundation and excavation costs) of the Premises and/or the building of which the Premises are a part. Tenant shall be responsible for the payment of its pro rata share of the cost of premiums for Landlord's insurance with respect to the Shopping Center, including all insurance premiums for public liability, fire and property damage covering the Common Areas and other parts of the Shopping Center. For purposes of this Section, the term "pro rata share" shall have the meaning ascribed to such term in Section 7.08 above.

20.04. Indemnification of Landlord. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims, demands, actions, damages, liability and expense in connection with loss of life, personal injury and/or damage to property arising solely from Tenant's use of the Premises from or out of any occurrence in, upon or at the Premises, or the occupancy or use by Tenant of the Premises or any part thereof, or occasioned wholly or in part by any act or omission of Tenant or any of its agents, employees, licensees, invitees and contractors. This indemnification shall not apply to damages resulting from the negligence of Landlord.

SECTION 21: ESTOPPELS, ATTORNMENT, SUBORDINATION

21.01. Estoppel Certificate. Within ten (10) days following Landlord's written request therefor, Tenant may deliver an estoppel certificate if approved by Tenant of the form created by Landlord, to Landlord or any proposed mortgagee, ground lessor or purchaser certifying that the Lease is in full force and effect and that there is no known event of non-performance by either party. Additionally, in compliance with Arizona's Public Records law(s), City may release a copy of the Lease, clean or redacted, as determined within the sole discretion of the City.

21.02. Attornment. Tenant shall, in the event any proceedings are brought for the foreclosure or exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Premises, attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under the Lease provided that any purchaser or mortgagee shall recognize the Lease as remaining in full force and effect so long as Tenant is not in default hereunder.

21.03. Subordination. The Lease is and shall be automatically subject and subordinate to all ground and underlying leases, and to all renewals, modifications, consolidations, replacements and extensions thereof. In addition, upon request of Landlord, Tenant will subordinate its rights hereunder to the lien of any mortgage or the lien resulting from any other method of financing or refinancing, now or hereafter in force against the land and buildings of which the Premises are a part or upon any buildings hereafter placed upon the land of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof. This Section 21.03 shall be self-operative and no further instrument of subordination shall be required unless requested by the lienholder or its successors.

21.04. Sale of Premises. Any sale, transfer or exchange by Landlord of its interest in the Premises shall be subject to the Lease and the rights and obligations of Tenant hereunder; and Tenant shall attorn to Landlord's successor-in-interest. Upon any such sale, transfer or exchange, Landlord shall be automatically and entirely released of any and all obligation or liability arising hereunder.

SECTION 22: DAMAGE AND DESTRUCTION OF PREMISES

22.01. Damage Covered by Insurance. If the Premises are damaged or destroyed by fire or other casualty insurable under standard fire and extended coverage insurance so as to become partially or totally untenantable, the Premises shall be repaired and restored by Landlord. Notwithstanding the foregoing, Tenant may elect, by delivering written notice to Landlord within fifteen (15) days following such event, to terminate this Lease, in which event this Lease shall be of no further force or effect and each of the parties shall be relieved of all further liability hereunder.

22.02. Damage Not Covered by Insurance. If the Premises are damaged or destroyed by fire or other casualty not insurable under standard fire and extended coverage insurance (the "Uninsured Event") so as to become partially or totally untenantable, then Landlord shall have the option to either: (a) repair and restore the Premises, in which event the Lease shall continue in full force and effect; or (b) terminate the Lease by giving written notice to Tenant of its election to terminate within thirty (30) days after such Uninsured Event. Notwithstanding the foregoing, Tenant may elect, by delivering written notice to Landlord within fifteen (15) days following such event, to terminate this Lease, in which event this Lease shall be of no further force or effect and each of the parties shall be relieved of all further liability hereunder.

22.03. Destruction of Shopping Center. If the Shopping Center shall be rendered wholly or partially untenantable by reason of such occurrence (i.e., destruction of 25% or more), then Landlord shall promptly after receipt of insurance proceeds cause such damage to be repaired, and the Rent shall meanwhile be abated in whole, provided, however, that Landlord shall have the right, to be exercised by notice in writing delivered to Tenant within sixty (60) days from and after said occurrence, to elect not to reconstruct the destroyed Shopping Center, and in such event this Lease and the tenancy hereby created shall cease as of the date of the said occurrence, the Rent to be adjusted as of such date. Notwithstanding the foregoing, Tenant may elect, by delivering written notice to Landlord within fifteen (15) days following such occurrence, to immediately terminate this Lease, in which event this Lease shall be of no further force or effect and each of the parties shall be relieved of all further liability hereunder.

22.04. Termination. Upon any termination of the Lease pursuant to this section, Landlord and Tenant shall each be released without further obligations to the other coincident with the surrender of possession of the Premises to Landlord, except for sums which have previously accrued and remain unpaid.

SECTION 23: EMINENT DOMAIN

If all or any part of the Premises are taken by any public or quasi-public authority under the power or threat of eminent domain or by private purchase in lieu thereof, then the term of the Lease shall cease as of the date possession shall be taken by such public or quasi-public authority, and Landlord shall make a pro rata refund to Tenant of any Base Rent that may have been paid in advance. In the event that less than the entire Shopping Center is so taken and the Premises are not in that portion of the Shopping Center so taken, and provided the Premises are not rendered untenantable as determined by Tenant (in Tenant's sole, commercially reasonable discretion, then the Lease shall terminate only at the option of Landlord. All damages awarded pursuant to any eminent domain action involving the Shopping Center shall be determined and apportioned in accordance with Arizona law. Tenant shall also have the right to pursue a separate claim against the condemning authority, for the value of any unexpired term of the Lease.

SECTION 24: BROKERS

Landlord and Tenant hereby acknowledge and consent to the representation of Landlord by GBLS COMMERCIAL REAL ESTATE SERVICES, INC. (Phoenix Commercial Advisors) ("Landlord's Broker"). Other than Landlord's Broker, Tenant and Landlord each represent and warrant to the other that neither has had any dealings with any broker, agent or finder in connection with the negotiation of the Lease and no other firm, broker, agent or finder is entitled to any commission or finder's fee in connection with same. Tenant and Landlord do each hereby indemnify, defend and hold the other harmless for, from and against any costs and expenses, including attorneys' fees, and/or liability for compensation of charges which may be claimed by any such unnamed broker, agent or finder by reason of any dealings with or actions of the indemnifying party. Tenant acknowledges that Landlord and/or certain of Landlord's employees, officers, affiliates and constituent partners or members are licensed real estate brokers and/or real estate salespersons in the State of Arizona.

SECTION 25: NOTICES

Wherever in the Lease it shall be required or permitted that notice or demand be given by either party to the other, such notice or demand shall be made in writing and forwarded by U.S. Mail, certified or registered mail, or by personal delivery (which may include public or private express delivery and overnight courier services) to the addresses specified in Sections 1.05 and 1.06, respectively, above. Either party may change its notice address by written notice in the manner specified above for the giving of notices to the other. Notice shall be deemed received, given or delivered: (a) if deposited in the U.S. Mail, then on the earlier of the day of actual delivery or three (3) days following the day deposited in the U.S. Mail; or (b) if made by personal delivery, then when delivered or actually received or refused by the party to whom delivery was made. Notices by a party may be given by legal counsel to the authorized agent of a party. In no event shall notices be deemed to have been given or served if transmitted only by facsimile or electronic mail.

SECTION 27: INTENTIONALLY OMITTED

SECTION 28: MISCELLANEOUS

28.01. Intentionally Omitted.

28.02. Amendment to Lease Upon Completion of Improvements. On or within a reasonable time after the Rent Commencement Date, the exact floor area of the Premises shall be determined by Landlord's architect, and shall, unless there is manifest error, be conclusive and binding upon Landlord and Tenant. The floor area of the Premises shall be determined by measurement from the outside of exterior building walls and from the center of demising walls. Upon the request of Landlord, the parties shall enter into an amendment to this Lease that specifies certain matters that may change as a result of the square footage of the Shopping Center and/or the Premises. Tenant's failure to execute such amendment shall not affect any obligation of Tenant under this Lease and if Tenant does not timely execute and deliver to Landlord such amendment, Landlord and any prospective purchaser or encumbrancer may conclusively rely upon the information contained in the unexecuted amendment which Landlord delivered to Tenant. However, under no circumstances, and regardless of Landlord's architect's final determination of square footage, will the amounts of Base Rent (per square foot and/or per year) set forth in Section 1.11 be subject to change.

