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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K

Annual Report Pursuant to  
Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the fiscal year ended  
March 2, 1986

Commission file number  
2-91259

CRAZY EDDIE, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

11-2667288  
(I.R.S. Employer  
Identification No.)

2845 Coney Island Avenue, Brooklyn, New York  
(Address of principal executive offices)

11235  
(Zip Code)

Registrant's telephone number, including area code (718) 934-0100

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Securities registered pursuant to Section 12(b) of the Act:  
None

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, par value \$.01 per share  
(Title of Class)

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Indicate by check mark whether the registrant (1) has  
filed all reports required to be filed by Section 13 or 15(d) of  
the Securities Exchange Act of 1934 during the preceding 12 months  
(or for such shorter period that the registrant was required to  
file such reports), and (2) has been subject to such filing  
requirements for the past 90 days. Yes X No    

As of May 28, 1986, 15,572,786 shares of common stock of  
the Company were outstanding. The aggregate market value of these  
shares (based upon the closing market price of the Company's  
common stock on the NASDAQ National Market System on May 28, 1986,  
as reported in The Wall Street Journal) held by non-affiliates was  
approximately \$453,976,950.

DOCUMENTS INCORPORATED BY REFERENCE  
Definitive Proxy Statement for Registrant's  
1986 Annual Meeting of Stockholders.

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## PART I

### ITEM 1. BUSINESS.

Crazy Eddie, Inc., incorporated in Delaware in December 1983, is the successor to Crazy Eddie, Inc., a New York corporation, which was formed in 1975 and merged into the Company in September 1984 prior to the consummation of the Company's initial public offering of common stock. Unless the context otherwise requires, references to the "Company" relate to Crazy Eddie, Inc., its subsidiaries and their predecessors.

The Company sells home entertainment and consumer electronic products through a chain of retail stores located in New York, New Jersey and Connecticut. All of the Company's stores are operated under the Crazy Eddie name, and are located in New York City or within the surrounding 100-mile radius.

The Company's corporate headquarters is located at 2845 Coney Island Avenue, Brooklyn, New York 11235, and its telephone number is (718) 934-0100. Purchasing, personnel, accounting, advertising and merchandising management are centralized at the Company's corporate headquarters. During the second quarter of fiscal 1987, the Company expects to move its corporate headquarters to a new location in Edison, New Jersey, which, in addition to providing more space, will house a retail outlet, a central service center and a warehouse and distribution center.

### Products

The Company offers customers a broad range of high quality products and selection from over 500 brand names of merchandise, including Panasonic, General Electric, Sony, Hitachi, Toshiba and Fisher. The Company's products may be grouped as follows:

Television and video product group includes black and white televisions, portable color televisions, console color televisions, monitor televisions, AC/DC powered televisions, rear screen projection televisions, front projection televisions, television stands, component televisions, novelty televisions, portable and



stationary video recorders, video cameras, video disc CED and Laser, video disc software, video enhancement devices, lighting systems and tripods.

Audio and audio systems product group includes home speakers, receivers, cassette decks, automatic and manual turntables, amplifiers, tuners, equalizers, signal processing, reverberation units, digital audio players, mini, midi and normal sized pre-packaged audio systems, open reel recorders, mixing boards, electronic musical keyboards, preamplifiers, compact music systems, headphones, microphones, power-amplifiers and integrated amplifiers.

Car stereo product group includes in-dash AM-FM cassette receivers, AM-FM cassette decks, tuners, preamplifiers, speakers, amplifiers, reverberation units, equalizers, antennas, installation hardware, boosters, car radios, car alarms and car telephones.

Portable and personal electronics product group includes portable radios, AC/DC portable recorders, AC/DC portable radio recorders, telephone answering recorders, portable telephones, standard and designer telephones, automatic telephone dialers, audio, video and computer furniture, home security devices, electronic typewriters, walkman-type radios, calculators, clock radios and micro cassette recorders.

Computers and games product group includes business and home computers, printers, floppy disc drives, data recorders, business and recreational software, computer monitors, electronic video games and software, and game joysticks.

Accessories and tapes product group includes cables, switches, phonograph cartridges and styli, audio and video tapes, storage boxes, blank audio tapes and blank video tapes, floppy discs, audio and video headcleaners, record cleaners, specialty audio records, tonearms, transformers and batteries.

Miscellaneous items product group includes microwave ovens, air conditioners, electric fans, small home appliances and other miscellaneous items, car stereo installation and extended warranty contracts offered by the Company for most audio, video and computer merchandise sold and for certain other items.

The table below shows the approximate percentage of the Company's combined sales for the fiscal year ended March 2, 1986 attributable to each of the foregoing product groups (except that the accessories and tapes product group has been combined with the miscellaneous items product group):

<u>Product Group</u>	<u>Percentage of Total Sales</u>
Television and video .....	52%
Audio and audio systems .....	15
Portable and personal electronics .....	12
Computers and games .....	8
Accessories and tapes, and miscellaneous items ...	8
Car stereo .....	5
	<u>100%</u>

The percentage of sales accounted for during any period by each product group is affected by promotional activities, consumer trends and the development of new products. Management believes, however, that the Company is not dependent on any one product line or upon any single vendor or several major vendors, and that competitive sources of supply are available for all of the Company's merchandise.

#### Working Capital Items

A central purchasing department monitors current sales and tracks inventory on a daily basis. The Company generally purchases inventory directly from vendors who extend open lines of credit that are sometimes secured by the products sold. Substantially all inventory purchased by the Company is shipped directly to its central distribution facility located in South Plainfield, New Jersey. Each Crazy Eddie store receives shipments of inventory from the central distribution facility several times a week, and often on a daily basis, thereby increasing convenience to customers by enabling each store to maintain substantial inventories of all products and to promptly replenish inventories of fast-moving products. Inventory turned over 4.5 times during the fiscal year ended March 2, 1986.

Sales to customers are primarily made on a cash or major credit card basis. The Company accepts the following credit cards: Visa, MasterCard and American Express.

Finance charges on credit card sales during the fiscal year ended March 2, 1986 approximated \$3,030,000.

All products sold in Crazy Eddie stores carry a 30-day price protection guaranty pursuant to which the store will refund the difference between its sold price and any lower price for the same product that is demonstrated by the customer to be available at any other store. In addition, merchandise sold may be exchanged for the same or other products or for store credit within seven days of the sale.

### Seasonality

Historically, the Company has realized greater sales during the Christmas season, than in other fiscal quarters of the year. The Company's marketing strategy and, in particular, its steady use of radio and television advertising is intended to minimize the seasonality of the Company's sales. The Company's net sales for the three months ended March 2, 1986 were \$99.8 million, as compared to \$65.3 million for the corresponding period a year ago. Net sales for the fiscal year ended March 2, 1986 were \$262.3 million, as compared to \$167.1 million for the twelve months ended March 3, 1985.

### Service marks

The "Crazy Eddie," "Record and Tape Asylums," "Crazy Eddie Record and Tape Asylums" and "His Prices Are Insane" marks, and the Company's logo, are service marks registered with the United States Patent and Trademark Office and owned by the Company. The "Crazy Eddie" and "His Prices Are Insane" marks, as well as the Company's logo, are an integral part of the Company's advertising and important to the Company's business. The "Crazy Eddie Record and Tape Asylums" and certain other of the Company's service marks are licensed by the Company for use by Benel Distributors, Ltd.

### Competition

The business of the Company is highly competitive in that there are many retailers that sell one or more of the products carried by the Company. The Company competes with department stores, discount stores, catalog showrooms, specialty stores and other retailers. To some extent, the Company also competes with drugstores, supermarkets and others that make incidental sales of electronic products.



Some of the Company's competitors are national in scope and have greater financial resources than the Company.

The Company competes on the basis of pricing, product offering and customer service as promoted through an aggressive mass-media advertising campaign. Most of the Company's advertisements appear on radio and television, although the Company also advertises in New York City and certain local newspapers. The Company's radio and television advertising has as its theme "Crazy Eddie -- His Prices Are Insane!"<sup>tm</sup>, and advertisements feature a local radio announcer who seeks to convey to customers the Company's message of price, selection and service in an energetic and humorous manner.

Pricing. The Company believes that its sales volume, together with the consumer recognition of its name, provides the Company with significant purchasing power which permits the Company to sell its merchandise to customers at prices that it believes to be lower than those offered by most of its competitors. In addition, all products sold in Crazy Eddie stores carry a 30-day price protection guaranty.

Product Offering. The broad selection of products offered by the Company and the manner in which they are displayed enable the Company easily to change the variety and emphasis of its products and to expand displays of promotionally-priced or fast-moving items. This flexibility permits the Company to introduce new products, including products utilizing emerging technologies, and, at the same time, to maintain sales in existing product lines. Because the products sold by the Company attract customers of all ages, the Company does not focus its marketing efforts on any particular age group.

Customer Service. At each Crazy Eddie store, trained sales personnel are instructed to seek to assist customers in their purchases by demonstrating products and providing information desired by the customer with respect to price, quality and other matters. The Company's store hours are intended to make Crazy Eddie stores more accessible to customers than the stores of competitors, particularly for those customers who are unable to shop during ordinary business hours. The Company maintains a service department on the premises of each Crazy Eddie store, and also employs approximately 50 full-time employees at a central service

center which is utilized by each of the stores when extensive servicing or repair is required. The Company offers its own extended warranty contracts for most audio, video and computer merchandise sold and for certain other items, pursuant to which the Company provides extended warranty coverage beyond the warranty period covered by the manufacturer. The Company also provides periodic maintenance services with respect to certain of its merchandise.

### Employees

The Company employs approximately 1,600 persons, including approximately 168 persons who are employed in the Company's corporate headquarters and central service center.

ITEM 2. PROPERTIES.

The 24 existing Crazy Eddie stores are all located within a 100-mile radius of New York City. Sixteen of these stores are located in New York, six are in New Jersey, and two are in Connecticut. The New York stores include ten stores in New York City (seven located in the Borough of Manhattan, two in the Borough of Queens, and one in the Borough of Brooklyn), four on Long Island, one in Westchester County and one in Rockland County. The Company has signed leases for seven stores that are expected to open during the remainder of the 1987 fiscal year (of which one will be located in the Borough of Staten Island in New York City, four will be in New Jersey, one will be on Long Island and one will be in Poughkeepsie, New York) and four additional stores that are expected to open during the 1987 calendar year (of which three will be located in Connecticut and one will be located in New Jersey). The Company also expects to open a store at its new headquarters facility in Edison, New Jersey before the end of 1986.

Crazy Eddie stores are situated on major commercial thoroughfares and are conveniently accessible to established urban neighborhoods or major residential areas in suburban neighborhoods. The Company's general policy is to lease its stores in order to limit its investments in fixed assets and increase the availability of capital for other purposes; however, the Company has purchased a building that houses its store in Flushing in the Borough of Queens in New York City. All of the Crazy Eddie stores (other than the Flushing store) are leased from unrelated parties, except that the store located in Union, New Jersey is leased from Eddie Antar and Sam Antar, the Chairman of the Board, President and Chief Executive Officer of the Company, and the Executive Vice President and a director of the Company, respectively, and the store located on East 86th Street in New York City is leased from a corporation controlled by the father-in-law of another executive officer of the Company. The Company operates all of the space in each of its stores and does not lease any space to any third party concessionaires, other than pursuant to licensing agreements with Benel Distributors, Ltd. In addition, the Company has subleased to unrelated third parties a portion of the properties that the Company leases on Avenue of the Americas in New York City and in Hartsdale and Massapequa, New York.

The Company's store leases in each case provide for a base rental and do not provide for a percentage of sales rental in addition to the fixed minimum rent. The leases are net leases requiring that, in addition to a fixed rent, the



Company maintain and repair the leased premises at its own expense and pay all real estate taxes, utilities, insurance, heating and air conditioning costs. See Note 6 of Notes to Consolidated Financial Statements.

The table below sets forth certain information concerning the Company's 24 existing stores and the twelve stores scheduled to open before the end of 1987.

<u>Store Location</u>	<u>Year Opened</u>	<u>Approximate Selling Area (square feet)</u>	<u>Store Location</u>	<u>Year Opened</u>	<u>Approximate Selling Area (square feet)</u>
05 Ave. of the Americas New York, New York	1975	1,870	165 East 86th Street New York, New York (5)	1984	2,650
067 Coney Island Avenue Brooklyn, New York (1)	1977	5,864	30 Jensen Street Fords, New Jersey	1984	2,920
09 Route 17 Paramus, New Jersey	1977	5,779	175 Rockland Center Nanuet, New York	1985	4,950
09 Route 18 East Brunswick, New Jersey	1978	8,423	89-22 Queens Boulevard Elmhurst, New York	1985	3,032
155 Route 22 West Union, New Jersey (2)	1979	4,400	1000 Sunrise Highway Massapequa, New York	1985	3,240
03 North Central Avenue Artsdale, New York	1979	6,692	150 Broadway New York, New York	1985	4,625
01 Old Country Road Marle Place, New York	1980	7,871	449 West Mount Pleasant Avenue Livingston, New Jersey	1985	2,616
12 East 57th Street New York, New York	1981	5,316	116 Boston Post Road Orange, Connecticut	1985	3,000
20-440 Westport Avenue Norwalk, Connecticut (3)	1983	3,959	25 West 45th Street New York, New York	1985	1,955
Route 46 West and Riverview Drive Stoway, New Jersey	1983	3,871	37-08 Main Street Flushing, New York (6)	1985	3,500
010 Smithtown Bypass Massconset, New York	1984	4,398	999 Third Avenue New York, New York	1986	1,591
50 Jericho Turnpike Rosset, New York (4)	1984	3,607	2186 Broadway New York, New York	1986	3,672

New Stores

<u>Store Location</u>	<u>Store Location</u>
Edison, New Jersey (7)	Pleasantville, New Jersey
Princeton, New Jersey	Staten Island, New York
Toms River, New Jersey	Poughkeepsie, New York
Eatontown, New Jersey	Valley Stream, New York
Stamford, Connecticut	Hamden, Connecticut
Farmington, Connecticut	Cherry Hill, New Jersey

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- (1) This store replaced an earlier store that was opened in 1973.
  - (2) This store is leased by the Company from Eddie Antar and Sam Antar.
  - (3) During the night of December 26-27, 1985 there was a fire at this location, which destroyed the contents of the store and substantially damaged its interior. The Company is fully insured for the losses that were sustained. The Company has reopened the store on a temporary basis at a nearby location, and hopes to reopen in expanded premises at its original location before the end of June 1986.
  - (4) This store, which opened in November 1984, replaced an earlier store that was opened in 1974 at a nearby location.
  - (5) On March 31, 1984, the lease for a store at 1496 Third Avenue, New York, New York expired. Renewal of this lease was not possible and the Company decided to relocate such store to larger premises at this nearby site. The Company opened this store in September 1984. The store is leased from a corporation controlled by the father-in-law of Sam E. Antar, who was elected Controller of the Company in June 1985. The Company believes that the terms of this lease, which expires in April 1994, are no less favorable to the Company than the terms of similar leases of other stores entered into by the Company in arm's-length transactions with unaffiliated parties.
  - (6) The Company has purchased the building in which this store is located, subject to an existing lease which expires in 1993 and which has been assigned to and assumed by the Company. As security



for its obligations as assignee under such lease, the Company has executed a re-assignment and assumption of lease, which is being held in escrow.

- (7) This store is to be located at the Company's new corporate headquarters facility in Edison, New Jersey. See "New Facility" below.
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On April 27, 1986, the Company closed its store located at 300 East Fordham Road, Bronx, New York. The Company has temporarily relocated its central service center from this location (where it occupied 3,800 square feet) to its warehouse facility in South Plainfield, New Jersey. The service center will relocate to the Company's new headquarters facility in Edison, New Jersey, when ready for occupancy. See "New Facility" below.

The following table sets forth expiration dates (after giving effect to applicable renewal options) by calendar year, of the existing leases for the Company's stores.