28.03. Exhibits. All exhibits attached to the Lease are incorporated herein by reference and made a part of the Lease.

28.04. Additional Rent. All sums of money which become due from and/or payable by Tenant under this Lease at any time and from time to time, with the exception of Base Rent, constitutes "Additional Rent". Subject to the objections and exceptions set forth herein, Tenant agrees to pay Additional Rent when the same shall become due under the terms of this Lease. Base Rent and Additional Rent are sometimes referred to herein collectively as "Rent".

28.05. Quiet Enjoyment. So long as there is not in existence a default under the Lease on the part of Tenant, Landlord shall take any and all action, legal or otherwise, to promise, secure, and ensure that at all times, Tenant shall quietly have, hold and enjoy the Premises during the Lease Term, subject to the terms and provisions of the Lease and subject to all mortgages, deeds of trust, ground or underlying leases, zoning laws, restrictive covenants, easements, rights-of-ways, agreements and encumbrances to which the Lease is or may become subordinate.

28.06. Governing Law; Venue. The validity, construction, interpretation and administration of the Lease shall be governed by the laws of the State of Arizona. The parties agree that in the event any action or proceeding is commenced in connection with the Lease, Premises and/or Shopping Center, venue for such action or proceeding shall be exclusive and proper only in a court of competent jurisdiction located in Maricopa County, Arizona.

28.07. Waiver. The waiver by either Party of any breach or default by the other Party of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of same or any other term, covenant or condition herein contained. No term, covenant or condition of the Lease shall be deemed to have been waived by either Party, unless such waiver is in writing.

28.08. Time of the Essence. Time is of the essence in the Lease and each and every provision herein.

28.09. Neutral Interpretation. All provisions of the Lease have been negotiated by all parties at arm's length and no party shall be deemed the scrivener of the Lease. In addition, if either party has made a scrivener's error with regard to division, multiplication, addition or subtraction of any numbers or arithmetic calculation herein, the Lease shall not be construed for or against either party by reason of the authorship or alleged authorship of any provision hereof.

28.10. Entire Agreement; Modifications; Severability. The Lease supersedes and cancels any and all previous negotiations, agreements and understandings between Landlord and Tenant with respect to the subject matter hereof and is the only and entire agreement between them. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein, and no modification of the Lease shall be effective unless in writing and signed by all parties hereto. If any provision of the Lease is deemed invalid or unenforceable, the remainder of the Lease shall not be affected thereby.

28.11. Force Majeure. If either party cannot perform any of its obligations under this Lease due to events beyond such party's control, the time provided for such party performing such obligations shall be extended by a period of time equal to the delay caused by such events. Events beyond a party's control include, but are not limited to, acts of the other party, strikes, threats of strikes, blackouts, war, threats of war, bombing, labor disputes, shortages of labor or material, insurrection, invasion, acts of God, calamities, civil commotions, weather conditions, fire, flood or other casualty, action or regulation of any governmental authority, state law or ordinances, impossibility of obtaining materials, pandemics, and epidemics (collectively, "Force Majeure Delays"). Events beyond a party's control shall in no event include financial inability and subject to Section 2.02 above, shall not operate to excuse Tenant from the prompt payment of any monetary obligations which have commenced, including Base Rent.

28.12. Tenant Delay. Any delay that Landlord may encounter in the performance of Landlord's obligations under this Lease because of any act or omission of any nature by Tenant or its agents or contractors, including any delay attributable to (1) changes by Tenant in or additions to the Tenant's Plans after the approval thereof; (2) the postponement of any Tenant improvements work or Landlord's Work at the request of Tenant; or (3) delay by Tenant in the submission of information or the giving of authorizations or approvals within the time limits set forth in this Lease shall be considered a "Tenant Delay". Notwithstanding the foregoing, this Section 28.12 does not apply to Tenant's obligations and duties to review, comment, and/or approve Landlord's building permit application(s) and/or other required submittals.

28.13. Independent Legal Counsel; Attorneys' fees. Landlord and Tenant mutually acknowledge that they each have had the opportunity to be represented by independent legal counsel in negotiations leading up to and in executing the Lease. Further, Landlord and Tenant acknowledge that each has read the Lease carefully, knows and understands the contents hereof, and each has made such investigation of the facts pertaining to the subject matter hereof. If any party hereto commences any legal action against the other which in any way arises from or in connection with the Lease, the prevailing party shall be entitled to all reasonable attorneys' fees and costs, and neither Party shall be entitled to recover its attorneys' fees or costs from the other Party.

28.14. Obligations Separate. Tenant's covenants and obligations hereunder are independent of Landlord's covenants and obligations hereunder. Except for Tenant's right to immediately terminate as set forth above in Section 16.02, Tenant shall not be released from the performance of any of its covenants and obligations hereunder (including, without limitation, the obligation to pay rent) due to a breach or default by Landlord unless expressly permitted by the terms of the Lease. Landlord shall not be released from the performance of any of its covenants and obligations hereunder due to a breach or default by Tenant unless expressly permitted by the terms of the Lease.

28.15. Counterparts; Facsimile or Electronic Signatures. This Lease may be executed and delivered in multiple counterparts and each counterpart so delivered which bears the original signature of a party hereto shall be binding as to such party, and all counterparts together shall constitute one original and the same instrument. This Lease may be executed and delivered by any party by fax or electronic mail to the other party and a facsimile or electronic signature on this Lease by a party shall have the same force and effect as an original signature.

28.16. Intentionally Omitted.

28.17. Development Matters. Tenant hereby acknowledges and agrees that Landlord shall have the right to improve or cause to be improved or to convey or lease to third parties for improvement (without the necessity of obtaining Tenant's consent) certain portions of the Shopping Center or building containing the Premises or any lots contiguous or adjacent to the Shopping Center to which legal or equitable title is acquired by Landlord at any time during the Lease Term, as separate and independent developments from the remainder of the Shopping Center, and the same may (at Landlord's sole election) be excluded from the Shopping Center (and the covenants and restrictions contained herein) for purposes of this Lease, provided that such portions and the remainder of the Shopping Center shall nevertheless constitute an integrated shopping center. In the event of a sale, transfer or other conveyance of any portion of the Shopping Center, or any lots contiguous or adjacent to the Shopping Center, Landlord may enter into an agreement with the transferee granting appropriate easement and other rights (which may be in addition to, or in substitution of, such rights granted pursuant to the Declaration), and containing such other matters as Landlord and such transferee may agree, to the extent not inconsistent with this Lease.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant hereby execute this Lease Agreement as of the Effective Date.

LANDLORD:

CITY CENTER SIMON SURPRISE, LLC,
an Arizona limited liability company

By: SIMONCRE C550 II, LLC, an Arizona limited liability company, its Manager

By: SIMON & COMPANY, INC., an Arizona corporation, its Manager

By:____________________________________
Name: Joshua Simon
Title: President

TENANT:

CITY OF SURPRISE, ARIZONA,
a municipal corporation

By:____________________________________
Name:__________________________________
Title:___________________________________

EXHIBIT A-1

LEGAL DESCRIPTION OF LAND

The Land referred to herein below is situated in the County of Maricopa, State of Arizona, and is described as follows:

LOT 10, OF SIMONCRE AT SURPRISE CENTER, ACCORDING TO THE PLAT RECORDED IN BOOK 1750 OF MAPS, MAP 25, RECORDS OF MARICOPA COUNTY, ARIZONA.

EXHIBIT A-2

LOCATION OF SHOPPING CENTER

The site plan(s) and/or floor plan(s) contained herein is for general informational purposes only. Any and all features, matters and other information depicted thereon are for illustrative purposes only and subject to the provisions of the Lease, are subject to modification without notice, are not intended to be relied upon by Tenant and are not intended to constitute representations, warranties or covenants as to the size and nature of the improvements to be constructed (or that any improvements will be constructed) or as to the identity or nature of any occupants thereof.

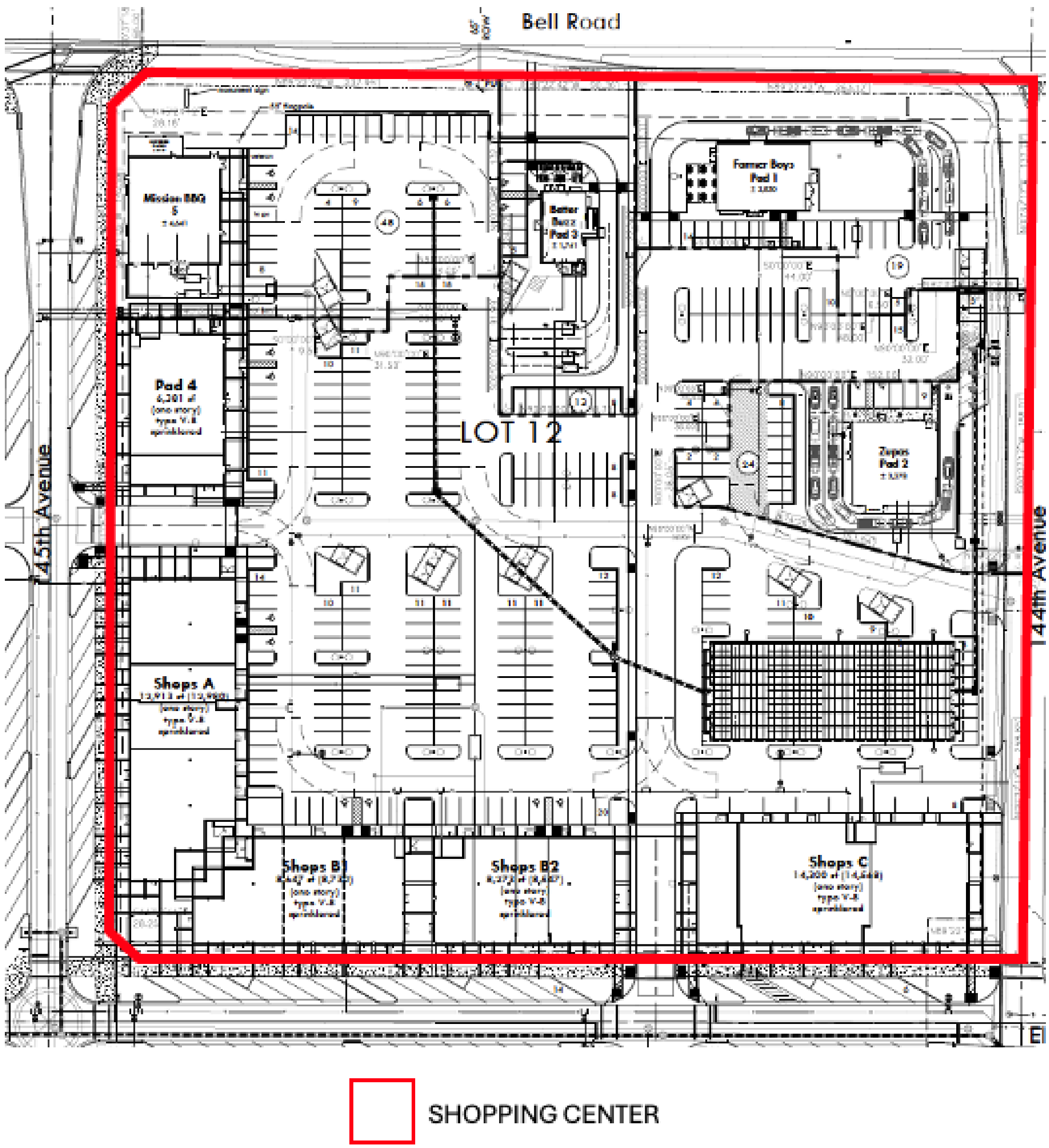


EXHIBIT A-3

LOCATION OF PREMISES

The site plan(s) and/or floor plan(s) contained herein is for general informational purposes only. Any and all features, matters and other information depicted thereon are for illustrative purposes only and subject to the provisions of the Lease, are subject to modification without notice, are not intended to be relied upon by Tenant and are not intended to constitute representations, warranties or covenants as to the size and nature of the improvements to be constructed (or that any improvements will be constructed) or as to the identity or nature of any occupants thereof.

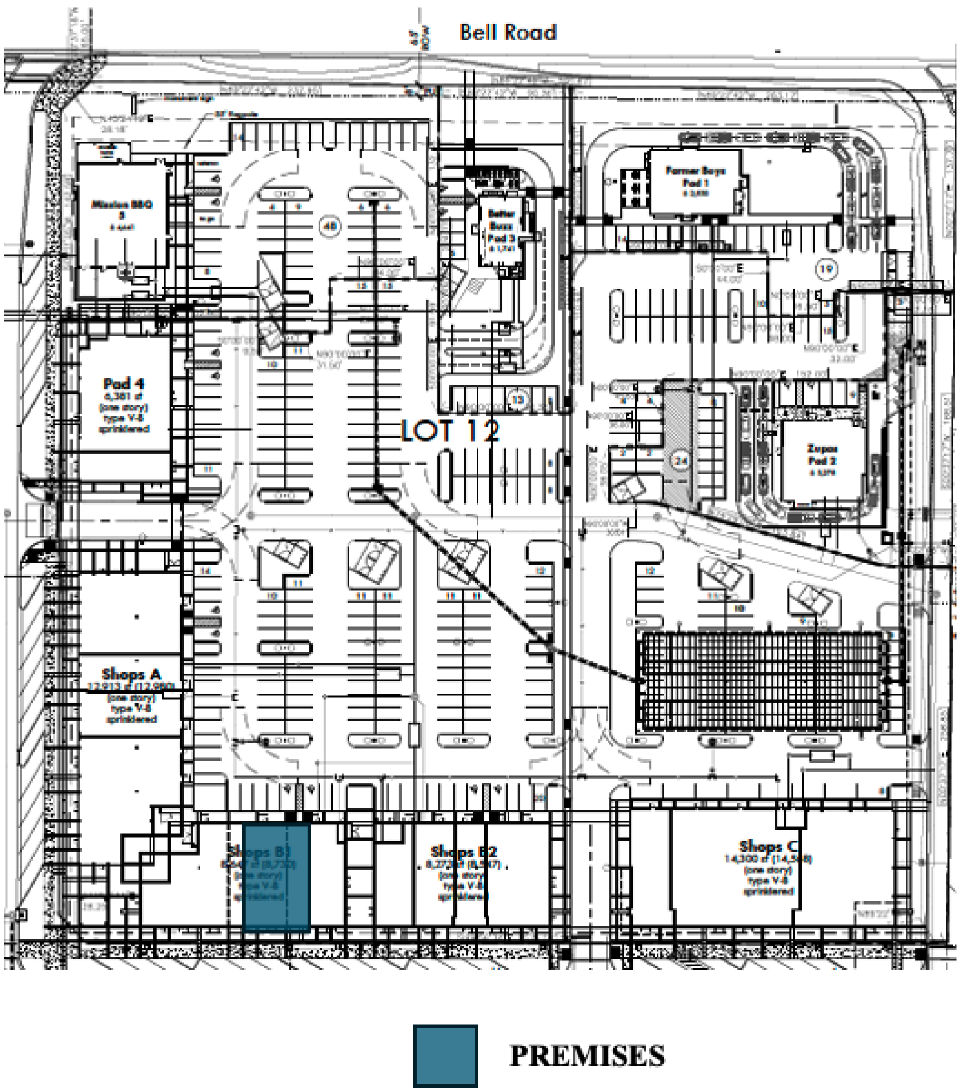


EXHIBIT B

BASE BUILDING IMPROVEMENTS AND TENANT IMPROVEMENTS

BASE BUILDING IMPROVEMENTS

Landlord will install within the Premises, at Landlord's sole cost and expense, the Base Building Improvements in accordance with the scope of work described below.