<u>Calendar</u>	<u>Number of Store Leases Expiring</u>
1986-1988 .....	2
1989-1991 .....	3
1992-1994 .....	2
1995-1997 .....	5
1998-2001 .....	11
2002-2004 .....	2
2005-2007 .....	7
2008-2011 .....	2

The Company sub-subleases from Kelso Industries, Inc., a corporation wholly-owned by Eddie Antar and Sam Antar, a 20,000 square foot facility in Brooklyn, New York in which the Company currently has its corporate headquarters, which includes its executive offices, purchasing, personnel, accounting, advertising and merchandising management departments. The sub-sublease expired March 30, 1986, at which time the Company exercised its option to renew the lease for a one-year term expiring March 30, 1987. The sub-sublease is renewable for a one year term thereafter at the Company's option through March 30, 1988. The Company's rental payments under the sub-sublease are equal in amount to those that Kelso Industries pays to the sublessor.

The Company leases premises in close proximity to its current corporate headquarters, which are used as a car stereo installation center. The Company also has leased 45,000 square feet of warehouse space in East Brunswick, New Jersey for a period of one year expiring November 10, 1986 to accommodate its increased storage requirements. In addition, a subsidiary of the Company leases premises in the Borough of Manhattan in the City of New York, which serve as a showroom and provide offices for the subsidiary's professional audio and video installation business.

#### New Facility

On April 11, 1984, the Company entered into agreements to purchase approximately 11 acres of land in Edison,

New Jersey and to have a builder construct the Company's new corporate headquarters on such land. On December 21, 1984, the Company borrowed from the New Jersey Economic Development Authority (the "Authority") the aggregate amount of \$7,800,000 in order to finance the acquisition of the land and certain related machinery and equipment and construction of the new facility. See Note 7 of Notes to Consolidated Financial Statements. In connection with the loan agreement with the Authority, the Company granted the Authority a first mortgage lien on the new facility and a security interest in, among other things, all leases that are entered into by the Company with any tenant of the facility (including all rents payable to the Company thereunder).

The Company expects that the move to Edison, New Jersey will be completed during the second quarter of the 1987 fiscal year. The new location will have approximately 210,000 square feet of space, of which 175,000 square feet will house the Company's new executive offices, a retail store, a central service center and a warehouse and distribution center. It is expected that the remaining space will be leased by the Company on a short-term basis to Benel Distributors, Ltd.

#### Planned Expansion

The Company has signed leases for eleven additional stores, seven of which are expected to open during the remainder of the 1987 fiscal year, and the remaining four of which are expected to open before the end of the 1987 calendar year. A twelfth new store is scheduled to open before the end of 1986 at the Company's new headquarters facility in Edison, New Jersey. The Company is actively negotiating a lease for one additional store.

The Company's current expansion objective is to focus on the geographic market within a 100-mile radius of New York City in order to continue to take advantage of the Company's "advertising umbrella" provided by extensive radio and television advertising and other efficiencies and cost benefits that have been realized by the Company as a result of its geographic concentration of stores, such as the Company's ability to service all Crazy Eddie stores through central warehouse and repair facilities, to shift personnel among the stores as needed and to have its executives visit any store location on short notice. Opening additional stores in the Company's existing market has enabled the Company to increase market penetration and increase pretax earnings by reducing overhead and advertising costs as a per-



centage of sales in that market. The Company has, however, signed leases for new stores to be located in Farmington, Connecticut and Cherry Hill, New Jersey, which are areas that are extensions of the Company's current geographic market. The Company anticipates that it may further extend its geographic market in future years.

ITEM 3.      LEGAL PROCEEDINGS.

Except as described in the following paragraph, the Company is not a party to any material legal proceedings. It is, however, involved in litigation relating to claims arising out of its operations in the normal course of business. Such claims against the Company are generally covered by insurance. It is the opinion of management that any uninsured or unindemnified liability resulting from such litigation would not have a material adverse effect on the Company's business or financial position.

The Company is a defendant in Gerald Newman v. Crazy Eddie, Inc., an action filed in the New York Supreme Court, Westchester County, in September 1984. The plaintiff sought damages in the aggregate amount of \$3,600,000 based upon an alleged agreement in or about October 1983 between himself and the Company relating to services to be performed by the plaintiff in connection with a proposed public offering of the Company's stock. On April 21, 1986, the Appellate Division of the New York Supreme Court unanimously upheld the decision of the lower court granting summary judgment in favor of the Company.

ITEM 4.      SUBMISSION OF MATTERS TO A VOTE OF SECURITY  
                 HOLDERS.

Not applicable.

EXECUTIVE OFFICERS OF CRAZY EDDIE, INC.

Pursuant to General Instruction G(3), the information regarding executive officers of the Company called for by Item 401(b) of Regulation S-K is hereby included in Part I of this report.

The following table sets forth the name of each executive officer of the Company, the office held by such officer and the age, as of May 28, 1986, of such officer:

<u>Name</u>	<u>Age</u>	<u>Offices Held</u>
Eddie Antar.....	38	Chairman of the Board, President and Chief Executive Officer
Sam Antar.....	65	Executive Vice President
Mitchell Antar.....	30	Executive Vice President- Marketing
Eddy Antar.....	60	Treasurer
Solomon E. Antar.....	48	Secretary and General Counsel
David Pardo.....	32	Executive Vice President - Purchasing
Morton Gindi.....	39	Vice President - Operations
David V. Panoff.....	37	Vice President - Con- sumer Service Operations
Sam E. Antar.....	29	Controller

The Company's officers are elected annually by the Board of Directors and hold office at the pleasure of the Board.

Eddie Antar and Mitchell Antar are brothers, and are sons of Sam Antar. Eddy Antar and Sam Antar are brothers. Solomon E. Antar is a cousin of Sam Antar and Eddy Antar. Morton Gindi is a cousin of Eddie Antar, Mitchell Antar and Sam E. Antar. Sam E. Antar is the son of Eddy Antar.

Eddie Antar has served as President of the Company and its predecessors since its inception and was elected Chairman of the Board, President and Chief Executive Officer in May 1984. The Company has an employment agreement with Eddie Antar.

Sam Antar has served as Vice President of the Company and its predecessors since its inception and was elected Executive Vice President in May 1984. Shoe Time, Inc., an Arizona corporation which operates discount shoe stores in the State of Arizona and in which Sam Antar has a 50% equity interest, filed a petition under the federal bankruptcy laws on June 13, 1983.

Mitchell Antar was elected Executive Vice President - Marketing in June 1985. Prior to that time, he served the Company as Vice President - Purchasing and in other capacities relating to purchasing and store operations.

Eddy Antar was elected Treasurer in May 1984. Prior to that time, he served as the Secretary and Treasurer of the Company.

Solomon E. Antar was elected Secretary and General Counsel in May 1984. Prior to that time, he served as the Company's General Counsel.

David Pardo, Morton Gindi, David V. Panoff and Sam E. Antar were elected to their present positions on June 24, 1985 and, other than Sam E. Antar, each has been employed by the Company for more than five years. Prior to commencing employment with the Company in July 1984, Sam E. Antar was employed for three years by Penn and Horowitz (predecessor of J. Liebman & Co.), independent certified public accountants. Sam E. Antar is a certified public accountant.

PART IIITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock, par value \$.01 per share ("Common Stock"), is traded in the over-the-counter market (symbol: CRZY). Since February 12, 1985, the Company's Common Stock has been quoted on the NASDAQ National Market System.

The following table sets forth, for the calendar periods indicated, the high and low bid prices for the Company's Common Stock prior to February 12, 1985 (commencing on September 13, 1984, the date of the Company's initial public offering of Common Stock) and the high and low sale prices for the Company's Common Stock on the National Market System from and after such date, in each case as reported by National Quotation Bureau Incorporated. The bid prices for the period prior to February 12, 1985 reflect inter-dealer prices without retail mark-up, mark-down or commission and do not necessarily represent actual transactions. National Market System quotations, which began on February 12, 1985, are based on actual transactions and not bid prices. The quoted prices have been adjusted to give retroactive effect to a two-for-one stock split which the Company paid in the form of a one hundred percent stock dividend on July 31, 1985 to all stockholders of record on July 12, 1985 (the "Stock Dividend").

	<u>High</u>	<u>Low</u>
1984		
Third Quarter (from September 13, 1984) .....	5-1/16	4-1/2
Fourth Quarter .....	5-13/16	4-5/16
1985		
First Quarter .....	10-13/16	5-7/16
Second Quarter .....	15-7/16	9-13/16
Third Quarter .....	14-1/2	10-5/8
Fourth Quarter .....	19-1/4	11-1/8
1986		
First Quarter .....	30-1/4	18-3/8
Second Quarter (through May 28, 1986) .....	37-1/8	26-1/4

As of May 28, 1986, there were 725 holders of record of the Common Stock, excluding holders whose stock is held in nominee or street name by brokers.

The Company has never declared or paid any cash dividends on its Common Stock. The present policy of the Board of Directors is to retain earnings in order to provide funds for the expansion and development of the Company's business. Accordingly, the Company does not anticipate paying any cash dividends to the holders of the Common Stock in the foreseeable future.



ITEM 6. SELECTED FINANCIAL DATA.  
(In thousands, except per share data)

	Year ended March 2, 1986	Nine months ended March 3, 1985 (1)	Year ended May 31,		
			1984	1983	1982
Net sales	\$262,268	\$136,319	\$137,285	\$111,406	\$ 98,225
Cost of goods sold	194,371	103,421	106,934	87,719	76,754
Gross profit	67,897	32,898	30,351	23,687	21,471
Selling, general and administrative expense	42,975	20,508	22,560	19,194	18,061
Other income	3,210	1,211	706	594	748
Interest expense	820	438	522	450	754
Income before pension con- tribution and income taxes	27,312	13,163	7,975	4,637	3,404
Pension contribution	800	600		2,507	2,377
Income taxes	13,268	6,734	4,202	1,235	555
Net income	<u>\$ 13,244</u>	<u>\$ 5,829</u>	<u>\$ 3,773</u>	<u>\$ 895</u>	<u>\$ 472</u>
Weighted average number of shares (2)	13,832	12,106	\$ 10,000	10,000	10,000
Net income per share	<u>\$ .96</u>	<u>\$ .48</u>	<u>\$ .37</u>	<u>\$ .09</u>	<u>\$ .05</u>
Cash dividends declared per share	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	March 2, 1986	March 3, 1985	1984	May 31, 1983	1982
Working capital (deficiency)	\$ 29,810	\$ 18,794	(\$ 2,136)	(\$ 2,506)	(\$ 1,424)
Total assets	\$126,950	\$ 65,528	\$ 36,569	\$ 24,707	\$ 21,434
Long-term debt	\$ 7,701	\$ 7,625	\$ 46	\$ 70	\$ 106
Stockholders' equity	<u>\$ 42,621</u>	<u>\$ 23,861</u>	<u>\$ 6,224</u>	<u>\$ 2,951</u>	<u>\$ 2,057</u>

(1) The Company changed its fiscal year end from May 31 to the first Sunday in March, effective March 3, 1985.

(2) Adjusted to give retroactive effect to the Stock Dividend.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following table sets forth, for the periods indicated, the relative percentage that certain items in the Company's Consolidated Statement of Operations bear to net sales:

	Income and Expense Items as a Percentage of Net Sales		
	Year ended March 2, 1986	Nine months ended March 3, 1985	Year ended May 31, 1984
Cost of goods sold	74.1	75.9	77.9
Selling, general and adminis- trative expense	16.4	15.0	16.4
Interest expense	.3	.3	.4
Income before pension contri- bution and income taxes	10.4	9.7	5.8
Pension contribution	.3	.4	
Income taxes	5.0	4.9	3.1
Net income	5.0	4.3	2.7

Results of Operations

Twelve Months Ended March 2, 1986 Compared  
to Twelve Months Ended March 3, 1985

Net sales for the year ended March 2, 1986 were \$262.3 million, representing an increase of \$95.1 million or 56.9% over the comparable period ended March 3, 1985. Of this increase, \$78.6 million resulted from the effect of additional stores in operation during the year ended March 2, 1986. Sales to affiliates decreased \$1.9 million during the year ended March 2, 1986. The balance of the increase (\$18.4 million) resulted from increased sales at the stores that were open throughout both periods. Comparable store sales for the 1986 fiscal year rose 17% over the prior year. Sales per square foot rose 22% during 1986 from \$2,368 to \$2,903 per square foot, while average sales per store rose 10% to \$13.3 million compared to \$12.0 million during the twelve months ended March 3, 1985.

Gross profit (net sales less cost of goods sold) increased \$28.3 million for the year ended March 2, 1986, as compared with the twelve months ended March 3, 1985. This increase was primarily due to the increase in sales discussed above. Gross profit as a percentage of sales approximated 25.9% for the year ended March 2, 1986 as compared to 23.6% for the twelve months ended March 3, 1985. The additional working capital generated from operations and public offerings of the Company's common stock has enabled the Company to negotiate improved buying terms with many the Company's vendors. In addition, the increase in sales of service contracts increased gross profit by approximately 1.0%.

Selling, general and administrative expenses increased by \$16.5 million during the year ended March 2, 1986, which increase principally reflects the costs of operating the eight new stores opened. The increase in the percentage of selling, general and administrative expenses to sales during the year ended March 2, 1986 (16.4% compared to 15.8% during the twelve months ended March 3, 1985) primarily resulted from the Company authorizing bonuses, writing off the cost of its existing computer system in light of the Company's planned installation of a new computer system, and writing off pre-opening costs on all new stores as incurred.

The effective tax rate for the year ended March 2, 1986 approximated 50.0% compared to 52.3% for the twelve months ended March 3, 1985. The reduction in the effective rate resulted from tax benefits in connection with the exercise of nonqualified stock options for which deferred taxes were not provided at the time the options were granted, and the reversal of tax reserves established prior to the Company's initial public offering, which are no longer required, in connection with various tax shelters.

Nine Months Ended March 3, 1985 Compared to  
Nine Months Ended February 29, 1984

Net sales for the nine months ended March 3, 1985 were \$136.3 million, representing an increase of \$29.9 million, or 28.1%, over the comparable period ended February 29, 1984. Of this increase, \$19.3 million resulted from the inclusion for the nine months ended March 3, 1985 of net sales attributable to new stores and relocated stores not open for both periods. Sales to affiliates decreased \$1.4 million during the period. The balance of the increase (\$12.0 million) resulted from increased sales at the eleven stores that were open throughout both periods.



Gross profit (net sales less cost of goods sold) increased by \$9.1 million for the nine months ended March 3, 1985 compared to the comparable period ended February 29, 1984. Gross profit as a percentage of net sales approximated 24.1% for the nine months ended March 3, 1985 compared to 22.3% for the nine months ended February 29, 1984 as a result of improvements in purchasing.

Selling, general and administrative expenses increased by \$3.9 million during the nine months ended March 3, 1985 as compared with the nine months ended February 29, 1984. This increase was primarily due to the additional costs incurred at the new stores during the period. Selling, general and administrative expenses as a percentage of net sales approximated 15.0% and 15.6% for the nine months ended March 3, 1985 and February 29, 1984, respectively.

The Company authorized a \$600,000 contribution to its profit sharing plan for the nine months ended March 3, 1985. No contribution was required for the nine months ended February 29, 1984. See Note 5 of Notes to Consolidated Financial Statements.

The effective tax rate for the nine months ended March 3, 1985 approximated 53.6% compared to 55.0% for the nine months ended February 29, 1984. See Note 4 of Notes to Consolidated Financial Statements for an analysis of income tax expense.

#### Liquidity and Capital Resources

During the fiscal year ended March 2, 1986, the Company generated \$14.8 million in working capital from operations. During the nine months ended March 3, 1985 and the year ended May 31, 1984, \$6.2 million and \$4.2 million, respectively, in working capital was generated from operations. At March 2, 1986 and March 3, 1985, the Company had working capital of \$29.8 million and \$18.8 million, respectively. At May 31, 1984, the Company had a working capital deficiency of \$2.1 million.

During the period ended March 3, 1985 (prior to the Stock Dividend), the Company raised approximately \$11.8 million from its initial public offering of 1.7 million shares (3.4 million shares after giving retroactive effect to the Stock Dividend) of Common Stock completed in September 1984. On March 20, 1985, the Company sold to the public an additional 200,000 shares (400,000 shares after giving retroactive effect to the Stock Dividend) which raised approximately \$3.9 million.