Electrical

- Electric service to be 200 amps, 208/120 volt, 3 phase, 4 wire.
- Feeders and electrical panel shall be installed by Landlord as part of the Tenant Improvements.
- Landlord shall furnish one (1) empty conduit with pull string from the SES, located on the rear of the building.
- Any utility charges and/or deposits shall be Tenant's responsibility.
- There will no receptacles, light fixtures, interior wiring or circuits provided as part of the Base Building Improvements. All receptacles, light fixtures, interior wiring and circuits shall be delivered by Landlord as part of the Tenant Improvements and in accordance with the Tenant Improvement Plans.
- Rear security lighting (if required by local code) to be delivered per the specifications of Landlord's architect.
- Landlord shall install canopy lights and wire circuits to Landlord's meter.
- Landlord shall install a junction box on the building for electrical connection of Tenant's building signage.
- Any electrical requirements (step-down transformer, distribution, wiring, convenience outlets, etc.) beyond the scope outlined above shall be installed by Landlord as part of the Tenant Improvements in accordance with the Tenant Improvement Plans.
- Landlord shall provide parking lot lighting as required by applicable municipal code.

Telephone / Internet Service

- Landlord to provide one (1), one inch (1") conduit with pull string from the property's terminal box to the rear wall of the Premises.
- All voice and data cabling shall be installed by Landlord as part of the Tenant Improvements in accordance with Tenant's requirements.

Plumbing

- Four inch (4") sanitary sewer service stub out shall be provided to the rear interior of the Premises.
- One inch (1") water service stub out shall be provided to the rear interior of the Premises.
- All toilet or bathroom fixtures will be provided by Landlord as part of the Tenant Improvements in accordance with the Tenant Improvement Plans.

HVAC

- Landlord will install roof top units on the Premises that will provide capacity of 1 ton of supplied air for every 300 square feet of the Premises.
- Landlord shall be responsible for distributing ductwork throughout the Premises as part of the Tenant Improvements and in accordance with the Tenant Improvement Plans.
- Landlord to supply thermostat(s) at the unit(s).
- In the event that Tenant's use of the Premises requires fresh air and/or exhaust air for special equipment, cooking equipment, additional personnel, stock room areas, or show windows, and the like, the scope of this work shall be included in the Tenant Improvement Plans and delivered by Landlord as part of the Tenant Improvements.

Fire Suppression System

- Landlord to provide and install Class 1 fire alarm consistent with applicable municipal code.
- Landlord will provide and install a sprinkler system including lateral lines and backflow device for the Premises (if required by code for Tenant's use) subject to the following:
  - Landlord will be responsible for all flow switches, tamper valves, and other control and monitoring devices on the exterior of the Premises.
  - Final drops and modifications, based upon the Tenant Improvement Plans, shall be provided by Landlord as part of the Tenant Improvements.

Ceiling

- No finished ceiling will be provided by Landlord as part of the Base Building Improvements.
- Finished ceiling will be delivered by Landlord as part of the Tenant Improvements in accordance with the Tenant Improvement Plans.

Storefront and Rear Service Entrance Door

- Storefront to be designed by Landlord's architect and constructed by Landlord.
- Insulated glass with anodized aluminum or steel trim.
- Single glass door with aluminum or steel frame enclosure at main entrance to Premises. Door will be delivered with cylinder lock and closer.
- If required by local code, a hollow metal door with hardware will be provided at the rear entrance of the Premises in a location determined by Landlord.

Interior Walls

- The Base Building Improvements shall include delivery by Landlord of the interior walls in the following fashion.
    - Demising wall(s) between tenant suites shall be unpainted drywall finish, taped over stud.
    - The interior surface of exterior and rear wall(s) shall be unpainted masonry or concrete finish (or such other material(s) as selected by Landlord).
- Final preparation and finish of all interior walls shall be delivered by Landlord as part of the Tenant Improvements in accordance with the Tenant Improvement Plans.

Interior Doors and Trim

- There will be no interior doors, walls or trim delivered by Landlord as part of the Base Building Improvements.
- All interior doors, walls and trim shall be delivered by Landlord as part of the Tenant Improvements in accordance with the Tenant Improvement Plans.

Floor

- Landlord shall, as part of the Base Building Improvements, furnish a smooth finished concrete slab poured in the front half of Premises (with a leave out in the back half of the Premises).
- The balance of the slab pour shall be completed by Landlord as part of the Tenant Improvements.

Roof

- The roof of the Premises shall be fully constructed and in good repair and condition.

Parking Lot

- Parking lot and service drive to have adequate drainage away from the building in order to prevent standing water or flooding in parking areas serving the Premises.
- Parking lot lighting and striping as specified by Landlord's architect and meeting applicable local codes.

TENANT IMPROVEMENTS

Landlord shall cause to be constructed, in accordance with the Tenant Improvement Plans (as defined in Section 9.03 of the Lease) the Tenant Improvements (as defined in Section 9.03 of the Lease).

EXHIBIT C

FORM OF TURNOVER LETTER

TURNOVER NOTICE

[DATE OF NOTICE]

Tenant Name
Tenant Address
City, State Zip

RE: NOTICE OF DELIVERY DATE OF PREMISES
[NAME OF SHOPPING CENTER]
[LOCATION OF SHOPPING CENTER]

Dear ___________________:

Please be advised that delivery of possession of the above-referenced premises to [TENANT] occurred on the date noted below. Other key dates are set forth below, some of which may be subject to change as set forth in the Lease Agreement dated _____________________, with [LANDLORD], as landlord:

________________, 20__:	Delivery Date
________________, 20__:	Rent Commencement Date.
________________, 20__:	Expiration of Lease Term.

Sincerely,

[LANDLORD SIGNATURE BOCK]

EXHIBIT D

INTENTIONALLY OMITTED

EXHIBIT E

SHOPPING CENTER RULES AND REGULATIONS

Landlord agrees to use its reasonable efforts to cause compliance by tenants of the Shopping Center with these Rules and Regulations, as they may be revised or amended by Landlord from time to time in its commercially reasonable discretion (as amended, the "Rules and Regulations"), but in no event shall Landlord be responsible for the violation or nonperformance of any of these Rules and Regulations by any other tenant. Unless otherwise provided, all terms used in these Rules and Regulations shall have the same meaning as set forth in this Lease. To the extent that the provisions of these Rules and Regulations are inconsistent with the provisions of this Lease, the provisions of the Lease shall control. In the event Tenant violates any of the Rules and Regulations and such violation continues for more than twenty-four (24) hours after Tenant's receipt of notice thereof from Landlord, then Tenant shall pay Landlord, as liquidated damages, an amount equal to Fifty and 00/100 Dollars ($50.00) per day so long as such violation continues. Tenant recognizes that its violation of the Rules and Regulations will result in damages to Landlord and that the nature and amount of such damages is difficult or impossible to quantify, and that the foregoing amount represents a reasonable approximation of the actual damages Landlord would suffer in the event Tenant violates the Rules and Regulations. As used herein, the term "Legal Requirements" means all applicable current or future statutes, ordinances, orders, rules, regulations, judgements and requirements of public authorities with jurisdiction over the Shopping Center and/or the Premises.

1. Intentionally Omitted.

2. Common Areas. Tenant shall not use the Common Areas, including areas adjacent to the Premises (except any outdoor seating area approved by Landlord pursuant to Section 9 below), for any purpose other than ingress and egress, and in accordance with all other applicable provisions of this Lease, including these Rules and Regulations. Without limiting the generality of the foregoing, Tenant shall not use the Common Areas to canvass, solicit business or information from, or distribute any article or material to, other tenants, occupants or invitees of the Shopping Center, without the express written consent of Landlord. Tenant shall not allow anything to remain in or to obstruct any passageway, sidewalk, court, corridor, stairway, entrance, exit, elevator, shipping area, or other area outside the Premises (except as set forth in Section 9 below). Janitorial closets, utility closets, telephone closets, broom closets, electrical closets, storage closets, and other such closets, rooms and areas shall be used only for the purposes and in the manner designated by Landlord, and may not be used by Tenant, or its contractors, agents, employees, or other parties without Landlord's prior written consent.

3. No Outside Sales; Loading Areas. Tenant agrees not to use any portion of the Common Areas for sale or display of any merchandise or any other business, occupation, undertaking or solicitation of customers and further agrees to receive or ship articles of any kind only through loading areas as designated by Landlord.

4. Deliveries. Deliveries of furniture, inventory and all other items shall be brought into the Shopping Center in compliance with all Legal Requirements and at Tenant's sole risk. Tenant shall use commercially reasonable efforts to ensure that all such deliveries shall be made prior to 10:00 am and only through the service entrances of Tenant's Premises and service entrances of the Shopping Center, when available. Landlord may inspect items brought into the Shopping Center or the Premises with respect to weight or dangerous nature or compliance with this Lease or applicable laws. Tenant shall move all inventories, supplies, furniture, equipment and other items directly into the Premises immediately upon receipt.

5. Trash; Recycling Program. All garbage, refuse, trash and other waste shall be kept in the kind of container, placed in the areas, and prepared for collection in the manner and at the times and places specified by Landlord, subject to the Section in the Lease concerning Hazardous Substances. Tenant shall not burn any trash or garbage of any kind in or about the Premises or the Shopping Center. Landlord reserves the right to require that Tenant participate in any recycling program designated by Landlord. If Tenant is permitted under this Lease to handle foodstuffs, garbage and refuse shall be stored and daily removed from the Premises in leak proof, airtight containers. If any leakage occurs, Tenant shall promptly clean and remove any evidence of such leakage at its expense. Tenant shall immediately clean up and remove spills and debris in connection with its disposal of waste at or from the Premises.

6. Pest Control. Tenant shall, at its sole cost, arrange for pest control at such intervals as may reasonably be required by Landlord. Tenant shall provide Landlord with evidence of Tenant's compliance with this provision within five (5) days after Landlord's written request. Tenant will be responsible for pest control within the

Premises. Landlord will be responsible for pest control within the Common Areas (with such cost being included as part of the Fixed Common Area Costs Charge).

7. Sign and Display Windows. Tenant shall not place any sign or any other item outside the Premises (including, without limitation, on the exterior walls and roof), or on the interior or exterior surfaces of doors or glass panes or windows, without the express written consent of Landlord. Tenant shall not install within the Premises any sign that is visible from outside the Premises or that is illuminated, without Landlord's prior written approval. If Landlord approves or requires illuminated signs, Tenant shall keep them illuminated each day during the hours designated by Landlord from time to time. All Tenant's signs shall be professionally designed, prepared and installed and in good taste so as not to detract from the general appearance of the Premises or the Shopping Center and shall comply with the sign criteria developed by Landlord as set forth in the Lease. The term "sign" for purposes of this Section shall mean any sign, placard, picture, name, direction, lettering, insignia, trademark, advertising material, advertising display, awning or other similar item, including Tenant's storefront sign. Sign will be consistent with the city code definition of sign: Any device depicting written letters, words, numerals, figures, emblems, logos, trademarks, pictures, or any part or combination thereof used for visual communication. Blinds, shades, drapes and other such items shall not be placed in or about the windows in the Premises except to the extent, if any, that the character, shape, designs, color, material and make thereof is first approved by Landlord in writing. During such periods as Tenant is required to operate its store hereunder, Tenant shall keep the display window(s) and signs, if any, in the Premises well lit during business hours and daily until at least 11:00 p.m., at Landlord's discretion.

8. Display of Merchandise. Tenant shall not place or maintain any permanent or temporary fixture or other item or display any merchandise: (a) outside of the Premises; or (b) anywhere inside the Premises within 6 feet of any entrance to the Premises (except that, with respect to any recessed entry of the Premises, Tenant shall not place or maintain any such fixtures or other item within three (3) feet of any entrance). Tenant shall not place, maintain or permit any merchandise, chemicals or other nail salon waste products, trash, debris, refuse or other articles in or on any sidewalks, driveways, curbs, entryways, passages, courts or corridors adjacent to the exterior of the Premises. All displays of merchandise shall be tasteful and professional.

9. Outdoor Seating. Tenant is not permitted to maintain outdoor seating without the express written consent of Landlord. Any outdoor seating area (the "Outdoor Seating Area"), including the placement and quantity of furniture, fixtures and equipment in, and the design and materials of, the Outdoor Seating Area, must be approved by Landlord. The Outdoor Seating Area shall be installed and maintained at Tenant's sole cost and expense, in accordance with all applicable laws and at all times clean and free of debris. Tenant shall store the Outdoor Seating Area furniture, fixtures and equipment during the winter months in an appropriate location, which, if on the Premises, shall be approved by Landlord in the exercise of its sole and absolute discretion.

10. Plumbing Equipment. The toilet rooms, urinals, wash bowls, drains and sewers and other plumbing fixtures, equipment and lines shall not be misused or used for any purpose other than that for which they were constructed, and no foreign substance of any kind shall be deposited therein. The expense incurred due to any breakage, stoppage or damage resulting from a violation of this provision shall be borne by Tenant, who shall, or whose employees, invitees or agents shall, have caused such breakage, stoppage or damage.

11. Exhaust System; Grease Traps; Odor Control. If Tenant operates a business on the Premises in which smoke and/or odor cannot be avoided by an exhaust termination location design, Tenant shall, at Tenant's sole cost and expense, provide and maintain an exhaust air pollution control system approved by Landlord for preventing and eliminating any odors or fumes which may interfere with other tenants' use, enjoyment or occupancy of their premises. If Tenant operates a restaurant, prior to opening for business, Tenant shall install and thereafter maintain, at Tenant's sole cost and expense, a grease containment system, approved by Landlord, and in compliance with Legal Requirements, on all roof exhaust fans serving the Premises. In addition, Tenant shall properly maintain, clean, repair and replace adequate grease traps. Tenant shall clean all grease interceptors no less than 4 times per year. Notwithstanding anything to the contrary contained in these Rules and Regulations and the Lease, Tenant shall use reasonable and diligent efforts to promptly resolve any odor problems arising from its use of the Premises during the Lease Term.

12. Roof; Awnings and Projections. Tenant shall not install any aerial, antennae, satellite dish or any other device on the roof, exterior walls or Common Areas of the Shopping Center without obtaining Landlord's prior written consent, provided that Tenant shall be permitted to install, at Tenant's sole cost and expense, cable television service to the Premises. No awning or other projection shall be attached by or for Tenant to the exterior walls of the Premises or the building containing the Premises. Any item set forth in this Section installed without the

prior written consent of Landlord shall be subject to removal by Landlord without notice to Tenant all at Tenant's sole cost and expense. Tenant shall not have access to the roof of the Building.

13. Overloading Floors. Tenant shall not overload any floor or part thereof in the Premises, the building containing the Premises, or the Shopping Center, including any public corridors or elevators therein, and Landlord may designate the location of safes, vaults and all other heavy articles and require supplementary supports of such material and dimensions as Landlord may deem necessary to properly distribute the weight at Tenant's expense (including expenses for structural review and engineering).

14. Locks and Keys. Upon termination of this Lease or Tenant's right to possession, Tenant shall: (a) return to Landlord all keys, parking stickers or key cards, and in the event of loss of any such items, shall pay Landlord therefor; and (b) advise Landlord as to the combination of any vaults or locks that Landlord permits to remain in the Premises.

15. Unattended Premises. Before leaving the Premises unattended, Tenant shall close and securely lock all doors or other means of entry to the Premises and shut off all lights (except signs required to be illuminated hereunder), water faucets and other utilities in the Premises (except heat to the extent necessary to prevent the freezing or bursting of pipes). This provision shall not imply that Tenant may leave the Premises unattended in violation of the operating requirements set forth elsewhere in this Lease.

16. Heating Facilities. If the Premises are equipped with heating facilities separate from those in the remainder of the Shopping Center, Tenant shall keep the Premises at a temperature sufficiently high to prevent freezing of water in pipes and fixtures.

17. Food and Beverages; Game and Vending Machines. Except to the extent expressly permitted under this Lease, Tenant shall not: (a) use the Premises for the manufacture, preparation, display, sale, barter, trade, gift or service of food or beverages, including, without limitation, intoxicating liquors; or (b) install, operate or use any video, electronic or pinball game or machine, or any coin or token operated vending machine or device to provide products, merchandise, food, beverages, candy, cigarettes or other commodities or services, including, but not limited to, pay lockers, pay toilets, scales and amusement devices; PROVIDED, HOWEVER, that Tenant may install vending machines for the sale of non-alcoholic beverages, food and candy in an area not visible from the sale area or exterior of the Premises for the exclusive use of Tenant's employees.

18. Intentionally Omitted.

19. Landlord's Trade Name and Trademarks. No symbol, design, name (other than the name of the Shopping Center in Tenant's advertising as permitted or required by this Lease), mark or insignia adopted by Landlord for the Shopping Center or picture or likeness of the Shopping Center shall be used by Tenant without the prior written consent of Landlord. Nor shall Landlord use, rely on, or advertise in any way, the City's name, likeness, images, symbols, marks, or insignia's without the City's express, prior written consent.