Subsequent to March 2, 1986, the Company sold to the public 1,495,000 shares of common stock, which raised approximately \$37.0 million. Proceeds from the Company's public offerings have been, and will continue to be, used for general corporate purposes including, but not limited to, opening new stores, financing the renovation and remodeling of existing stores and providing general working capital. In addition, a portion of such proceeds, together with other working capital of the Company, may be used to finance the acquisition of related businesses if the Company identifies suitable prospects. There are no agreements or understandings, and the Company is not involved in any discussion or negotiations, with respect to any such acquisition. Any additional funds necessary for expansion or acquisitions may be obtained through bank borrowings, internal sources or additional debt or equity offerings.

On December 21, 1984, the Company obtained a \$7.8 million loan from the New Jersey Economic Development Authority, the proceeds of which have been used to finance the construction of the Company's new headquarters facility in Edison, New Jersey. The loan bears interest at a rate equal to 75% of the prime rate of a commercial bank, subject to maximum and minimum interest rates per annum of 14% and 7-1/2%, respectively, and is repayable in varying installments through 2015.

In past years, the Company's capital expenditures, incurred principally in connection with the opening of new stores, were financed almost entirely out of internally generated funds and the proceeds of the Company's public offerings. The Company intends to continue to use internally generated funds, together with a portion of the proceeds from the public offerings, to finance its expansion plans. Since March 2, 1986, the Company has opened two new stores in the Borough of Manhattan in New York City. The Company's current expansion plans include the opening of seven stores during the remainder of the 1987 fiscal year and four additional stores before the end of calendar 1987, as well as a twelfth new store at the Company's new headquarters facility in Edison, New Jersey, expected to open by the end of 1986.

#### Impact of Inflation

In the Company's opinion, inflation has not had a material impact upon its operating results because technological advances in the type of products sold by the Company, together with increased competition among the Company's



vendors, have kept the prices of such products stable and, in some instances, have caused prices to decline.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and notes thereto and the report of certified public accountants thereon set forth on pages F-1 - F-22 herein are incorporated herein by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEMS 10, 11, 12 and 13.

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT;  
COMPENSATION; SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT; CERTAIN RELATIONSHIPS  
AND RELATED TRANSACTIONS.

Information called for by PART III (Items 10, 11, 12 and 13) is incorporated by reference from the Registrant's definitive Proxy Statement to be filed in connection with its Annual Meeting of Stockholders to be held July 22, 1986, which will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this report, except that the information regarding the Registrant's executive officers called for by Item 401(b) of Regulation S-K has been included in PART I of this report.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES  
AND REPORTS ON FORM 8-K.

(a) 1 and 2. The financial statements and financial statement schedules listed in the accompanying Index to Financial Statements are filed as part of this report.

(a) 3. The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report and such Exhibit Index is hereby incorporated by reference.

(b) No reports on Form 8-K have been filed during the last quarter of the period covered by this Report.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on the 28th day of May, 1986.

CRAZY EDDIE, INC.

By /s/ Eddie Antar  
Eddie Antar  
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Eddie Antar</u> Eddie Antar	Director, President and Chief Executive Officer (Principal Executive Officer)	May 28, 1986
<u>/s/ Eddy Antar</u> Eddy Antar	Director and Treasurer (Principal Financial Officer and Principal Accounting Officer)	May 28, 1986
<u>/s/ Mitchell Antar</u> Mitchell Antar	Director	May 28, 1986
<u>/s/ Sam Antar</u> Sam Antar	Director	May 28, 1986
<u>James H. Scott, Jr.</u>	Director	May , 1986
<u>Carl G. Zimel</u>	Director	May , 1986

CRAZY EDDIE, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS  
AND  
FINANCIAL STATEMENT SCHEDULES

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Consolidated Statement of Changes in Stockholders' Equity, Year Ended March 2, 1986, Nine Months Ended March 3, 1985 and Year Ended May 31, 1984	F-4
Consolidated Statement of Changes in Financial Position, Year Ended March 2, 1986, Nine Months Ended March 3, 1985 and Year Ended May 31, 1984	F-5 - F-6
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Schedule IX - Short-Term Borrowings, Nine Months Ended March 3, 1985 and Year Ended May 31, 1984	F-24

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors  
Crazy Eddie, Inc.

We have examined the consolidated balance sheet of Crazy Eddie, Inc. and subsidiaries as of March 2, 1986 and March 3, 1985, and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for the year ended March 2, 1986, the nine months ended March 3, 1985 and the year ended May 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Crazy Eddie, Inc. and subsidiaries at March 2, 1986 and March 3, 1985, and the results of their operations and the changes in their financial position for the year ended March 2, 1986, the nine months ended March 3, 1985 and the year ended May 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations, referred to above, also included the financial schedules listed in answer to Item 14(a)(2). In our opinion, such financial schedules present fairly the information required to be set forth therein.

*KMG Main Hurdman*  
KMG MAIN HURDMAN

New York, New York  
May 1, 1986



CRAZY EDDIE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	March 2, 1986	March 3, 1985	March 2, 1986	March 3, 1985
	(In Thousands)		(in Thousands)	
ASSETS				
Current assets:				
Cash	\$ 13,296	\$ 7,216	\$ 2,254	\$ 423
Short-term investments	26,840	15,057	51,723	23,078
Due from American Express Co.	2,246	1,875	3,696	1,173
Merchandise inventories	59,864	26,543		
Prepaid expenses and other current assets	2,363	1,510	11,071	6,020
Total current assets	104,609	52,201	2,296	574
			2,035	1,201
			800	600
			924	338
Restricted cash	3,356	7,058	74,799	33,407
Property, plant and equipment, less accumulated depreciation and amortization of \$2,922,000 and \$1,877,000	7,172	3,696	7,701	7,625
Construction in process	6,253	1,154	1,829	635
Other assets	5,560	1,419		
	\$126,950	\$65,528	\$126,950	\$65,528
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current maturities of long-term debt				
Accounts payable				
Unearned service contract revenue				
Accrued liabilities:				
Income taxes				
Compensation and payroll taxes				
Sales tax payable				
Pension				
Other				
Total current liabilities				
Long-term debt, less current maturities				
Unearned service contract revenue				
Commitments and contingencies				
Stockholders' equity:				
Preferred stock - par value \$1.00 per share; authorized 5,000,000 shares, none issued				
Common stock - par value \$.01 per share; authorized 50,000,000 shares, outstanding 14,005,421 and 13,400,000 shares, respectively				
Additional paid-in capital				
Retained earnings				
Total stockholders' equity				
	\$126,950	\$65,528	\$126,950	\$65,528

The accompanying notes are an integral part of these financial statements.

CRAZY EDDIE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended March 2, 1986	Nine Months Ended March 3, 1985	Year Ended May 31, 1984
	(In Thousands, Except Per Share Amounts)	(In Thousands, Except Per Share Amounts)	(In Thousands, Except Per Share Amounts)
Net sales	\$262,268	\$136,319	\$137,285
Cost of goods sold	194,371	103,421	106,934
Gross profit	67,897	32,898	30,351
Selling, general and administrative expense	42,975	20,508	22,560
Other income	24,922	12,390	7,791
Interest expense	3,210	1,211	706
	(820)	(438)	(522)
Income before pension contribution and income taxes	27,312	13,163	7,975
Pension contribution	800	600	
Income before income taxes	26,512	12,563	7,975
Income taxes	13,268	6,734	4,202
Net income	\$ 13,244	\$ 5,829	\$ 3,773
Earnings per share	\$ .96	\$ .48	\$ .37
Weighted average number of shares outstanding	13,832	12,106	10,000

The accompanying notes are an integral part of these financial statements.

CRAZY EDDIE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES  
IN STOCKHOLDERS' EQUITY

Year Ended March 2, 1986,  
Nine Months Ended March 3, 1985  
and Year Ended May 31, 1984

	Common Stock		Additional Paid-in Capital		Retained Earnings	Total
	Number of Shares	Par Value	(In Thousands)			
Balance, June 1, 1983	5,000	\$ 50	\$	574	\$ 2,327	\$ 2,951
Net income					3,773	3,773
Effect of deemed dividend					(500)	(500)
Stock split effected in the form of a dividend	5,000	50		(50)		
Balance, May 31, 1984	10,000	100		524	5,600	6,224
Net income					5,829	5,829
Issuance of 3,400,000 shares (net of issuance costs)	3,400	34		11,774		11,808
Balance, March 3, 1985, as restated	13,400	134		12,298	11,429	23,861
Net income					13,244	13,244
Issuance of 605,421 shares (net of issuance costs and credit of approximately \$725,000)	605	6		5,510		5,516
Balance, March 2, 1986	14,005	\$140		\$17,808	\$24,673	\$42,621

CRAZY EDDIE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended March 2, 1986	Nine Months Ended March 3, 1985 (In Thousands)	Year Ended May 31, 1984
Working capital provided from:			
Net income	\$13,244	\$ 5,829	\$ 3,773
Add charges not affecting working capital:			
Depreciation and amortization	1,044	417	410
Loss on disposal of equipment	506	8	29
Working capital provided from operations	14,794	6,254	4,212
Reduction in advances to affiliates		7,140	4,639
Increase in unearned service contract revenue	1,194	309	97
Issuance of common stock - net	5,516	11,809	
Decrease in restricted cash	3,702		14
Insurance proceeds	700	8,236	
Increase in long-term debt			
Total working capital provided	25,906	33,748	8,962
Working capital used for:			
Increase in restricted cash		7,058	500
Deemed dividend (Note 1)		1,401	7,494
Advances and sales to affiliates, net	624	658	24
Reduction in long-term debt	4,986	2,277	470
Acquisition of property, plant and equipment	5,099	1,154	
Construction in process	4,181	270	104
Increase in other assets			
Total working capital used	14,890	12,818	8,592
Increase in working capital	\$11,016	\$20,930	\$ 370

CRAZY EDDIE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
(Continued)

	Year Ended March 2, 1986	Nine Months Ended March 3, 1985 (In Thousands)	Year Ended May 31, 1984
Changes in working capital consisted of:			
Increase (decrease) in			
current assets:			
Cash	\$ 6,080	\$ 5,840	(\$ 974)
Short-term investments	11,783	15,057	
Due from American Express Co.	371	879	162
Merchandise inventories	33,321	3,200	8,039
Prepaid expenses and			
other current assets	853	(612)	1,660
	<u>52,408</u>	<u>24,364</u>	<u>8,887</u>
Increase (decrease) in			
current liabilities:			
Loans payable - officers and other			(1,968)
Current maturities of long-term debt	1,831	(2,601)	2,895
Accounts payable	28,645	2,971	6,108
Unearned service contract revenue	2,523	410	114
Accrued liabilities	8,393	2,654	1,368
	<u>41,392</u>	<u>3,434</u>	<u>8,517</u>
Increase in working capital	<u>\$11,016</u>	<u>\$20,930</u>	<u>\$ 370</u>



## CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)

### 1 - Reorganization

In December 1983, the stockholders of Crazy Eddie, Inc., a New York corporation, contributed all of the outstanding shares of common stock of Crazy Eddie, Inc. to a newly organized Delaware corporation in exchange for 5,000 shares of its common stock. During September 1984, the New York corporation was merged into the new Delaware corporation (the "Company"). In connection with the merger, the Company declared a stock dividend of 999 shares of common stock for each of the 5,000 shares of common stock outstanding, which increased the number of outstanding shares of common stock to 5,000,000 shares. During September 1984, the Company sold to the public 1,700,000 shares of common stock (including 300,000 shares pursuant to an over-allotment option granted to the underwriters) at a price of \$8 per share.

In September 1984, the Company contributed an investment in an oil and gas limited partnership (the "Partnership") with a net carrying value of \$140,000 at May 31, 1984, together with note obligations of \$1,125,000 and cash of approximately \$500,000 (which amount represented the estimated discounted present value of such note obligations), to a newly formed subsidiary of the Company, C.E. Holdings, Inc. ("Newco"), the stock of which was then transferred to Eddie Antar and Sam Antar. The cash transfer of approximately \$500,000 has been accounted for as a deemed dividend in the accompanying consolidated financial statements. In addition, the Company will recognize taxable income of approximately \$625,000 (which represents the excess of the \$1,125,000 face amount of the note obligation over the \$500,000 cash transfer) in connection with such contribution and believes that the tax payable with respect to such taxable income will approximate \$200,000. Such amount has been provided for in the accompanying financial statements. The Company has received an assessment notice from the Internal Revenue Service pursuant to which deficiencies in the aggregate amount of \$461,526 (plus interest) were assessed against the Company as a result of the disallowance on audit of certain of the tax deductions previously taken by the Company with respect to its investment in the Partnership. Newco has indemnified the Company against such tax liability, and Eddie Antar and Sam Antar have guaranteed the performance of Newco's indemnification obligation.

## CRAZY EDDIE, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Tables Included in the Accompanying Footnotes are in Thousands Except for Per Share Data) (Continued)

#### 1 - Reorganization (Continued)

In addition, also during September 1984, the Company transferred to Eddie Antar and Sam Antar another oil and gas investment in consideration of the payment by them to the Company of \$5,000, which amount represented the estimated current value of such investment as determined by an independent appraisal. Eddie Antar and Sam Antar have indemnified the Company with respect to any liabilities in connection with this investment, other than with respect to the deduction of approximately \$270,000 (which amount represents the Company's allocable share of the losses generated by this investment) taken by the Company during the year ended May 31, 1982 in respect of such investment.

The foregoing transactions have been accounted for in a manner similar to a pooling of interests pursuant to Accounting Principles Board Opinion No. 16. Accordingly, the financial statements for all periods presented have been restated to retroactively reflect the reorganization and stock dividend.

#### 2 - Summary of Significant Accounting Policies

##### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries (collectively referred to as Crazy Eddie, Inc. or the Company), all of which are wholly owned.

##### Inventories

Merchandise inventories are stated at the lower of cost, using the first-in, first-out (FIFO) method, or market. Purchase discounts and trade allowances are recognized when received.

In accordance with industry practice, a substantial portion of the merchandise inventory has been purchased from suppliers under credit terms which grant the creditor a security interest in the inventory through the use of trust receipts.

## CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

### 2 - Summary of Significant Accounting Policies (Continued)

#### Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation and amortization are computed using the straight-line method, based on the estimated useful lives of the assets. The rates used are as follows:

Building	5%
Furniture and fixtures including capitalized equipment leases and warehouse equipment	10% - 20%
Automobiles and trucks	33-1/3%
Leasehold improvements	Lesser of life of lease or useful life of improvement

#### Pensions

The Company funds currently the costs of its noncontributory pension plans, which cover eligible employees.

#### Unearned Service Contract Revenue

Payments received from customers for service contracts are deferred and amortized into income over the terms of the respective contracts, which generally do not exceed five years. Service costs relating to the service contracts are charged to operations as incurred.

CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

2 - Summary of Significant  
Accounting Policies (Continued)

Income Taxes

The Company files a consolidated federal income tax return with its subsidiaries.

Investment tax credits are accounted for as a reduction of income tax expense in the year in which such credits are allowable for income tax purposes. Deferred income taxes are provided for timing differences between financial and tax reporting primarily with respect to the reporting of unearned service contract revenue and deferred compensation in connection with the granting of nonqualified stock options.

Pre-Opening Costs

Costs incurred in connection with the opening of new stores are expensed as incurred.

Earnings per Share

Earnings per share were computed by dividing net income by the weighted average number of shares of outstanding common stock, after giving retroactive effect to the two for one stock split effected in the form of a dividend approved by the stockholders on July 16, 1985.



CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

3 - Property, Plant and Equipment

Property, plant and equipment consist of:

	March 2, 1986	March 3, 1985
Land	\$ 925	\$ 715
Building	765	
Office, warehouse and other equipment	2,650	1,431
Furniture and fixtures	1,556	759
Leasehold improvements	<u>4,198</u>	<u>2,668</u>
	10,094	5,573
Less accumulated depreciation and amortization	<u>2,922</u>	<u>1,877</u>
	<u>\$ 7,172</u>	<u>\$3,696</u>

4 - Taxes

Income tax expense consists of:

	Year Ended March 2, 1986	Nine Months Ended March 3, 1985	Year Ended May 31, 1984
Current:			
Federal	\$12,665	\$5,555	\$3,287
State and local	4,125	1,635	915
Deferred	<u>(3,522)</u>	<u>(456)</u>	<u>          </u>
	<u>\$13,268</u>	<u>\$6,734</u>	<u>\$4,202</u>



CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

4 - Taxes (Continued)

Reconciliations between actual tax expense and the amount computed by applying the statutory U.S. federal income tax rate to income taxes are as follows:

	Year Ended March 2, 1986		Nine Months Ended March 3, 1985		Year Ended May 31, 1984	
	Amount	% of Pre-Tax Earnings	Amount	% of Pre-Tax Earnings	Amount	% of Pre-Tax Earnings
Computed expected tax expense	\$12,196	46.0 %	\$5,779	46.0 %	\$3,669	46.0 %
State and local taxes, net of						
federal income tax benefit	2,228	8.4	883	7.0	494	6.2
Investment and job tax credits	(300)	(1.2)	(75)	(.6)	(15)	(.2)
Reversal of tax reserves no	(725)	(2.7)				
longer required	(131)	(.5)	147	1.2	54	.6
Other						
	\$13,268	50.0 %	\$6,734	53.6 %	\$4,202	52.6 %

Deferred income tax expense for 1986 and 1985 results primarily from timing differences between financial reporting and tax reporting with respect to unearned service contract revenue and deferred compensation on nonqualified stock options.

5 - Pension Plans

Prior to May 31, 1984, the Company maintained a money purchase pension plan covering substantially all employees. Pursuant to the plan, the Company contributed a specified percentage (25%) of covered compensation to the plan for eligible employees (as defined in the plan) and a profit sharing plan as described below.

CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

5 - Pension Plans (Continued)

On May 17, 1984, the Board of Directors adopted a resolution terminating the money purchase pension plan effective May 31, 1984. Such termination resulted in all participants becoming fully vested in their account balances to the extent the contributions made to their accounts did not exceed the maximum amount allowable under the plan. The Board of Directors also authorized the adoption of a new profit sharing plan effective June 1, 1984. Pursuant to the profit sharing plan, the Company will make annual contributions, out of its current or accumulated earnings or profits, up to a maximum of 15% of covered compensation, as defined in such plan, for all employees who meet certain eligibility requirements.

The aggregate pension expense for the year ended March 2, 1986 and the nine months ended March 3, 1985 was \$800,000 and \$600,000, respectively.

The Company was not required to make a contribution to the money purchase pension plan for the fiscal year ended May 31, 1984 because required contributions were offset by employee forfeitures in the amount of approximately \$2,000,000 which occurred during the years 1980 through 1983. As a result of the funding status of the defined benefit pension plan, the Company was not required to make any pension contribution to that plan for the fiscal year ended May 31, 1984. Accordingly, no provision for pension expense has been made in the accompanying financial statements for the year ended May 31, 1984.

6 - Leases and Other Commitments

Rent expense (including amounts paid in respect of maintenance, real estate taxes and other charges) for the year ended March 2, 1986 amounted to \$4,554,000, for the nine months ended March 3, 1985 amounted to \$1,652,000, and for the year ended May 31, 1984 amounted to \$1,857,000.

CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

6 - Leases and Other Commitments (Continued)

At March 2, 1986, the Company was obligated under leases with initial terms of more than one year covering certain real property. The aggregate minimum fixed rentals required under these leases (exclusive of renewal options) are approximately as follows:

<u>Year Ending</u> <u>March 2,</u>	<u>Aggregate Minimum</u> <u>Rental Commitment</u>
1987	\$ 5,505
1988	5,681
1989	5,686
1990	5,814
1991	5,685
Thereafter through 2000	<u>50,122</u>
	<u>\$78,493</u>

Rent expense included \$185,000 for the year ended March 2, 1986, \$132,000 for the nine months ended March 3, 1985 and \$363,000 for the year ended May 31, 1984 for rentals paid to corporations controlled by Eddie Antar and Sam Antar or a corporation wholly owned by them.

At March 2, 1986, letters of credit approximating \$4,500,000 were outstanding.

Pursuant to certain license agreements, the Company subleases the record departments at all of its store locations to a corporation (Benel Distributors, Ltd.) wholly owned by Ben Kuszer, the brother-in-law of Eddie Antar, and Mr. Kuszer's wife. Other income includes \$741,000 for the year ended March 2, 1986, \$382,000 for the nine months ended March 3, 1985 and \$347,000 for the year ended May 31, 1984 in connection with these agreements.

# CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

## 7 - Long-Term Debt

Long-term debt consists of the following:

	March 2, 1986	March 3, 1985
Series A Economic Development Bonds, payable in quarterly installments of \$51,667 beginning January 1, 1986 (a)	\$6,148	\$6,200
Series B Economic Development Bonds, payable in monthly installments of \$19,048 beginning August 1, 1985 (a)	1,448	1,600
Notes payable in connection with purchase of lease rights, payable in monthly installments of \$10,000 decreasing to \$6,500, commencing December 1, 1985	660	
Other	1,699	248
	9,955	8,048
Less current maturities of long-term debt	2,254	423
	<u>\$7,701</u>	<u>\$7,625</u>

(a) On April 11, 1984, the Company entered into agreements to purchase approximately 11 acres of land in Edison, New Jersey and to have a builder construct the Company's new corporate headquarters on such land. The agreements were conditioned, among other things, upon the Company receiving from the New Jersey Economic Development Authority (the "Authority") approval for the issuance of economic development bonds to finance such acquisition and construction as well as certain related costs.

On December 21, 1984, the Company borrowed from the Authority the aggregate amount of \$7,800,000 in order to finance the acquisition of the land, the construction of the new facility and certain related machinery and equipment. The proceeds for such loan were provided pursuant to the issuance by the Authority



CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
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(Continued)

7 - Long-Term Debt (Continued)

of \$6,200,000 aggregate principal amount of its Series A Economic Development Bonds (Crazy Eddie, Inc. - 1984 Project) (the "Series A Bonds") and \$1,600,000 aggregate principal amount of its Series B Economic Development Bonds (Crazy Eddie, Inc. - 1984 Project) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds"). Pursuant to a loan agreement between the Authority and the Company, the Company is obligated to make principal and interest payments in respect of the loan in amounts sufficient to pay the amounts of principal and interest due from time to time on the Bonds. The Bonds bear interest at a rate equal to 75% of the rate of interest announced from time to time by Midlantic National Bank as its prime rate, but such rate may in no event exceed 14% or be less than 7-1/2% per annum. Interest on the Bonds is payable monthly beginning January 1, 1985.

As security for repayment of the Bonds and the performance by the Company of its obligations under the loan agreement with the Authority, the Company has granted to the Authority a first mortgage lien on the new facility and a security interest in, among other things, all leases that are entered into by the Company with any tenant of the facility (including all rents payable to the Company thereunder).

Restricted cash represents monies reserved for the construction of the new corporate warehouse.

Aggregate annual maturities of the long-term debt outstanding at March 2, 1986 for each of the next five fiscal years are as follows:

<u>Year Ending</u> <u>March 2,</u>	<u>Aggregate Annual</u> <u>Maturity</u>
1987	\$2,254
1988	621
1989	566
1990	513
1991	513



# CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

## 8 - Stock Option Plan

On August 28, 1984, the Company adopted the Crazy Eddie, Inc. 1984 Stock Option Plan, which provides for the issuance of nonqualified and incentive stock options. The Company has reserved 500,000 shares of common stock for issuance to key employees under the plan.

Changes in the Stock Option Plan were as follows:

	<u>Number of Shares</u>		
	<u>Authorized</u>	<u>Granted</u>	<u>Available</u>
Balance, August 28, 1984	500		500
Granted	—	<u>264</u>	<u>(264)</u>
Balance, March 3, 1985	500	264	236
Granted		211	<u>(211)</u>
Exercised	<u>(117)</u>	<u>(117)</u>	—
Balance, March 2, 1986	<u>383</u>	<u>358</u>	<u>25</u>

The exercise price of any incentive stock option shall not be less than the fair market value of the shares subject to the option on the date of grant. The exercise price of any nonqualified stock option shall not be less than 85% of the fair market value of the shares subject to the option on the date of grant. The term of each option and the manner in which it may be exercised will be determined by a Committee of the Board of Directors, subject to the requirement that no option may be exercisable more than 10 years after the date of grant.

During the year ended March 2, 1986, 22,000 incentive stock options were granted at \$11.63 per share and 188,750 nonqualified stock options were granted at \$9.88 per share. Options subject to either of these grants expire October 7, 1995. During the period ended March 3, 1985, 264,200 nonqualified options were granted at \$8.29 per share and expire September 21, 1994.

## CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

### 9 - Stockholders' Equity

On September 20, 1984, the Company issued 3,400,000 shares of common stock in connection with its initial public offering.

On March 20, 1985, the Company issued an additional 400,000 shares of common stock to the public. Subsequent to March 2, 1986, the Company sold 1,495,000 shares of common stock (includes over-allotment option) and received net proceeds of approximately \$37,000,000.

In addition, in connection with the initial public offering, the managing underwriter purchased warrants to acquire an aggregate of 150,000 shares of common stock at a price of \$4.80 per share for \$.50 each. The warrants became exercisable on September 20, 1985 and expire on September 20, 1989. Through May 1, 1986, the underwriters exercised warrants for 103,122 shares, of which 88,621 shares were exercised as of March 2, 1986.

The foregoing information has been adjusted for a 2 for 1 stock split effected in the form of a dividend on July 31, 1985.

In connection with the exercise of nonqualified stock options, \$725,000, representing tax benefits realized by the Company, was credited to additional paid-in capital during the year ended March 2, 1986.

### 10 - Reclassifications

Certain items appearing in the 1984 financial statements have been reclassified to correspond with the current presentation. The reclassifications primarily relate to the presentation of cash surrender value loans and unearned service contract revenue. There was no effect on net income or stockholders' equity as a result of these reclassifications.

CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

11 - Revised Fiscal Year Financial  
Statements (Unaudited)

The following summarizes the operating results of the Company, restated to correspond on a comparative basis to the Company's new fiscal year:

CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	Twelve Months Ended		
	March 2, 1986	March 3, 1985	February 29, 1984
Net sales	\$262,268	\$167,147	\$134,347
Cost of goods sold	<u>194,371</u>	<u>127,619</u>	<u>105,313</u>
Gross profit	67,897	39,528	29,034
Selling, general and administrative expense	<u>42,975</u>	<u>26,431</u>	<u>22,056</u>
	24,922	13,097	6,978
Other income	3,210	1,418	692
Interest expense	<u>(820)</u>	<u>(572)</u>	<u>(461)</u>
Income before pension contribution and income taxes	27,312	13,943	7,209
Pension contribution	<u>800</u>	<u>600</u>	<u>627</u>
Income before income taxes	26,512	13,343	6,582
Income taxes	<u>13,268</u>	<u>6,376</u>	<u>3,630</u>
Net income	<u>\$ 13,244</u>	<u>\$ 6,367</u>	<u>\$ 2,952</u>
Net income per share	<u>\$ .96</u>	<u>\$ .55</u>	<u>\$ .30</u>
Weighted average number of shares outstanding	<u>13,832</u>	<u>11,592</u>	<u>10,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

11 - Revised Fiscal Year Financial  
Statements (Unaudited) (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN  
FINANCIAL POSITION (Unaudited)

	Twelve Months Ended		
	March 2, 1986	March 3, 1985	February 29, 1984
Working capital provided from:			
Net income	\$13,244	\$ 6,367	\$ 2,952
Add charges not affecting working capital:			
Depreciation and amortization	1,044	532	471
Loss on disposal of equipment	506	37	
Working capital provided from operations	14,794	6,936	3,423
Issuance of common stock, less issuance costs	5,516	11,808	
Increase in long-term debt	700	8,236	
Reduction in advances to affiliates		8,562	4,375
Decrease in restricted cash	3,702		
Increase in unearned service contract revenue	1,194	332	49
Insurance proceeds		14	
Total working capital provided	25,906	35,888	7,847
Working capital used for:			
Increase in restricted cash		7,058	
Acquisition of property, plant and equipment	4,986	2,491	546
Advances and sales to affiliates, net		2,901	8,895
Construction in process	5,099	1,154	
Reduction in long-term debt	624	671	209
Increase in other assets	4,181	4	294
Deemed dividend			500
Total working capital used	14,890	14,279	10,444
Increase (decrease) in working capital	\$11,016	\$21,609	(\$ 2,597)

CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

11 - Revised Fiscal Year Financial  
Statements (Unaudited) (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN  
FINANCIAL POSITION (Unaudited)

	Twelve Months Ended		
	March 2, 1986	March 3, 1985	February 29, 1984
Changes in working capital consisted of:			
Increase (decrease) in			
current assets:			
Cash and short-term investments	\$17,863	\$21,365	(\$ 424)
Due from American Express Co.	371	818	423
Merchandise inventories	33,321	4,579	3,902
Prepaid expenses	853	(155)	573
	<u>52,408</u>	<u>26,607</u>	<u>4,474</u>
Increase (decrease) in			
current liabilities:			
Loans payable - officers and other		(2,509)	(19)
Current maturities			
of long-term debt	1,831	(810)	1,101
Accounts payable	28,645	4,893	4,443
Unearned service contract revenue	2,523	465	115
Accrued expenses	8,393	2,959	1,431
	<u>41,392</u>	<u>4,998</u>	<u>7,071</u>
Increase (decrease) in			
working capital	<u>\$11,016</u>	<u>\$21,609</u>	<u>(\$ 2,597)</u>



CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Tables Included in the Accompanying Footnotes  
are in Thousands Except for Per Share Data)  
(Continued)

12 - Quarterly Financial Data (Unaudited)

	Quarter Ended			
	June 2, 1985	September 1, 1985	December 1, 1985	March 2, 1986
Year ended March 2, 1986:				Total
Net sales	\$45,843	\$52,908	\$63,750	\$99,767
Gross profit	10,361	12,762	15,172	29,602
Net income	1,141	2,389	2,578	7,136
Earnings per share (b)	\$ .08	\$ .17	\$ .19	\$ .51
				\$262,268
				67,897
				13,244
				\$ .96

	Quarter Ended		
	August 31, 1984	November 30, 1984	March 3, 1985
Nine months ended March 31, 1985 (a):			Total
Net sales	\$32,344	\$38,684	\$65,291
Gross profit	7,519	8,817	16,562
Net income	1,141	1,380	3,308
Earnings per share (b)	\$ .11	\$ .11	\$ .25
			\$136,319
			32,898
			5,829
			\$ .48

(a) Fiscal 1985 includes only three quarters because of the change in fiscal year.

(b) The sum of the earnings per share for the quarters will not equal the total because of weighting and rounding.

CRAZY EDDIE, INC. AND SUBSIDIARIES

SCHEDULE II

AMOUNTS RECEIVABLE FROM RELATED PARTIES

Year Ended March 2, 1986,  
Nine Months Ended March 3, 1985 and  
Year Ended May 31, 1984

Name of Debtor	Balance at Beginning of Period	Additions		Deductions		Balance at End of Period Not Current
		Sales	Cash Advances	Amounts Collected	Other	
Year ended March 2, 1986:						
Loans receivable - officers:						
David Pardo			\$ 123,100			\$ 123,100
Morton Gindi			84,718			84,718
			<u>\$ 207,818</u>			<u>\$ 207,818</u>
Nine months ended March 3, 1985:						
Due from affiliates:						
Acousti-phase, Inc.	\$ 155,980			(\$ 155,980)		
Benel Distributors, Ltd.	2,590,612	\$1,018,611		(3,991,223)		
Captain Video Enterprises, Inc.	1,824,943			(1,824,943)		
Educators International, Inc.	977,578			(977,578)		
S & M Discount Center, Inc.	60,360			(60,360)		
Shoe Time, Inc.	129,801			(129,801)		
	<u>\$5,739,274</u>	<u>\$1,018,611</u>		<u>(\$ 7,139,885)</u>		<u>\$ -</u>
Loans receivable - officers:						
Eddie Antar and Sam Antar	\$ 50,000			(\$ 50,000)		
Solomon E. Antar	237,500			(237,500)		
	<u>\$ 287,500</u>			<u>(\$ 287,500)</u>		<u>\$ -</u>
Year ended May 31, 1984:						
Due from affiliates:						
Acousti-phase, Inc.	\$ 155,980					\$ 155,980
Benel Distributors, Ltd.	1,171,808	\$3,271,511	\$ 200,000	(\$ 1,947,000)	(\$452,707) (a)	2,590,612
Captain Video Enterprises, Inc.	1,085,026	39,651	2,286,620	(1,586,354)		1,824,943
Educators International, Inc.	147,445		1,219,256	(334,640)	(54,483)	977,578
Nogales Discount Center, Inc.	263,946			(263,946)		
S & M Discount Center, Inc.	60,360					60,360
Shoe Time, Inc.			129,801			129,801
	<u>\$2,884,565</u>	<u>\$3,311,162</u>	<u>\$3,835,677</u>	<u>(\$ 4,131,940)</u>	<u>(\$507,190)</u>	<u>\$5,739,274</u>
Loans receivable - officers:						
Eddie Antar and Sam Antar	\$ 161,450		\$ 75,000		(\$186,450) (b)	\$ 50,000
Solomon E. Antar			237,500			237,500
	<u>\$ 161,450</u>		<u>\$ 312,500</u>		<u>(\$186,450)</u>	<u>\$ 287,500</u>

(a) Represents offset of insurance claim.