20. Prohibited Activities. Tenant shall not: (a) use strobe, flashing lights or rotating spotlights in or on the Premises (or other areas of the Shopping Center) or in any signs for the Premises; (b) use, sell or distribute leaflets, handbills, bumper stickers, other stickers or decals, balloons or other such articles in the Premises (or other areas of the Shopping Center); (c) operate any loudspeaker, telephone set, phonograph, radio, CD player or other musical or sound producing instrument or devise that can be heard outside the Premises; (d) operate any electrical or other device which interferes with or impairs radio, television, microwave, or other broadcasting or reception from or in the Shopping Center or elsewhere; (e) make or permit objectionable noise, vibration, smoke, fumes, vapors or odors to emanate from the Premises unless, in the case of smoke, fumes, vapors, or odors, Tenant installs and maintains a grease containment system or, if applicable, skin and hair salon odor control system, approved by Landlord in writing; (f) do or permit anything in or about the Premises or any other areas of the Shopping Center that is unlawful, immoral, obscene, pornographic, or which tends to create or maintain a nuisance or do any act tending to injure the reputation of the Shopping Center; (g) use or permit upon the Premises or other areas of the Shopping Center anything that violates the certificates of occupancy issued for the Premises or the Shopping Center, or causes a cancellation of Landlord's insurance policies or increases Landlord's insurance premiums (and Tenant shall comply with all requirements of Landlord's insurance carriers, the American Insurance Association, and any board of fire underwriters); (h) use the Premises for any purpose, or permit upon the Premises or any areas of the Shopping Center anything that may be dangerous to parties or property (including, but not limited to, flammable oils, fluids, paints, chemicals, firearms or any explosive articles or material(s); (i) cause, conduct, permit

or advertise any auction or closing-out or wholesale business in the Premises, or any distress sale, fire sale, bankruptcy sale, liquidation, relocation sale, closing sale, going-out-of-business sale, sheriff's sale, receiver's sale, or any other sale that, in Landlord's opinion, adversely affects the reputation of the Shopping Center or suggests that the business operations are to be discontinued in the Premises; nor (j) do or permit anything to be done upon the Premises or any other areas of the Shopping Center in any way tending to disturb, bother or annoy any other tenant at the Shopping Center or the occupants of neighboring property. Tenant shall not permit any fluids or other substances to leave or be discharged from the Premises. If any leak or spill shall occur or if fluids or other substances shall be released or discharged from the Premises, Tenant shall be responsible for and shall immediately cause the same to be cleaned and removed from the Premises and Tenant shall restore any damage to the Premises and be responsible for any costs incurred by Landlord to cause such leaks or spills to be cleaned and removed from the Shopping Center and/or Common Areas and/or other tenants' premises or to restore any damage to the Shopping Center and/or Common Areas and/or other tenants' premises that may result therefrom.

21. Responsibility for Compliance. Tenant shall be responsible for ensuring compliance with these Rules and Regulations, as they may be amended from time to time, by Tenant's employees and, as applicable, by Tenant's agents, invitees, contractors, subcontractors and suppliers.

EXHIBIT F

INTENTIONALLY OMITTED

EXHIBIT G

EXISTING RESTRICTED AND EXCLUSIVE USES

Exclusive Uses of Other Tenants

Mission BBQ:
Landlord agrees that, for so long as this Lease remain in full force and effect and further provided that Tenant is open and operating for the Permitted Use (as hereinafter defined), Landlord or any entity controlled by Landlord, will not enter into a new lease for, nor shall permit any space within Tenant's Exclusive Area (as shown on the Site Plan) to be used or occupied by, a tenant or other party whose principal business is the operation of a barbeque style restaurant or a restaurant offering barbeque catering or "to go" services, nor shall permit any restaurant to operate in the Shopping Center which uses as part of its name "BBQ", "Barbeque" or any variant thereof. A barbeque restaurant shall be defined as a restaurant primarily selling any of the following: barbeque beef, barbeque chicken, barbeque pork, barbeque turkey, pit cooked/smoked ribs and beef, any type of protein that is prepared as a smoked/barbeque type cuisine, as well as steak and prime rib for on and off site consumption. The foregoing shall not apply to any existing tenants in the Shopping Center. In addition, the foregoing shall not prohibit any restaurant from selling barbeque food items as an accessory use (less than 10% of sales), in conjunction with a full menu of alternate food selections. Upon request, in the event of an alleged violation, Landlord shall provide to Tenant verbatim copies of the permitted use clauses of such other tenant at the Shopping Center

Better Buzz Coffee Company:
So long as Tenant, following initial opening of its business to the public from the Demised Premises, has not ceased continuously and without interruption conducting business operations within the Demised Premises for the Permitted Use of the Demised Premises for one hundred twenty (180) days or more (except for reasonable closures due to Force Majeure, and periods of repair and reconstruction after casualty, condemnation or refurbishments) and provided that there is not then in existence a default on the part of Tenant (any required notice having been given and any applicable cure period having expired), Landlord (and any entity controlling, controlled by, or under common control with Landlord) will not, during the Lease Term, sell or lease or permit any other tenant or occupant to sell within the "Exclusive Area" (set forth on Exhibit F attached hereto): (a) whole or ground coffee beans; (b) coffee, espresso, tea; (c) coffee, espresso, or tea-based drinks; (d) acai bowls; and/or (e) blended beverages (other than juice) ("Tenant's Exclusive Use"). In the event that Landlord sells any pads or any portion(s) of the Exclusive Area, Landlord, at or prior to the closing of such sale, shall ensure that such Tenant's Exclusive Use is memorialized in a recorded instrument affecting such pads or portion(s) and reasonably acceptable to Tenant, whether through the Declaration or otherwise. Notwithstanding the foregoing, (i) other tenants operating restaurants in Tenant's Exclusive Area (and the Future Exclusive Area, defined below) may sell pre-bottled tea drinks, brewed coffee or brewed tea as part of such tenants' regular menu offerings so long as it is not either gourmet or brand-identified, and (ii) one (1) full service restaurant having incidental sales of acai bowls of less than five percent (5%) of gross sales shall be permitted in Tenant's Exclusive Area (and the Future Exclusive Area, defined below). In the event that Landlord leases or sells any parcels located in the area identified as the "Future Exclusive Area" on Exhibit F attached hereto, Landlord shall ensure that such owners, users and/or occupants are restricted from selling the products described in Tenant's Exclusive Use.

Note: The term "Future Exclusive Area" refers to the area located immediately along Bell Road between 145th Avenue and 146th Avenue.

Osteria Mia:
During the Lease Term, so long as the originally named Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof, Landlord shall not lease space within the area identified as "Tenant's Exclusive Area" on Exhibit F attached hereto to another tenant whose primary business is the sale of Italian food ("Tenant's Exclusive Use"). Tenant's Exclusive Use shall not apply to leases executed prior to the Effective Date. Furthermore, nothing contained within this Lease shall prohibit Landlord from leasing space within the Shopping Center to Parry's Pizzeria & Taphouse

Amazing Lash Studio:
During the Lease Term, so long as following the Rent Commencement Date Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof (excluding periodic closures due to remodeling (not to exceed 90-consecutive days) closures due to casualty, Force Majeure, and national and state holidays), and so long as Tenant is not in default under the Lease, Landlord agrees

that it shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is providing eyelash extensions and refills or eye enhancing services (including eyebrow and eyelash tinting, and eyelash perming services) (the “Tenant’s Exclusive”). Tenant’s Exclusive shall not apply to tenants (a) with leases executed prior to the Effective Date, or (b) that generate fifteen percent (15%) or less of its gross sales within the Shopping Center from the services described in Tenant’s Exclusive

Cafe Zupas:
Subject to existing Lessee leases executed on or before the Effective Date, or any Lessee occupying more than 10,000 square feet of leased space in the Shopping Center, Lessor agrees that it shall not lease a space in the Exclusive Area as depicted on Exhibit B-1 to any Lessee whose primary sales are derived from the sale of soups, salads, or sandwiches, including specifically Panera Bread, Paradise Bakery, Corner Bakery, Atlanta Bread Company, Apple Spice Junction, McAllister’s, Jason’s Deli, Cosi, Au Bon Pain, La Madeleine, Kneaders, Soup Plantation, La Boulange, Core Eatery, Mod Market an Sweet Tomatoes.

Farmer Boys:
During the term of this Lease provided Tenant or Tenant’s assignee or sublessee has possession of the Premises and is open and operating for permitted use, subject to any Permitted Closures, as defined below, Landlord shall not use or allow any other person or entity (except Tenant) to use any portion of the Shopping Center for the sale of freshly cooked and assembled hamburgers, for on or off-site consumption; provided, however this restriction shall not apply to any existing tenants of the Shopping Center as of the date of this Lease as set forth on Exhibit “G”. The sale of pre-cooked and pre-packaged hamburgers and breakfast items is not prohibited by this exclusive use clause. Furthermore, Landlord will not use or allow any other person or entity to use any portion of the buildings identified as Pad 2 and Pad 3 on the site plan attached hereto as Exhibit A to operate a full-service restaurant specializing in the sale of breakfast items (e.g. Denny’s, First Watch, Waffle House, Snooze, Breakfast Club). Tenant hereby agrees that (a) Cafe Zupas shall be permitted to operate in Pad 2 or Pad 3, and (b) a business that specializes in the sale of gourmet coffee and offers breakfast items as part of its standard menu (e.g. Dunkin, Starbucks, Better Buzz Coffee, Black Rock Coffee, Black Rifle Coffee, etc.) shall be permitted to operate in Pad 2 or Pad 3.

The parties hereby agree that, notwithstanding the terms of Section 1.g. of the Lease, one (1) tenant within the building identified as Shops B-1 on the site plan attached hereto as Exhibit A shall be permitted to the sell hamburgers for on and off premises consumption as long as (a) such tenant operates a sit down restaurant where orders are taken at the tables by servers from seated customers, (b) such tenant does not have the words “hamburger, burger, or cheeseburger” in such tenant’s trade name, and (c) the sales of hamburgers derived by such tenant from such tenant’s premises are less than fifteen percent (15%) of the total gross sales derived by such tenant from such tenant’s premises.

Lush Nails:
During the Lease Term, so long as Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof, and so long as Tenant is not in default under the Lease, Landlord shall not lease space within the Shopping Center to another tenant whose primary use is the operation of a nail salon (“Tenant’s Exclusive Use”). The term “primary use” is defined as deriving fifteen percent (15%) or more of gross sales from services of manicures and pedicures. Tenant’s Exclusive Use shall not apply to (i) tenants with leases executed prior to the Effective Date, or (ii) tenants who derive less than 15% of its gross sales from services of manicures and pedicures.

Salon Lofts:
Provided Tenant is open and operating for the Permitted Use and is not in an Event of Default under this Lease, Tenant shall have the exclusive right in the Project to operate (i) a full service hair salon and (ii) a salon suite business (collectively “Tenant’s Exclusive Services”). As used herein, “salon suite business” shall mean a salon suites business concept whereby individual spaces are made available to independent operators for hair cutting, styling or any of the uses typically found in a salon or day spa such as, but not limited to, Sola Salon Studios, Phenix Salon Studios or Salon Suites. Accordingly, Landlord agrees not to lease or sell any space in the Project (other than the Premises) to or otherwise permit to be operated therein another business which provides any of the Tenant’s Exclusive Services as its Primary Source of Business. “Primary Source of Business” shall mean more than 250 square feet devoted thereto or more than 10% of revenue derived therefrom. Notwithstanding the foregoing, Section 6.2 shall not prohibit any tenant under a lease existing on the date of this Lease (including any renewals, extensions or modifications) from using space occupied by it for any use permitted under such tenant’s

lease as of the date hereof. In addition, Landlord shall be permitted to lease space within the Retail Component to one (1) (a) nail salon, (b) barber shop, (c) business offering massage services (such as Massage Envy), (d) business offering eyelash services and (e) low cost haircut provider (such as Fantastic Sam's).

Tacos Chilango:
During the Lease Term, so long as Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof, and so long as Tenant is not in default under this Lease, Landlord agrees that it shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is the operation of a quick service / fast casual restaurant primarily serving Mexican cuisine ("Tenant's Exclusive"). Tenant's Exclusive shall not apply to tenants (a) with leases executed prior to the Effective Date, (b) that generate fifteen percent (15%) or less of its gross sales within the Shopping Center from the sale of Mexican cuisine, or (c) that operate full service sit-down restaurants where orders are taken by staff members from seated customers.

Pita Kitchen:
During the Lease Term, so long as Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof, and so long as Tenant is not in default under this Lease, Landlord agrees that it shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is the operation of a full service / quick service / fast casual restaurant primarily serving Greek cuisine ("Tenant's Exclusive"). Tenant's Exclusive shall not apply to tenants (a) with leases executed prior to the Effective Date, or (b) that generate twenty percent (20%) or less of its gross sales within the Shopping Center from the sale of Greek food items, such as pitas, gyros, shawarma, hummus and/or kabobs.

Jet's Pizza:
During the Lease Term, so long as Tenant is not in default beyond any applicable notice and cure period, and so long as the originally named Tenant is conducting business operations within the Premises in compliance with Section 3.04 above for the use specified in Section 1.09 hereof, Landlord agrees that it shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is the operation of a restaurant that provides pizza for take-out and delivery ("Tenant's Exclusive"). Tenant's Exclusive shall not apply to tenants (a) with leases executed prior to the Effective Date, (b) that generate fifteen percent (15%) or less of its gross sales within the Shopping Center from the services described herein, or (iii) that operate a full service sit down Italian restaurant that serves pizza as part of its typical menu offerings.

Pacific Dental Services:
Landlord hereby grants Tenant the exclusive right to provide general dentistry and specialty dentistry (including, without limitation, orthodontics, pediatric dentistry, endodontics, periodontics, prosthodontics, cosmetic dentistry and oral and maxillofacial surgery) services and operations in the Shopping Center Accordingly, Landlord agrees that it shall not lease, license, sell or otherwise convey to, or otherwise permit the operation of, any other tenant or occupant that provides any amount of general dentistry or specialty dentistry (including, without limitation, orthodontics, pediatric dentistry, endodontics, periodontics, prosthodontics, cosmetic dentistry and oral and maxillofacial surgery) services and/or operations within the Shopping Center (the "Exclusive Use"). The foregoing Exclusive Use restrictions shall automatically terminate as of the date which is the earliest of (i) a material change in the Initial Permitted Uses set forth in Section 1.1.K (such that the Premises are used for purposes entirely other than any amount of general and or specialty dentistry services or operations); or (ii) the expiration or earlier termination of the Lease.

Elements Massage:
During the Lease Term, provided: (i) while Tenant is open for business to the public, Tenant is conducting its business within the Premises for the Permitted Use (as specified in Section 1.09 hereof) and, (ii) Tenant is not in material default under this Lease beyond the applicable cure period (during which periods the Tenant's Exclusive shall be temporarily suspended), Landlord shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is the operation of a massage studio providing various massage services consistent with those of a typical "*Elements Massage Studio*" ("Tenant's Exclusive"). The foregoing notwithstanding, Tenant's Exclusive shall not apply to: (a) any tenant (or assignee) whose lease was executed prior to the Effective Date, or (b) any tenant that generates fifteen percent (15%) or less of its gross sales from such tenant's premises within the Shopping Center from massage services.

Petersen’s Ice Cream:
During the Lease Term, so long as Tenant is continuously and without interruption conducting business operations within the Premises for the use specified in Section 1.09 hereof, and so long as Tenant is not in default under this Lease, Landlord agrees that it shall not lease a space in the Shopping Center to another tenant, or permit the use of any space in the Shopping Center by another user, whose primary business is the sale of ice cream and gelato for on and off-premises consumption (“Tenant’s Exclusive”). Tenant’s Exclusive shall not apply to tenants (a) with leases executed prior to the Effective Date, (b) that generate fifteen percent (15%) or less of its gross sales within the Shopping Center from the sale of ice cream or gelato, or (c) that operate a full service sit-down restaurant where orders are taken by staff members from seated customers.

<u>Restricted and Prohibited Uses</u>

Any and all exclusive, restricted or prohibited uses set forth in the Declaration.