(b) Represents offset against compensation paid for fiscal 1984.

CRAZY EDDIE, INC. AND SUBSIDIARIES

SCHEDULE IX

SHORT-TERM BORROWINGS

Nine Months Ended March 3, 1985 and  
Year Ended May 31, 1984

Category of Aggregate Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
Notes payable to banks (bank borrowings):					
Nine months ended March 3, 1985	\$ -	-	\$5,250,000	\$3,218,297	9.0%
Year ended May 31, 1984	\$2,400,000	12.0%	\$2,700,000	\$ 803,825	12.4%

Notes payable to banks represent obligations payable under lines of credit with various local banks.

The average amount outstanding during the period represents the average of the daily principal balances outstanding during the period.

The weighted average interest rate during the period was computed by dividing the actual interest incurred on short-term borrowings by the average amount outstanding during the period.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
3.1	Certificate of Incorporation, as amended, of the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 3.1, filed May 22, 1984)	
3.2	Certificate of Amendment of Certificate of Incorporation of the Company, dated July 16, 1985 (incorporated by reference from Form 8-K, filed July 25, 1985)	
3.3	By-laws of the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 3.2, filed May 22, 1984)	
4.1	Form of certificate evidencing ownership of common stock of the Company (incorporated by reference from Registration Statement No. 2-96148, Exhibit 4.1 filed March 1, 1985)	
4.2	Loan Agreement, dated as of December 1, 1984, by and between the New Jersey Economic Development Authority and the Company (incorporated by reference from Registration Statement No. 2-96148, Exhibit 4.2 filed March 1, 1985)	
4.3	Mortgage and Security Agreement, dated December 1, 1984, from the Company to the New Jersey Economic Development Authority (incorporated by reference from Registration Statement No. 2-96148, Exhibit 4.3 filed March 1, 1985)	
4.4	Assignment of Leases, dated December 21, 1984, from the Company to the New Jersey Economic Development Authority (incorporated by reference from Registration Statement No. 2-96148, Exhibit 4.4 filed March 1, 1985)	

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.1	Sublease, dated August 27, 1976, between East Fordham Road Properties, Inc. and DNS Audio Inc., as amended (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.1, filed May 22, 1984)	
10.2	Sublease, dated November 4, 1980, between General Nutrition Center, Inc. and SND Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.2, filed May 22, 1984)	
10.3	Assignment of Lease, dated June 30, 1975, between Center Associates, Cameo Camera Stores, Inc. and SND Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.3, filed May 22, 1984)	
10.4	Assignment and Assumption of Lease, dated March 30, 1984, between Sam Antar, Simcole Audio, Inc. and 404 Jericho Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.4, filed May 22, 1984)	
10.5	Assignment and Assumption of Lease, dated March 8, 1984, between Kelso Industries, Inc. and Ultralinear Sound Corp. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.5, filed May 22, 1984)	
10.6	Agreement, dated April 7, 1977, between Emil J. Geering and Dorothy B. Geering and Moore Industries Corporation (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.6, filed May 22, 1984)	
10.7	Assignment of Sublease, dated August 6, 1982, between The Lionel Corporation and Gabrielle Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.7, filed May 22, 1984)	



<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.8	Lease, dated September 1, 1978, between Kelso Industries, Inc. and Rose Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.8, filed May 22, 1984)	
10.9	Assignment, dated December 21, 1982, between The Lionel Corporation and Crazy Eddie, Inc. and various subsidiaries (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.9, filed May 22, 1984)	
10.10	Assignment of Sublease, dated March 1, 1980, between Kelso Industries, Inc. and Noel Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.10, filed May 22, 1984)	
10.11	Lease, dated February 1, 1981, between Lex-Parc Properties and Mitchell Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.11, filed May 22, 1984)	
10.12	Lease, dated December 9, 1982, between Robert Rosenfeld and Simone Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.12, filed May 22, 1984)	
10.13	Lease, dated February 10, 1983, between Vornado, Inc. and Danielle Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.13, filed May 22, 1984)	
10.14	Lease dated January 10, 1984, between Jeffrey Seaman, et al. and Suffolk Audio Distributors Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.14, filed May 22, 1984)	

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.15	Sublease Agreement, dated April 1, 1984, between Kelso Industries, Inc. and the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.15, filed May 22, 1984)	
10.16	Agreement of Lease, dated February 23, 1984, between Steval Development Corp. and Third Avenue Home Entertainment Boutique, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.17, filed May 22, 1984)	
10.17	Lease, dated July 1, 1980, between 2865 Coney Island Avenue Realty Corp. and the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.17, filed May 22, 1984)	
10.18	Agreement to Purchase, dated April 11, 1984, between Talmadge Realty Associates and the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.18, filed May 22, 1984)	
10.19	Construction Agreement, dated April 11, 1984, between Morris Industrial Builders, Inc. and the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.19, filed May 22, 1984)	
10.20	Agreement of Lease, dated April 26, 1984, between 1000 Massapequa, Inc. and Massapequa Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.20, filed May 22, 1984)	
10.21	Form of Assignment of Lease, with Assumption, between National Brands Outlet, Inc. and C.E. Audio Distributors, Inc. (incorporated by reference from Amendment No. 2-91259, Exhibit 10.21, filed August 31, 1984)	

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.22	Assignment, dated May 21, 1984, from Eddie Antar to the Company (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.22, filed August 31, 1984)	
10.23	Form of Trade Name, Trademark and Service Mark License Agreement between the Company and each of its subsidiaries (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.23, filed August 31, 1984)	
10.24	Form of Trade Name, Trademark and Service Mark Sub-license Agreement between a subsidiary of the Company and a subsidiary of Benel. There are agreements between subsidiaries of the Company and subsidiaries of Benel that are identical in all material respects except for amounts of required advertising expenses of the licensee (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.24, filed August 31, 1984)	
10.25	Form of License Agreement between a subsidiary of the Company and a subsidiary of Benel. There are agreements between subsidiaries of the Company and subsidiaries of Benel that are identical in all material respects except for amounts of monthly license fees. Additional agreements are expected to be added as new stores open (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.25, filed August 31, 1984)	
10.26	Crazy Eddie, Inc. 1984 Stock Option Plan (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.26, filed August 31, 1984)	
10.27	Crazy Eddie, Inc. and Subsidiaries Retirement Trust, dated May 1, 1977, as amended (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.27, filed May 22, 1984)	



<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.28	The Crazy Eddie, Inc. and Subsidiaries Profit Sharing Plan, effective as of June 1, 1984 (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.28, filed May 22, 1984)	
10.29	Crazy Eddie, Inc. and Subsidiaries Defined Benefit Pension Plan (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.29, filed May 22, 1984)	
10.30	Form of Agreement among Benel Distributors, Ltd., Eddie Antar, Ben Kuszer and the Company (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.30, filed September 10, 1984)	
10.31	Form of Indemnification Agreement among the Company, Eddie Antar and Sam Antar (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.31, filed August 31, 1984)	
10.32	Form of Dwek Guaranty by Eddie Antar to the Company (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.32, filed August 31, 1984)	
10.33	Employment Agreement, dated as of June 1, 1984, between the Company and Eddie Antar (incorporated by reference from Amendment No. 1 to Registration Statement No. 2-91259, Exhibit 10.33, filed July 11, 1984)	
10.34	Sublease Agreement, dated May 22, 1984, between Harvey Sound, Inc. and Simcole Audio, Inc. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.34, filed August 31, 1984)	

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.35	Lease, dated July 19, 1984, between Rockland Center Associates and Nanuet Audio Distributors, Inc. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.35, filed August 31, 1984)	
10.36	Lease, dated May 14, 1984, between Belle Atkind and Woodbridge Audio Distributors, Inc. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.36, filed August 31, 1984)	
10.37	Lease, dated August 16, 1984, between Center Associates and SND Audio, Inc. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.37, filed August 31, 1984)	
10.38	Form of Consignment Agreement, dated as of May 31, 1984, between the Company and Benel Distributors Ltd. (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.38, filed September 10, 1984)	
10.39	Form of Indemnification Agreement among the Company, C.E. Holdings, Inc., Eddie Antar and Sam Antar (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.39, filed August 31, 1984)	
10.40	Form of Agreement among Crazy Eddie, Inc., Captain Video Enterprises, Inc. and Eddie Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.40, filed September 10, 1984)	
10.41	Form of Agreement among Crazy Eddie, Inc., Educators International, Inc. and Eddie Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.41, filed September 10, 1984)	



<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.42	Form of Agreement among Crazy Eddie, Inc., University of St. Lucia School of Medicine, Ltd. and Eddie Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.42, filed September 10, 1984)	
10.43	Form of Agreement among Crazy Eddie, Inc., Acoustiphase, Inc. and Eddie Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.43, filed September 10, 1984)	
10.44	Form of Agreement among Crazy Eddie, Inc., Shoe Time, Inc. and Sam Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.44, filed September 10, 1984)	
10.45	Form of Agreement among Crazy Eddie, Inc., S&M Discount Center, Inc. and Sam Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.45, filed September 10, 1984)	
10.46	Form of Assignment of Interest in Brewer Venture by the Company to Eddie Antar and Sam Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.46, filed September 10, 1984)	
10.47	Lease, dated October 18, 1984, between Medical Building Investors and Queens Boulevard Audio Inc. (incorporated by reference from Registration Statement No. 2-96148, Exhibit 10.47, filed March 1, 1985)	

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.48	Lease and three side letter agreements, dated October 16, 1984, and side letter agreement, dated October 31, 1984, between Bailey N.Y. Associates and the Company (incorporated by reference from Registration Statement No. 2-96148, Exhibit 10.48, filed March 1, 1985)	
10.49	Lease, dated February 11, 1985, between 116 Post Road Associates and Tera Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 2-96148, Exhibit 10.49, filed March 1, 1985)	
10.50	Letter from Bank Leumi Trust Company of New York, dated November 27, 1985, confirming line of credit (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.50, filed December 6, 1985)	
10.51	Lease, dated June 27, 1985, and First Amendment of Lease, dated July 10, 1985, between Berome Company and Crazy Eddie, Inc. (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.51, filed December 6, 1985)	
10.52	Lease, dated September 10, 1985, between Lawrence Friedland and Melvin Friedland and West Side Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.52, filed December 6, 1985)	
10.53	Lease, dated August 1, 1985, between Mercer Mall Property Group and Princeton Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.53, filed December 6, 1985)	

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.54	Lease, dated October 10, 1985, between Hooper Avenue Associates and Toms River Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.54, filed December 6, 1985)	
10.55.1	Contract of Sale, dated October 9, 1985, between Ruth Blumenthal, Woodrow H. Blumenthal, Bernice Jampol, Sally Hurwitz, Harvey Schwaid, Robert Schwaid and Lillian Schwaid (the "Sellers") and the Company (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.55.1, filed December 6, 1985)	
10.55.2	Assignment and Assumption of Lease, dated November 14, 1985, between Norman Lesman and the Company (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.55.2, filed December 6, 1985)	
10.55.3	Lease, dated November 8, 1978, between 3708 Main Street Company and Norman Lesman (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.55.3, filed December 6, 1985)	
10.55.4	Consent to Assignment of Lease executed on behalf of Sellers (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.55.4, filed December 6, 1985)	
10.55.5	Reassignment and Assumption of Lease, dated November 14, 1985, between the Company and Norman Lesman (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.55.5, filed December 6, 1985)	
10.55.6	Sublease Agreement, dated November 14, 1985, between Norman Lesman and the Company (incorporated by reference from Registration Statement No. 33-2019, Exhibit 10.55.6, filed December 6, 1985)	

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.56	Agreement of Termination and Release, dated February 26, 1985, between Net Realty Holding Trust and Crazy Eddie, Inc. (incorporated by reference from Amendment No. 1 to Registration Statement No. 33-2019, Exhibit 10.56, filed December 31, 1985)	
10.57	Lease, dated February 26, 1985, between Net Realty Holding Trust and Crazy Eddie, Inc. (incorporated by reference from Amendment No. 1 to Registration Statement No. 33-2019, Exhibit 10.57, filed December 31, 1985)	
10.58	Agreement with Oppenheimer & Co., Inc. containing cross indemnities and providing for blue sky registration and related matters (incorporated by reference from Amendment No. 1 to Registration Statement No. 33-2019, Exhibit 10.58, filed December 31, 1985)	
10.59	Lease, dated January 28, 1986, between Pergament Enterprises S.I. and the Company (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.59, filed February 28, 1986)	
10.60	Modification of Lease Agreement, dated December 4, 1985, between 1000 Massapequa Inc. and Massapequa Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.60, filed February 28, 1986)	
10.61	Agreement of Sublease, dated July 11, 1985, between Massapequa Audio Distributors, Inc. and H.S. Price Busters, Inc. (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.61, filed February 28, 1986)	



<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.62	Lease Agreement, dated November 20, 1985, between Brezar Enterprises and Eatontown Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.62, filed February 28, 1986)	
10.63	Modification Agreement, dated January 8, 1986, between Brezar Enterprises and Eatontown Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.63, filed February 28, 1986)	
10.64	Agreement, dated November 6, 1985, between Highview Associates and the Company (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.64, filed February 28, 1986)	
10.65	Indenture of Lease, dated February 18, 1986, between South Road Square Associates and Poughkeepsie Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.65, filed February 28, 1986)	
10.66	Lease Agreement, dated February 14, 1986, between Circle Plaza Associates and Amelia Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.66, filed February 28, 1986)	
10.67	Agreement of Lease, dated November 20, 1985, between 625 Properties Associates and C-Pro, Inc. (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.67, filed February 28, 1986)	
10.68	Lease, dated January 23, 1986, between Robert Rosenfeld and Simone Audio, Inc. (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.68, filed February 28, 1986)	



<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.69	Lease between DVA Associates and Simone Audio, Inc. (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.69, filed February 28, 1986)	
10.70	Modification of Lease, dated January 23, 1986, between Vornado, Inc. and Danielle Audio, Inc. (incorporated by reference from Registration Statement No. 33-3640, Exhibit 10.70, filed February 28, 1986)	
10.71	Indenture of Lease, dated February 18, 1986, between Kravco Company for Green Acres Associates and the Company (incorporated by reference from Amendment No. 1 to Registration Statement No. 33-3640, Exhibit 10.71, filed March 7, 1986)	
10.72.1	Agreement, dated July 2, 1985, between Harvey Sound, Inc. and Allen Audio, Inc. (incorporated by reference from Amendment No. 1 to Registration Statement No. 33-3640, Exhibit 10.72.1, filed March 7, 1986)	
10.72.2	Assignment and Assumption of Lease, dated July 2, 1985, between Harvey Sound, Inc. and Allen Audio, Inc. (incorporated by reference from Amendment No. 1 to Registration Statement No. 33-3640, Exhibit 10.72.2, filed March 7, 1986)	
10.72.3	Agreement to Supplement and Modify Lease, dated August 6, 1985, among Harvey Sound, Inc., Allen Audio, Inc. and Harrow Realty Corp. (incorporated by reference from Amendment No. 1 to Registration Statement No. 33-3640, Exhibit 10.72.3, filed March 7, 1986)	
10.73	Indenture, dated March 17, 1986, by and between 2175 Dixwell Associates and Hamden Audio Distributors, Inc.	
10.74	Indenture of Lease by and between James A. Fieber, as Trustee, and the Company	

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Page No.</u>
10.75	Indenture, dated March 17, 1986, by and between 641 New Britain Ave. Associates and Farmington Audio Distributors, Inc.	
10.76	Lease, dated April 7, 1986, between Acrick Associates and Cherry Hill Audio Distributors, Inc.	
22.1	Subsidiaries	
24.1	Consent of KMG Main Hurdman	



CRAZY EDDIE, INC.  
LIST OF SUBSIDIARIES

	<u>Name</u>	<u>Jurisdiction</u>
1.	DNS Audio, Inc.	New York
2.	SND Audio, Inc.	New York
3.	Simcole Audio, Inc.	New York
4.	Ultralinear Sound Corporation	New York
5.	Moore Industries Corp.	New Jersey
6.	Gabrielle Audio, Inc.	New Jersey
7.	Rose Audio, Inc.	New Jersey
8.	Debbie Audio, Inc.	New York
9.	Noelle Audio, Inc.	New York
10.	Mitchell Audio, Inc.	New York
11.	Third Avenue Home Entertainment Boutique, Inc.	New York
12.	Simone Audio, Inc.	Connecticut
13.	Danielle Audio, Inc.	New Jersey
14.	Suffolk Audio Distributors, Inc.	New York
15.	Massapequa Audio Distributors, Inc.	New York
16.	Livingston Audio Distributors, Inc.	New Jersey
17.	Nanuet Audio Distributors, Inc.	New York
18.	Woodbridge Audio Distributors, Inc.	New Jersey
19.	Queens Boulevard Audio, Inc.	New York

	<u>Name</u>	<u>Jurisdiction</u>
20.	Tera Audio Distributors, Inc.	Connecticut
21.	Broadway Audio Distributors, Inc.	New York
22.	West Side Audio Distributors, Inc.	New York
23.	Princeton Audio Distributors, Inc.	New Jersey
24.	Toms River Audio Distributors, Inc.	New Jersey
25.	C-Pro, Inc.	New York
26.	Davids Audio Distributors, Inc.	New York
27.	Allen Audio, Inc.	New York
28.	Eatontown Audio Distributors, Inc.	New Jersey
29.	Crazy Eddie Payroll Services, Inc.	New York
30.	Kelso Equipment Leasing, Corp.	New York
31.	Amelia Audio Distributors, Inc.	New Jersey
32.	Poughkeepsie Audio Distributors, Inc.	New York
33.	Lilly Audio Distributors, Inc.	New York
34.	Crazy Eddie Central Services, Inc.	New York
35.	Renee Audio Distributors, Inc.	New York
36.	Stamford Audio Distributors, Inc.	Connecticut
37.	Farmington Audio Distributors, Inc.	Connecticut
38.	Hamden Audio Distributors, Inc.	Connecticut
39.	Cherry Hill Audio Distributors, Inc.	New Jersey
40.	Valley Stream Audio Distributors, Inc.	New York

All subsidiaries do business under the name "Crazy Eddie."





CONSENT OF KMG MAIN HURDMAN

We hereby consent to the incorporation by reference of our Report, dated May 1, 1986, on the consolidated financial statements and schedules of Crazy Eddie, Inc. (the "Company") and subsidiaries appearing on page F-1 of this Annual Report on Form 10-K in the Registration Statement of the Company on Form S-8 (No. 2-96737).

*KMG Main Hurdman*  
KMG Main Hurdman

New York, New York  
May 30, 1986



LEASE OF  
2175 DIXWELL AVENUE  
HAMDEN, CONNECTICUT

Landlord: 2175 DIXWELL ASSOCIATES

Tenant:

Date:

INSBERG, GINSBURG  
& ALDERMAN  
ATTORNEYS AT LAW  
377 MAIN STREET  
P.O. BOX 605  
WEST HAVEN, CT 06516

THIS INDENTURE (hereinafter referred to as the "Lease"),  
made and entered into this 17<sup>th</sup> day of March, 1986, by  
and between 2175 DIXWELL ASSOCIATES, having a principal place  
of business c/o Ginsberg, Ginsburg & Alderman, 377 Main Street,  
West Haven, Connecticut, 06516, (hereinafter referred to as  
"Landlord") and Hamden Audio Distributors, Inc.,  
a Connecticut Corporation (hereinafter referred to as "Tenant");

W I T N E S S E T H :

- ARTICLE I. GRANT AND TERM

1.01 Landlord hereby leases to Tenant and Tenant hereby  
hires and rents from Landlord; premises located at #2175 DIXWELL  
AVENUE, which premises are hereinafter referred to as the  
SHOPPING CENTER, situated on the easterly side of Dixwell Avenue,  
in the Town of Hamden, County of New Haven and State of  
Connecticut. Said premises, hereinafter referred to as the  
LEASED PREMISES, consist of approximately 14,130 square feet, as  
outlined in red on Exhibit A affixed hereto and made a part  
hereof.

1.02 The use and occupation by the Tenant of the Leased  
Premises shall include the use in common with others entitled  
thereto of the common areas, employees' parking areas, service  
roads, loading facilities, sidewalks and customer car parking  
areas, located in said shopping center and other facilities as  
may be designated from time to time by the Landlord, subject

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ATTORNEYS AT LAW  
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however to the terms and conditions of this Agreement and to reasonable rules and regulations for the use thereof as prescribed from time to time by the Landlord.

1.03 The effective date of this Lease under which Tenant shall be obligated to commence payment of rental (hereinafter referred to as the Commencement Date) shall be the date which is ~~forty five (45)~~ <sup>ninety (90)</sup> days from the date upon which Landlord notifies the Tenant in writing that the Leased Premises are ready for occupancy, or the date upon which the Tenant opens for business to the public, whichever shall first occur.

In the event that the Commencement Date as hereinabove defined shall occur on a day other than the first day of the month, then the rent shall be immediately paid for such partial month prorated on the basis of a thirty (30) day month and the term of this Lease shall be extended for the number of days from the Commencement Date to the first day of the month next preceding. In no event shall said Commencement Date be before May 1, 1986.

1.04 The term of this Lease shall be for fifteen(15) years following the commencement of the term as provided in Section 1.03 hereof. Notwithstanding the foregoing, Tenant shall be bound by all of the provisions of this Lease, except for the payment of rent, from the date of the first occupancy of the Leased Premises by Tenant or its agents for any purpose prior to the Commencement Date.

ARTICLE II. CONSTRUCTION OF LEASED PREMISES

2.01 Landlord shall at its cost and expense construct or alter the Leased Premises for Tenant's use and occupancy only in accordance with plans and specifications prepared by Landlord or Landlord's architect, incorporating in such construction all items of work described in Exhibit B attached hereto and made apart hereof. Any work in addition to any of the items specifically enumerated in said Exhibit B shall be performed by the Tenant at its own cost and expense and shall be subject to the prior written approval of Landlord.

2.02 Landlord hereby reserves the right at any time to make alterations or additions to and to build additional stories on any building located in the Shopping Center. Landlord also reserves the right to construct other buildings or improvements in the Shopping Center from time to time and to make alterations thereof or additions thereto and to build additional stories on any such building or buildings and to build adjoining the same. Such construction by Landlord shall not unreasonably interfere with Tenant's use and enjoyment of the Leased Premises.

The Landlord shall not perform any permanent additional construction near or about the demised premises which causes a reduction in the visibility of or access to the demised premises, *or parking hereto*

2.03 The purpose of the site plan attached hereto as Exhibit A is to show the location of the Leased Premises. Landlord reserves the right at any time to relocate the automobile parking areas, and other common areas located in the shopping Center or to build a greater or lesser area of the buildings. The parties acknowledge that the listing or naming on Exhibit A of any other tenant or the description thereon of any kind

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or business in the Shopping Center are not representations by Landlord that such named other tenant or business shall be an occupant of the Shopping Center and all such designations appearing upon said Exhibit shall not be considered part of this Lease.

ARTICLE III. CONDUCT OF BUSINESS BY TENANT

3.01 Tenant shall use the Leased Premises solely for the operation of the retail sale, rental and distribution of the following:

(i) audio, video, audiovisual, acoustical, electronic, duplicating, photographic, telephonic and communication equipment of all kinds and nature and for all applications and uses whatsoever including, but not limited to, any and all such other equipment known in the trade and by the designation of "Home Entertainment" or of "Consumer Electronic" products;

(ii) televisions, video recorders, radio receivers, phonographs, turntables, phonograph records and tapes, videotapes, cameras, calculators toys and electronic games, musical instruments, automotive stereo systems, electronics and equipment;

(iii) computers, computer products and equipment, and all software and hardware products related thereto; and

(iv) non-major home appliances.

(v) any and all products and product lines and equipment relating to the use or application of the foregoing products and/or stemming from the technology utilized in the design or manufacture of the same.

(vi) *jewelry and athletic equipment*  
Tenant is also granted permission to maintain departments in the Demised Premises for the servicing, repair, maintenance and installation of any of the products which it offers for sale.

3.02 Tenant shall occupy the Leased Premises on the Commencement Date and shall conduct continuously in the Leased Premises the business above stated. Tenant will not use or permit, or suffer the use of, the Leased Premises for any other business or purpose.

3.03 Tenant shall conduct its business in the Leased Premises between the hours of 10 O'clock A.M. and 5 O'clock P.M., Monday through Saturday, inclusive, each week, and such other hours as it desires, in accordance with ordinances of the Town of Hamden and State of Connecticut.

3.04 No auction, fire or bankruptcy sales may be conducted in the Leased Premises without the previous written consent of Landlord.

ARTICLE IV. PARKING AND COMMON USE AREAS AND FACILITIES

4.01 All automobile parking areas, driveways, entrances and exits thereto, and other facilities in or near the Shopping Center, including employee parking areas, the truck way or ways, loading docks, package pick-up stations, pedestrian sidewalks and ramps, landscaped areas, exterior stairways, and other areas and improvements provided for the general use, in common, of tenants, their officers, agents, employees and customers, shall at all times be subject to the exclusive control and management of Landlord, and Landlord shall have the right from time to time to establish, modify and enforce reasonable rules and regulations with respect to all facilities and areas mentioned in this Article. Landlord shall have the right to construct, maintain and operate lighting facilities on all said areas and improvements; from time to time to change the area, level, location and arrangement of parking areas and other facilities hereinabove referred to and to restrict parking by tenants, their officers, agents and employees to employee parking areas. Landlord shall not have any duty to police the traffic in the parking areas.

twelve (12) month period, so that said monthly payment shall equal one-twelfth (1/12th) of Tenant's adjusted pro rata share for the preceding twelve (12) month period.

5.02 Landlord's maintenance of the common areas of the Shopping Center shall include, without limitation, repairing and replacing paving, keeping the common areas (excepting sidewalks and entranceways adjacent and contiguous to the Leased Premises) secure and properly supervised, drained, reasonably free of snow, ice, rubbish and other obstructions, and in a neat, clean, orderly and sanitary condition; keeping the common areas suitably lighted during and for the appropriate periods before and after Tenant's business hours; maintaining signs (other than Tenant's signs), markers, painted lines delineating parking spaces, and other means and methods of pedestrian and vehicular traffic control; maintaining adequate roadways, entrances and exits, maintaining any planting and landscaped areas; and maintenance and repair of all utilities and utility conduits situated within the common areas.

5.03 Landlord's maintenance of the common areas of the Shopping Center shall also include maintaining public liability insurance covering the parking areas and other common areas (excepting sidewalks and entranceways adjacent and contiguous to the Leased Premises), in an amount not less than \$300,000 for injury to any one person and \$500,000 for injuries arising out of any one accident and \$25,000 property damage coverage.

ARTICLE VI. TENANT'S FIXTURES AND IMPROVEMENTS

6.01 Provided the Tenant obtains the prior written consent of Landlord thereto (except for alterations costing less than \$5,000.00) which consent shall not be unreasonably withheld or

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unduly detained. Tenant may make interior non-structural alterations to the Leased Premises at its own expense and may install trade fixtures therein. All such alterations and fixtures shall remain the property of the Tenant for the term of the Lease. The Tenant shall at all times maintain fire insurance with extended coverage in an amount adequate to cover the cost of replacement of all alterations, decorations, additions or improvements in the event of fire or extended coverage loss. Tenants shall deliver to the Landlord certificates of such fire insurance policies which shall contain a clause requiring the insurer to give the Landlord ten (10) days' notice of cancellation of such policies. Upon expiration or sooner termination of this Lease, the Tenant shall remove all such alterations and trade fixtures and restore the Leased Premises as provided in Article 8.03 hereof. If the Tenant fails to remove such alterations and trade fixtures and restore the Leased Premises, then upon the expiration or sooner termination of this Lease, and upon the Tenant's removal from the premises, all such alterations, decorations, additions and improvements shall become the property of the Landlord.

6.02 Tenant shall promptly pay all contractors and materialmen hired by Tenant to furnish any labor or materials which may give rise to the filing of a mechanic's lien against the premises. Should any such lien be made or filed, Tenant shall bond against or discharge the same within ten (10) days after written request by Landlord.

ARTICLE VII. SIGNS

7.01 Tenant will not place or suffer to be placed or maintain on any portion of the exterior of the Leased Premises any sign, awning or canopy, or advertising matter or other thing of any kind, without first obtaining Landlord's written approval and consent.

Tenant further agrees to maintain such sign, awning, canopy, decoration lettering, advertising matter or other thing as may be approved in good condition and repair at all times and to repaint or replace such signs from time to time when reasonably necessary. In no event shall Tenant place or erect any free standing sign on any portion of the Shopping Center.

Landlord acknowledges that Tenant in the normal course of its business shall maintain temporary, professionally prepared paper or similar materialized signs, which signs shall be in keeping with good taste and decor of the center.

ARTICLE VIII. MAINTENANCE AND REPAIRS OF LEASED PREMISES

8.01 Except as provided in Section 8.04 below, Tenant shall at all times keep in good order, condition and repair the entire Leased Premises, including, without limitation, exterior entrances, all glass and show window moldings, all interior partitions, and all doors, fixtures, equipment and appurtenances thereto, including lighting, heating and plumbing fixtures and air conditioning fixtures and air conditioning system or systems.

8.02 If Tenant refuses or neglects to make any such repair within the prescribed time for curing of defaults under this Lease, after written demand, Landlord may make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures, or other property or to Tenant's business by reason thereof, and upon completion thereof, Tenant shall pay Landlord's cost for making such repairs upon presentation of bill therefor, as additional rent. Said bill shall include interest at twelve (12%) per cent per annum on said cost from the date of completion of repairs by Landlord.

8.03 At the expiration of the tenancy hereby created, Tenant shall surrender the Leased Premises in the same condition as the Leased Premises were in upon delivery of possession thereto under this Lease, reasonable wear and tear excepted, and damage by unavoidable casualty excepted, and shall surrender all keys for the Leased Premises to Landlord at the place then fixed for the payment of rent and shall inform Landlord of all combinations on locks, safes and vaults, if any, in the Leased Premises. Tenant shall remove all its trade fixtures, and any alterations or improvements before surrendering the premises as aforesaid and shall repair any damage to the Leased Premises caused thereby. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this lease.

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8.04 During the term of this lease, the replacement of plate, window, or door glass of any kind, shall at all times be the sole responsibility of the Tenants. Landlord's repair obligations shall be limited to any and all necessary repairs to the roof, foundation and walls of the Leased Premises and to any interior or exterior structural steel members of the Leased Premises. Notwithstanding the foregoing, in the event that any of Landlord's repairs are required due to the act or neglect of Tenant, its agents, servants, employees, licensees, invitees or independent contractors, then it shall be Tenant's obligation to make such repairs at its own cost and expenses.

Additionally, Landlord shall, during the term of this Lease, assign to Tenant the balance of any term remaining on any manufacturer's or contractor's guaranties or warranties for the heating, ventilating and/or air conditioning system or systems which services the Leased Premises.

#### ARTICLE IX. RULES AND REGULATIONS

9.01 The Tenant agrees as follows:

(a) The delivery or shipping of merchandise, supplies and fixtures to and from the Leased Premises shall be subject to such rules and regulations as in the reasonable judgment of the Landlord are necessary for the proper operation of the Leased Premises or Shopping Center.

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(b) All garbage and refuse shall be kept in the kind of container specified by Landlord, and shall be placed outside of the premises prepared for collection in the manner and at the times and places specified by Landlord. If Landlord shall provide or designate a service for picking up refuse and garbage, Tenant shall use same at Tenant's cost said designated service shall be at a cost competitive with a alternate source of service. Tenant shall pay the cost of a removal of any of Tenant's refuse or rubbish.

(c) Nothing shall be erected on the roof or exterior walls of the premises, or on the grounds, without in each instance, the written consent of the Landlord. Anything so installed without such written consent shall be subject to removal without notice at any time. Tenant shall have right to erect one antenna on roof subject to approval of municipal authorities, location and nature of construction of base subject to Landlords approval which consent shall not be unreasonably or unduly withheld.

(d) No loud speakers, televisions, phonographs, radios, or other devices shall be used in a manner so as to be heard outside of the premises without the prior written consent of the Landlord.

(e) Tenant shall keep the premises at a temperature sufficiently high to prevent freezing of water in pipes and fixtures.

(f) The entrances and sidewalks immediately adjoining the premises shall be kept clean and free from snow, ice, dirt and rubbish by the Tenant to the reasonable satisfaction of the Landlord and Tenant shall not place or permit any obstruction or merchandise in such areas.

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(g) Tenant and Tenant's employees shall park their cars only in those portions of the parking area designated for that purpose by Landlord. Tenant shall furnish Landlord with state automobile license numbers assigned to Tenant's car or cars and cars of Tenant's employees within five (5) days after taking possession of the premises and shall thereafter notify the Landlord of any changes within five (5) days after such changes occur.

(h) The plumbing facilities shall not be used for any other purpose than that for which they are constructed, and no foreign substance of any kind shall be thrown therein, and the expense of any breakage, stoppage, or damage resulting from a violation of this provision shall be borne by Tenant, or whose employees, agents or invitees shall have caused it.

(i) Tenant shall keep the Leased Premises free of pests or vermin at Tenant's cost and expense.

(j) Tenant shall not burn any trash or garbage or any kind in or about the Leased Premises or the Shopping Center.

(k) Tenant and Tenant's employees and agents shall not solicit business in the parking or other common areas, nor shall Tenant distribute any handbills or other advertising matter in the parking area or in other common areas.

ARTICLE X. INSURANCE AND INDEMNITY

10.01 Tenant shall, during the entire term hereof, keep in full force and effect a policy of public liability and property damage insurance with respect to the Leased Premises, the sidewalks and entranceways in front of the Leased Premises, and the business operated by Tenant and any subtenants of Tenant in the Leased premises in which the limits of public liability shall initially be not less than \$500,000.00 per person and \$1,000,000.00 per accident and in which the property damage liability shall be not less than \$100,000.00. During the term of this Lease, Landlord shall have the right in its reasonable discretion to require Tenant to cause the aforesaid limits of liability to be increased, provided, however, that adjustments in said limits of liability shall not be required more frequently than annually. The policy shall name Landlord and Tenants and the fee owner of the Shopping Center, if different from Landlord, as insured, and shall contain a clause that the insurer will not cancel or change the insurance without first giving the Landlord ten (10) days prior written notice. The insurance shall be in an insurance company approved by Landlord and a copy of the policy or a certificate of insurance shall be delivered to Landlord.

10.02 Tenant agrees that it will not keep, use, sell or offer for sale in or upon the Leased Premises any article which may be prohibited by the standard form of fire insurance policy.

Tenant agrees to pay any increase in premium for fire and extended coverage insurance that may be charged during the term of this Lease on the amount of such insurance which may be carried by Landlord on said premises or the building of which they are a part, resulting from the type of merchandise sold by Tenant in the Leased Premises, whether or not Landlord has consented to the same. In determining whether increased premiums are the result of Tenant's use of the Leased Premises, a schedule, issued by the organization making the insurance rate on the Leased Premises, showing the various components of such rate, shall be conclusive evidence of the several items and charges which make up the fire insurance rate on the Leased Premises.

10.03 Tenant will indemnify Landlord and save it harmless from and against any and all claims, actions, damages, liability and expense in connection with loss of life, personal injury and/or damage to property arising from or out of any occurrence in, upon or at the Leased Premises, or the occupancy or use by Tenant of the Leased Premises or any part thereof, occasioned wholly or in part by the default under this Lease or any act or omission of Tenant, its agents, contractors, employees, servants, lessees, or concessionaires, licensees or invitees. In case Landlord shall, without fault on its part, be made a party to any litigation commenced by or against Tenant, the Tenant shall protect and hold Landlord harmless and shall pay all costs, expenses and reasonable attorney's fees incurred or paid by Landlord in connection

with such litigation. Tenant shall also pay all costs, expenses and reasonable attorney's fees that may be incurred or paid by Landlord in enforcing the covenants and agreement in this Lease.

10.04 Tenant agrees to use its best efforts to have its insurance carrier to include a WAIVER OF SUBROGATION PROVISION in such policies without increase in premium; if such provision can be obtained only upon the payment of an increase in premium, then the party who would benefit from such provision shall have the option of paying the increase in premium or foregoing the benefit of such provision. ~~In no event shall Tenant or any person or corporation claiming an interest in the Leased Premises by, through or under Tenant, claim, maintain or prosecute any action or suit at law or in equity against the Landlord for any loss, cost or damage caused by or resulting from fire or other risk or casualty in the Leased Premises or any part thereof, for which Tenant is or may be insured under a standard fire insurance policy with extended coverage whether or not carried by Tenant and whether or not caused by the negligence of the Landlord, or the agents, or servants, or employees of the Landlord.~~

10.05 Throughout the initial term of this Lease and any extensions thereof, Landlord shall maintain or cause to be maintained a policy of fire insurance with extended coverage on all of the buildings and improvements situated within the Shopping Center in an amount equal to at least eighty (80%) percent of the full insurable value thereof. All such policies

which affect the Leased Premises shall name Landlord and the holder of any mortgage which affects the Leased Premises, as parties insured thereunder as their respective interests may appear. Landlord shall also have the right to maintain, as an endorsement to said fire insurance policy, rental value insurance insuring payment of one (1) year's fixed and additional rentals and other annual charges payable by Tenant to Landlord pursuant to the terms of this Lease.

ARTICLE XI. UTILITIES

11.01 From and after the date upon which Landlord delivers to Tenant possession of the Leased Premises, Tenant shall be solely responsible for and promptly pay all charges for heat, water, gas, electricity, sewer use or any other utility used or consumed in the Leased Premises. It is expressly agreed and understood that Landlord shall in no event be liable to Tenant for any interruption or suspension of utility services, except where directly caused by the act or neglect of Landlord, its agents, servants or employees.

ARTICLE XII. ESTOPPEL STATEMENT, ATTORNMMENT, SUBORDINATION

12.01 Within ten (10) days after request therefor by Landlord, or in the event that upon any sale, assignment or hypothecation of the Leased Premises and/or the land thereunder by Landlord or offset statement shall be required from Tenant;



appoints the Landlord as attorney-in-fact for the Tenant with full power and authority to execute and deliver in the name of the the Tenant any such instruments or certificates.

12.05 Tenant agrees to give any mortgagee of the Shopping Center which may in writing so request a duplicate notice of any letter to Landlord alleging a default by Landlord under this Lease and Tenant agrees that such mortgagee shall thereafter have a reasonable time to correct or cure such default, as well as Landlord, either such performance to be accepted by Tenant.

12.06 Notwithstanding the above, this lease, its terms, conditions and all leasehold interests and rights hereunder, are expressly made, given and granted subject and subordinate to the lien of any bona fide mortgage on the Shopping Center or a portion thereof; provided, however, that said mortgagee enter into a non-disturbance agreement with Lessee obligating any parties acquiring title or right of possession under or by virtue of such mortgage to be bound by this Lease and by all of the Lessee's rights hereunder provided that Lessee is not then in continued default after notice in the payment of rent or otherwise under the terms of this lease as hereafter modified.

ARTICLE XIII. ASSIGNMENT AND SUBLETTING

13.01 Tenant will not assign this Lease in whole or in part, nor sublet all or any part of the Leased Premises, without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld. In the event that Tenant so assigns or sublets this Lease, Tenant shall pay to Landlord all legal fees incurred by Landlord in connection with the negotiation, drafting and/or review by Landlord's attorneys of the terms and provisions of any instrument of assignment or subletting. The consent by Landlord to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting. This prohibition against assigning or subletting shall be construed to include a prohibition against any assignment or subletting by operation of law. If this Lease be assigned, or if the Leased Premises or any part thereof be underlet or occupied by anybody other than Tenant, Landlord may collect rent from the assignee, under-tenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, under-tenant or occupant as tenant, or a release of Tenant from further performance by Tenant of covenants on the part of Tenant herein contained. Notwithstanding the foregoing, Tenant shall have the right to either license or sublease a portion of the Demised Premises to be used for a record department. Notwithstanding any assignment or sublease, Tenant shall remain primarily liable on this Lease during the term of this Lease and any extensions thereof and shall not be released from performing any of the terms, covenants and conditions of this Lease, but Tenant and such assignee shall

thereafter be jointly and severally liable for the full and faithful performance of the obligations of Tenant under this Lease. If the Tenant is a corporation, the sale or transfer of twenty-five (25%) percent or more of its voting stock shall be deemed an assignment of this Article XIII. The preceeding paragraph shall not apply to a ~~public offering of the Tenant's~~ *corporation whose stock* ~~stock.~~ *is traded on any recognized exchange*

ARTICLE XIV. WASTE, GOVERNMENTAL REGULATIONS

14.01 Tenant shall not commit or suffer to be committed any waste upon the Leased Premises or any nuisance or other act or thing which may disturb the quiet enjoyment of any other tenants in the building in which the Leased Premises may be located, or in the Shopping Center.

14.02 Tenant shall, at Tenant's sole cost and expense, comply with all of the requirements of all county, municipal, state, federal and other applicable governmental authorities, now in force, or which may hereafter be in force, pertaining to the said premises, and shall faithfully observe in the use of the premises all municipal and county ordinances and state and federal statutes now in force or which may hereafter be in force.

ARTICLE XV. DESTRUCTION OF LEASED PREMISES

15.01 Landlord agrees that subject to and excepting the provisions of Section 15.02 below, if the Leased Premises shall be damaged by fire or other casualty during the term of this Lease, Landlord shall at its own expense cause the damage to be repaired within a reasonable time after such damage has

occurred. If by reason of such occurrence, the premises are not thereby rendered untenable, the rent shall not be abated. If, however, the premises shall be rendered untenable in part or in whole, the fixed minimum rent shall be abated proportionately to the portion of the premises rendered untenable until such date as Tenant receives exclusive possession of the Leased Premises, at which time the full rent shall be reinstated and payable by Tenant.

15.02 In the event that fifty (50%) percent or more of the Leased Premises shall be damaged or destroyed by fire or other cause during the final twenty-four (24) months of the term of this Lease under which Tenant is then occupying the Leased Premises, either party shall have the right, to be exercised by notice in writing delivered to the other party within sixty (60) days from and after said occurrence, to elect to cancel and terminate this Lease. Upon the giving of such notice, the term of this Lease shall expire by lapse of time upon the thirtieth day after such notice is given, and Tenant shall vacate the Leased Premises and surrender the same to Landlord within thirty (30) days thereafter.

15.03 In the event that thirty (30%) percent or more of the Shopping Center shall be damaged or destroyed by fire or other cause, the Landlord shall have the right, to be exercised by notice in writing, to elect to cancel and terminate this Lease. Upon the giving of such notice, the term of this Lease shall expire by lapse of time upon the thirtieth day after such notice is given and Tenant shall vacate the Leased Premises and surrender the same to Landlord within thirty (30) days thereafter.



ARTICLE XVI. EMINENT DOMAIN

16.01 If the Leased Premises shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, then the term of this Lease shall cease and terminate as of the date of title vesting in such proceeding and all rentals shall be paid up to that date.

16.02 In the event of any taking, partial or whole, under the provisions of Section 16.01, all of the proceeds of such award, judgment or settlement shall be and remain the sole and exclusive property of the Landlord, and Tenant shall not be entitled to any portion of such award, judgment or settlement received by Landlord from such condemning authority. Tenant, however, may pursue its own claim against the condemning authority for any damages or award permitted under the laws of the state in which the Leased premises are located, to be paid to the Tenant without diminution or reduction of the award, judgment or settlement received by Landlord.

ARTICLE XVII. DEFAULT OF THE TENANT

17.01 Any event of a failure of Tenant to pay any rental or additional rental due hereunder within ten (10) days after written notice of default, or any failure to commence and diligently pursue the performance of any other of the terms, conditions or covenants of this Lease to be observed or performed by Tenant for more than twenty (20) days after written notice of default shall have been mailed to Tenant, or if Tenant shall become bankrupt or insolvent, or file any debtor proceedings, or take or have taken against Tenant in any court pursuant to any



statute either of the United States or of any state a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Tenant's property, or if Tenant makes an assignment for the benefit of creditors or petitions for or enters into an arrangement, or if Tenant shall abandon said premises, or suffer this Lease to be taken under any writ of execution shall constitute an act of default to the extent allowed by law and the Landlord shall have such rights or remedies as it may have at law or equity.

17.02      Should Tenant default hereunder and Landlord elect to re-enter and take possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Lease or it may from time to time without terminating this Lease, make such non-structural alterations and repairs as may be necessary in order to relet this premises, and relet said premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Landlord in its discretion may deem advisable; upon each such reletting all rentals received by the Landlord from such reletting shall be applied, first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any costs and expenses of such reletting, including brokerage fees and attorney's fees and

of costs of such non-structural alterations and repairs; third, to the payment of rent due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder. If such rentals received from such reletting during any month be less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. No such re-entry or taking possession of said premises by Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach. Should Landlord at any time terminate this Lease for any breach, in addition to any other remedies it may have, it may recover from Tenant all damages it may incur by reason of such breach, including the cost of recovering the Leased Premises, reasonable attorney's fees, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable rental value of the Leased Premises for the remainder of the stated term, all of which amounts shall be immediately due and payable from Tenant to Landlord.

17.03 In case suit shall be brought for recovery of possession of the Leased Premises, for the recovery of rent or any other amount due under the provisions of this Lease, or because of the breach of any other covenant herein contained on

the part of Tenant to be kept or performed, and a breach shall be established, Tenant shall pay to Landlord all expenses incurred therefor, including a reasonable attorney's fee.

17.04 The parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Leased Premises and/or any claim of injury or damage.

17.05 Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Leased Premises, by reason of the violation by Tenant of any of the covenants or conditions of this Lease or otherwise.

17.06 If Tenant shall fail to pay, after notice when the same is due and payable, any rent or additional rent, such unpaid amounts shall bear interest from the due date thereof to the date of payment, at the rate of twelve (12%) per cent per annum.

ARTICLE XVIII. ACCESS BY LANDLORD

18.01 Landlord or Landlord's agents shall have the right upon reasonable prior notice to Tenant to enter the Leased Premises at all reasonable times to examine the same, and to show them to prospective purchasers of the building, and to make such reasonable repairs, alterations, improvements or additions as Landlord may

deem necessary or desirable, and Landlord shall be allowed to take all material into and upon said premises that may be required therefor, without the same constituting an eviction of Tenant in whole or in part and the rent reserved shall in no way abate while said repairs, alterations, improvements, or additions are being made, by reason of loss or interruption of business of Tenant, or otherwise. During the six (6) months prior to the expiration of the term of this Lease or any renewal term, Landlord may exhibit the premises to prospective tenants or purchasers. Nothing herein contained, however, shall be deemed or construed to impose upon Landlord any obligation, responsibility or liability whatsoever, for the care, maintenance, or repair of the building or any part thereof, except as otherwise specifically provided.

ARTICLE XIX. TENANT'S PROPERTY

19.01 Tenant shall be responsible for and shall pay before delinquency all municipal, county or state taxes assessed during the term of this Lease against any leasehold interest or personal property of any kind, owned by or placed in, upon or about the Leased Premises by the Tenant.

19.02 Landlord shall not be liable for any damage to property of Tenant or of others located on the Leased Premises, nor for the loss of or damage to any property of Tenant or of others by theft or otherwise, except where caused by the negligence of Landlord, its servants, agents or employees, and except to the extent not covered by insurance carried and/or required to be carried by Tenant pursuant to the terms of this Lease.

Landlord shall not be liable for any injury or damage to person or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain, or snow or leaks from any part of the Leased Premises or from the pipes, appliances or plumbing works or from the roof, street or subsurface or from any other place or by dampness or by any other cause of whatsoever nature. Landlord shall not be liable for any such damage caused by other tenants or persons in the Leased Premises, occupants of adjacent property, of the Shopping Center, or the public, or caused by operation in construction of any private, public or quasi-public work. Landlord shall not be liable for any latent defect in the Leased Premises or in the building of which they form a part. All property of Tenant kept or stored on the Leased Premises shall be so kept or stored at the risk of Tenant only.

19.03 Tenant shall give immediate notice to Landlord in case of fire or accidents in the Leased Premises or in the building of which the premises are a part or of defects therein or in any fixtures or equipment.

ARTICLE XX. HOLDING OVER, SUCCESSORS

20.01 Any holding over after the expiration of the term hereof, with the consent of the Landlord, shall be construed to be a tenancy from month to month at the rents herein specified (prorated on a monthly basis) and shall otherwise be on the terms and conditions herein specified, so far as applicable.



20.02 All rights and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several respective heirs, executors, administrators, successors, and assigns of the said parties; and if there shall be more than one tenant, they shall all be bound jointly and severally by the terms, covenants and agreements herein. No rights, however, shall inure to the benefit of any assignee of Tenant unless the assignment to such assignee has been approved by Landlord in writing as provided above in this Lease.

ARTICLE XXI. QUIET ENJOYMENT

21.01 Upon payment by the Tenant of the rents herein provided, and upon the observance and performance of all the covenants, terms and conditions on Tenant's part to be observed and performed, Tenant shall peaceably and quietly hold and enjoy the Leased Premises for the term hereby demised without hindrance or interruption by Landlord or any other person or persons lawfully or equitably claiming by, through or under the Landlord, subject, nevertheless, to the terms and conditions of this Lease, and subject to restrictions and easements or other matters as of record appear.

ARTICLE XXII. MISCELLANEOUS

22.01 The waiver by Landlord of any breach 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 the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding

breach by Tenant of any term, covenants or condition of this Lease, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. No covenant, term or condition of this Lease shall be deemed to have been waived by Landlord unless such waiver be in writing by Landlord.

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

22.03 This Lease and the exhibits and Rider, if any, attached hereto and forming a part hereof, set forth all the covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the Leased Premises and supersede any and all prior agreement and understanding between Landlord and Tenant, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them other than are herein set forth. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by them.

22.04 Landlord does not, in any way or for any purpose, become a partner of Tenant in the conduct of its business, or otherwise, or joint adventurer or a member of a joint enterprise with Tenant. Any provisions of this Lease relating to the percentage rent payable hereunder are included solely for the purpose of providing a method whereby the rent is to be measured and ascertained.

22.05 In the event that either party hereto shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason of a like nature not the fault of the party delayed in performing work or doing acts required under the terms of this Lease, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. The provisions of this Section 22.05 shall not operate to excuse the Tenant from the prompt payment of rent, percentage rent, additional rent or any other payments required by the terms of this Lease.

22.06 Any notice by Tenant to Landlord must be served by certified or registered mail, postage prepaid, addressed to Landlord, c/o Ginsberg Ginsburg & Alderman, at P.O. Box 605, West Haven, Connecticut, 06516, or at such other address as Landlord may designate by written notice.

22.07 Any notice by Landlord to Tenant must be served by ~~certified or registered~~ mail, postage prepaid, addressed to Tenant at 2845 Coney Island Avenue Brooklyn, N.Y. 11235 or at such other address as Tenant may designate by written notice.

GINSBERG, GINSBURG  
& ALDERMAN  
ATTORNEYS AT LAW  
377 MAIN STREET  
P.O. BOX 605  
WEST HAVEN CT 06516

22.08 The captions, section numbers, article numbers, and index appearing in the Lease are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or intent of such sections or articles of this Lease in any way affect this Lease.

22.09 The word "Tenant" shall be deemed and taken up to mean each and every person or party mentioned as a Tenant herein, be the same one or more; and if there shall be more than one Tenant, any notice required or permitted by the terms of this Lease may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. The use of the neuter singular pronoun to refer to Landlord or Tenant shall be deemed a proper reference even though Landlord or Tenant may be an individual, a partnership, a corporation, or a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Landlord or Tenant and to either corporations, associations, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

22.10 If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to person or circumstances other than those as to which it is held invalid or unenforceable shall not effected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by Law.

22.11 The submission of this Lease for an examination does not constitute a reservation of or option for the Leased Premises and this Lease becomes effective as a Lease only upon execution and delivery thereof by Landlord and Tenant.

22.12 Tenant shall not record this Lease, but the parties hereto agree to execute a Notice of Lease drawn in accordance with the statutes of the State of Connecticut.

22.13 This Lease shall be governed by the laws of the State of Connecticut.

ARTICLE XXIII. REAL ESTATE TAXES AND IMPOSITIONS

23.01 Tenant shall be obligated and hereby covenants to pay as additional rent during the term of this Lease Tenant's pro rata share of all real estate taxes (including expenses directly incurred by Landlord in contesting the validity of, in seeking a reduction in, or in seeking to prevent an increase in any such taxes or assessments), water and sewer rentals, duties and/or charges, assessments, levies or other governmental charges, general and special, and all other like impositions or charges, ordinary or extraordinary, of any kind and nature whatsoever, including any tax that may be levied on rents received by Landlord (hereinafter sometimes collectively referred to as "Impositions"), levied or assessed on the Shopping Center or any part thereof or interest therein, or Landlord's interest with respect thereto, or use, occupancy or other possession thereof and the improvements thereon. Tenant's failure to make any such payment of additional rent hereunder shall be deemed a default in the payment of rent, and Landlord shall have the same remedies as herein provided for such default.

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As used in this Section 23.01, Tenant's pro rata share shall be determined by multiplying any Imposition by a fraction the numerator of which shall be the total number of square feet of ground floor area of the Leased Premises, and the denominator of which is the total ground floor area of the gross Leaseable Premises within the Shopping Center. Tenant shall pay to Landlord Tenant's pro rata share within twenty (20) days after receipt from Landlord of a bill therefor. As of the date of this lease the Tenant's pro rata share expressed as a percentage is 100%.

23.02 Tenant shall pay monthly to Landlord, together with the payment of the fixed minimum annual rent, an amount equal to one-twelfth (1/12th) of Tenant's pro rata share of the then current or last determined annual aggregate amount of real estate tax or taxes assessed against the Shopping Center. An initial payment on account of such taxes shall be made together with the first month's rent so that there shall at all times be on deposit with the said Landlord a sum equal to the pro rata amount of Tenant's pro rata share of taxes to become due on the next date for paying taxes. If on the date thirty (30) days prior to the day when any such tax or any installment thereof may be paid without interest or penalty, there shall be insufficient funds in said account to pay said tax or installment thereof, upon Landlord's written demand, the Tenant shall forthwith pay to the Landlord the difference between the amount allocated for the payment of the particular tax, and the amount to be paid. If on said date, there shall be an amount in excess of the amount required to make such payment, such excess shall be credited towards the next succeeding monthly payment. It is agreed and understood that Tenant's monthly tax payment to Landlord pursuant to this Section 23.02 shall initially be in the amount of \$1,471.88.

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P.O. BOX 675  
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The foregoing amount shall be appropriately adjusted to reflect any future increases in the assessment for the Shopping Center, in order that Tenant's monthly tax payment shall at all times be based upon the then current amount of said assessment.

ARTICLE XXIV. RENT

24.01 (a) The fixed minimum annual rent during the first three (3) years of this Lease shall be \$310,860.00 payable in equal monthly installments of \$25,905.00 DOLLARS, on or before the first day of each month in advance, at the office of the Landlord or at such other place designated by Landlord.

(b) The fixed minimum annual rent during the second three (3) years of this Lease shall be \$360,315.00 DOLLARS, payable in equal monthly installments of \$30,026.25, on or before the first day of each month, in advance, at the office of the Landlord or at such other place designated by Landlord.

(c) The fixed minimum annual rent during the third three (3) years of this Lease shall be \$409,770.00 DOLLARS, payable in equal monthly installments of \$34,147.50, on or before the first day of each month, in advance, at the office of the Landlord or at such other place designated by Landlord.

(d) The fixed minimum annual rent during the fourth three (3) years of this Lease shall be \$459,225.00 DOLLARS, payable in equal monthly installments of \$38,268.75, on or before the first day of each month, in advance, at the office of the Landlord or at such other place designated by Landlord.

(e) The fixed minimum annual rent during the fifth three (3) years of this Lease shall be \$508,680.00 DOLLARS, payable in equal monthly installments of \$42,390.00, on or before the first day of each month, in advance, at the office of the Landlord or at such other place designated by Landlord.

24.02 (a) Notwithstanding paragraph 24.01 hereinabove, the fixed minimum annual rent for each subsequent three years of this lease shall be upon the same terms and conditions herein contained, however, the fixed minimum annual rent for each subsequent three year period of this Lease shall be increased over the first year's fixed minimum annual rent by a sum which shall not be less than the sum derived by multiplying a fraction, the numerator of which is the Increase Index and the denominator of which is the Base Index (hereinafter defined) but not less than zero, by the fixed minimum rent for the first year of this Lease.

(b) "BASE INDEX" shall be the Consumer Price Index, All Urban Consumers, All Items (published by the United States Department of Labor, Bureau of Labor Statistics) for the calendar month next preceding the commencement month of this Lease.

(c) "INCREASE INDEX" shall be the difference between the Base Index (defined above) and the month next preceding the commencement of the first month of the next three year period.

(d) If the official monthly "BLS Consumers' Price Index" is not available for use as a cost of living index for the month hereinabove provided for to be used as a basis for the basic rent adjustments, it is agreed that the "BLS Consumers' Price Index" as issued and published for the earliest preceding months should be used in determining such basic rent adjustments.

(e) In the event that at any time during the term hereof the United States Bureau of Labor Statistics shall discontinue the issuance of "BLS Consumers' Price Index," then in such event the parties hereto agree to use any other standard nationally recognized cost of living index then issued and available, which is published by the United States Government.

ARTICLE XXV. ADVANCED RENT

25.01 The Tenant shall upon the execution of the Lease by the parties hereto, deposit with Landlord the sum of ~~Twenty-five THOUSAND AND 00/100 (\$25,000.00)~~ <sup>Twenty-five THOUSAND AND 00/100 (\$25,905.00)</sup> DOLLARS. Said deposit shall be held by said Landlord without liability for interest as security for the faithful performance by Tenant of all the terms of this Lease by said Tenant to be observed and performed and shall be applied by the Landlord toward the payment of the Tenant's rent due for the first two (2) months of the lease.

ARTICLE XXVI. NET LEASE

26.01 This Lease shall be deemed and construed to be a net Lease and, except as herein otherwise expressly provided, the Landlord shall receive the minimum annual rent and additional rent and all other payments hereunder to be made by the Tenant absolutely free from any charges, assessments, impositions, expenses or deductions of any and every kind or nature whatsoever.

ARTICLE XXVII. ANNEXATION

27.01 Landlord reserves the right to annex to and incorporate into the Shopping Center any property contiguous to said Shopping Center, as the same may from time to time be constituted. Landlord further reserves the right to construct buildings or

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& ALDERMAN  
ATTORNEYS AT LAW  
377 MAIN STREET  
P.O. BOX 605  
WEST HAVEN, CT 06516

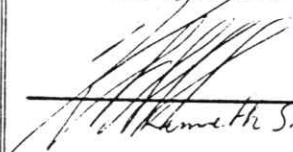
improvements on said contiguous property, to make alterations or additions thereto, to build additional stories on any such building or buildings and to grant to occupants thereof the right to use the common areas of the Shopping Center in common with Tenant and other Tenants leasing space therein. Said annexation shall not interfere with Tenant's use and enjoyment of the Leased Premises.

ARTICLE XXVIII. PYLON SIGN

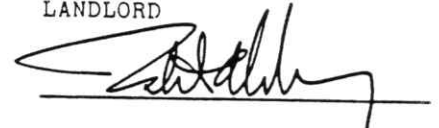
27.01 Landlord shall erect a pylon identification sign for the shopping center and in the event any space is allocated for the identification of Tenants located in the shopping center, the Tenant shall be allocated its pro rata share of signage.

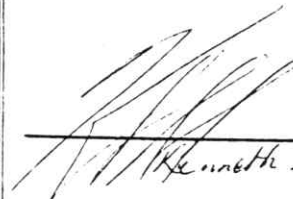
IN WITNESS WHEREOF, Landlord and Tenant have respectively signed and sealed as of the day and year first above written.

Signed, Sealed and Delivered  
in the Presence of:

  
Kenneth S. Ginsberg

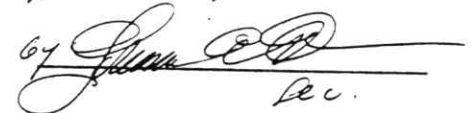
LANDLORD



  
Kenneth S. Ginsberg

TENANT

HAMDEN Audio DISTRIBUTORS, Inc

by   
Dec.

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& ALDERMAN  
ATTORNEYS AT LAW  
377 MAIN STREET  
P.O. BOX 605  
WEST HAVEN, CT 06516

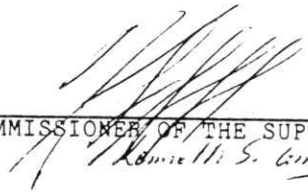


STATE OF CONNECTICUT )  
COUNTY OF NEW HAVEN )

ss: *West Haven*

On this the *17<sup>th</sup>* day of *March*, 1986,  
before me, the undersigned officer, personally appeared  
*Secretary*, who acknowledged himself to be the  
of *Henderson Audio Distribution, Inc.*, a  
corporation, and that he as such *Secretary*,  
being authorized so to do, executed the foregoing instrument for  
the purposes therein contained, by signing the name of the cor-  
poration by himself as *Secretary*.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

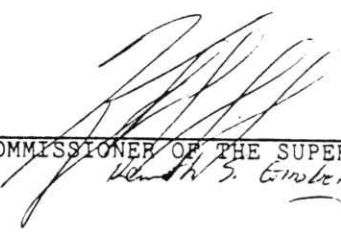
  
COMMISSIONER OF THE SUPERIOR COURT  
*Kenneth S. Ginsberg*

STATE OF CONNECTICUT )  
COUNTY OF NEW HAVEN )

ss: *West Haven*

On this the *17<sup>th</sup>* day of *March*, 1986,  
before me, the undersigned officer, personally appeared  
*Robert A. Ginsburg* known to me, or satisfactorily  
proven, to be the person whose name is subscribed to the within  
instrument and acknowledged that he executed the same, for the  
purposes therein contained, as his free act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

  
COMMISSIONER OF THE SUPERIOR COURT  
*Kenneth S. Ginsberg*

GINSBERG, GINSBURG  
& ALDERMAN  
ATTORNEYS AT LAW  
377 MAIN STREET  
P.O. BOX 605  
WEST HAVEN, CT 06516

GUARANTY

WHEREAS, the Landlord would not enter into the attached Lease with Hamden Audio Distributors Inc

as Tenants, unless the undersigned guarantees the Tenant's performance; under the terms of said Lease and

WHEREAS, the undersigned requested the Landlord to enter into the Lease with the Tenant; and

WHEREAS, the undersigned has a substantial interest in making sure that the Landlord rents the Premises to the Tenant.

IN CONSIDERATION of the Landlord leasing the premises to the Tenant, One Dollar and other valuable considerations, the undersigned guarantees the full performance of the Lease by the Tenant.

This Guaranty is absolute and without any condition. It includes, but is not limited to, the payment of rent and other money charges.

In addition, the undersigned agrees to these other terms:

(a) This Guaranty will not be affected by any change in the Lease, whatsoever. This includes, but is not limited to, any extension of time or renewals. The Guaranty will bind the undersigned even if it is not a party to these changes.

(b) The Guarantor does not have to be informed about any default by Tenant and it waives notice of nonpayment or other default.

(c) If the Tenant defaults, the Landlord may require the guarantor to perform without first demanding that the Tenant perform.

(d) The guarantor gives up its right to trial by jury in any claim related to the Lease or this Guaranty.