EXHIBIT H

OPTIONS TO EXTEND LEASE TERM

1. **Grant of Option**. Landlord grants to Tenant the option to extend the Initial Term of this Lease for up to two (2) additional periods of five (5) years each (each, an "Option"). Each such additional period is referred to as an "Extension Term."

2. **Exercising Options**. Tenant shall exercise each Option by delivering written notice ("Option Notice") to Landlord on or before the date that is two hundred seventy (270) days prior to the expiration of the Lease Term or any Extension Term, as applicable (the "Option Notice Deadline"). If Tenant fails to deliver the Option Notice on or before the Option Notice Deadline, Tenant's right to unilaterally extend the Lease Term shall terminate, and this Lease shall expire as of the end of the Initial Term or the applicable Extension Term, unless the Parties otherwise mutually agree to a First or Second Extension Term, as the case may be. Tenant may only exercise an Option if Tenant is not in default of any provisions of this Lease at the time the Option Notice is delivered to Landlord and at the commencement date of each Extension Term.

3. **Base Rent for the Extension Terms**. Except as otherwise may be mutually agreed to by the Parties, upon the commencement of each Extension Term, all provisions of this Lease shall remain in full force and effect, except that (a) previously exercised Options shall expire, and (b) Tenant shall pay Base Rent in accordance with Section 4 below.

4. **Rent Adjustment for Extension Terms**. Except as otherwise may be mutually agreed to by the Parties, the Base Rent for any Extension Term shall be an amount equal to the greater of: (i) Fair Market Rent (defined herein); or (ii) three percent (3%) above the most recent Base Rent payable (the "Adjusted Rent"). As used herein, "Fair Market Rent" means an amount equal to the then prevailing rate for similar space in a comparable building located within the City of Surprise metropolitan area during the six (6) month period immediately preceding the date of Tenant's delivery of the Option Notice. In the event that Landlord and Tenant are unable to agree upon the Fair Market Rent within ten (10) days after the date of Tenant's delivery of the Option Notice, then Fair Market Rent shall be determined by an appraisal as set forth below:

a. Either Landlord or Tenant may submit the matter to appraisal by notifying the other party in writing. Not less than ten (10) days after the date of such notice, Landlord and Tenant shall each (i) appoint an appraiser; and (ii) give written notice to the other identifying that party's appraiser and indicating whether that party will submit supplemental written or oral evidence to support its proposal for Fair Market Rent. Any appraiser selected under this subsection shall be an appraiser or licensed real estate broker who has substantial experience in building management and marketing in the geographic real estate market where the Premises are situated and who has not been regularly employed or retained as a consultant, appraiser or agent of either party during the last twelve (12) months.

b. Not later than ten (10) days after both appraisers have been appointed, Landlord and Tenant shall each submit a sealed envelope to each appraiser containing its proposed Fair Market Rent and shall provide a copy of such submission to the other party. If neither party notified the other that supplemental information would be submitted then each envelope shall contain only a proposed Fair Market Rent and no further information. If either notice given under subsection (a) above indicated that supplemental information would be provided then either party may supplement its submission with written and/or oral presentations to both appraisers. Within ten (10) days after receipt of both parties' proposals, the appraisers shall review the submissions and shall select one proposal as being closer to the actual Fair Market Rent for the Premises which shall become the Fair Market Rent for the Premises for that Extension Term. The appraisers shall promptly notify the parties of their decision, which shall be final and binding upon Landlord and Tenant.

c. If the appraisers do not agree as to which party's proposal is closest to the actual Fair Market Rent, then not later than ten (10) days after the appraisers have notified the parties of this fact, unless both Landlord and Tenant direct otherwise, the appraisers shall jointly select an arbitrator who shall determine which proposal is the closest to the actual Fair Market Rent. The arbitrator must have the same qualifications stated for an appraiser under subsection (a) above. The arbitrator may conduct an arbitration under the provisions of the commercial arbitration rules of the American Arbitration

Association. The arbitrator shall decide only which Fair Market Rent submission is closer to the actual Fair Market Rent for the Premises. The arbitrator's decision shall be binding on all parties and shall apply retroactively to the beginning of the Extension Term. The arbitrator shall make a final decision within thirty (30) days of the arbitrator's appointment.

d. The final determination of the Fair Market Rent shall apply retroactively to the beginning of the Extension Term. Throughout the period during which the Fair Market Rent is being determined, Tenant shall continue to pay the most current applicable Base Rent. Once the Fair Market Value is determined, Tenant shall pay Landlord the difference between the Fair Market Rent and the Base Rent paid by Tenant during the Fair Market determination period together with the next payment of Base Rent.

Once the Adjusted Rent is determined as set forth herein, Tenant shall pay the Adjusted Rent for the first Lease Year of each such Extension Term. Thereafter, the Adjusted Rent shall increase by three percent (3%) on the first day of each Lease Year throughout the remainder of such Extension Term.

EXHIBIT I

TENANT IMPROVEMENT ALLOWANCE

Except as provided in this Exhibit, the performance of the Tenant Improvements shall be performed and completed by Landlord at Tenant's sole cost and expense. Subject to the provisions of this Exhibit I, Landlord shall credit an amount, not to exceed One Hundred Fifty-Nine Thousand Seven Hundred Twenty and 00/100 Dollars ($159,720.00), against Tenant's obligation to pay for the design and installation of the Tenant Improvements (the "Tenant Improvement Allowance"). Tenant agrees to contribute an amount toward the cost of the Tenant Improvements of at least Three Hundred Eight Thousand and 00/100 Dollars ($308,000.00). Within thirty (30) days following the date that the parties approve the space plan referenced in Section 9.04 of the Lease, Landlord shall deliver to Tenant (a) three (3) competitive bids of the cost of the Tenant Improvements from qualified general contractors licensed in the State of Arizona, and (b) Landlord's estimate of the total hard costs required to complete the Tenant Improvements (the "TI Estimate"). If the TI Estimate exceeds Four Hundred Sixty-Seven Thousand Seven Hundred Twenty and 00/100 Dollars ($467,720.00) (the "Maximum TI Cost"), then (i) Landlord may elect to contribute all or some of the difference between the TI Estimate and the Maximum TI Cost (the "TI Shortfall") upon terms and conditions mutually acceptable to the parties, including, without limitation, acceptable adjustments to the Base Rent payable under the Lease; or (ii) Tenant may elect for Landlord to complete the Tenant Improvements without additional contribution from Landlord. In the event Tenant elects to have Landlord complete the Tenant Improvements without additional contribution from Landlord and either Landlord is unwilling to contribute to the TI Shortfall, or Landlord and Tenant are unable to agree upon the terms and conditions of Landlord's contribution to the TI Shortfall within thirty (30) days following Landlord's notice to Tenant of the TI Estimate, either party may terminate the Lease effective upon written notice to the other, at which point, the Lease shall be deemed immediately and irrevocably terminated without further action by the parties. In the event Landlord and Tenant agree upon terms under which Landlord will contribute to the TI Shortfall, such contribution shall be deemed part of the Tenant Improvement Allowance and the parties will enter into an amendment to the Lease, the purpose of which will be to document the terms of the Lease that will be revised as a result of Landlord and Tenant agreeing to modify the Lease pursuant to the terms of this Exhibit I.

CITY OF SURPRISE
Regular City Council Meeting

Council Meeting Date: March 18, 2025
Submitting Department: Finance
Staff Recommendations: None

Contact Person: Andrea Davis, DIRECTOR - FINANCE
District: Citywide

Consent: No   Regular: No   Public Hearing: No   Report/Discussion: Yes

Agenda Wording:
Presentation and discussion pertaining to the FY2025 Financial Status Report through December 2024.

Motion:
Presentation and Discussion only.

Background:
This update will review the financial activity through the month of December 2024.

Objective Analysis:
The comparison of the actual financial activity to the plan laid out in the budget helps the city to determine the current financial position. This will allow for better short and long term financial planning as the current fiscal year is underway and the planning for the next budget begins.

Policy Compliant:
This item is compliant with the city's Comprehensive Financial Management Policies.

Financial Impact:
The presentation provides an update of the unaudited revenue and expenditures for the General Fund for Fiscal Year 2025, through December 2024.

Budget Impact:
This item does not amend the current fiscal year budget .There will be discussion of the city's financial performance to-date.

FTE Impact:
This item does not have an impact on current staff levels.

ATTACHMENTS: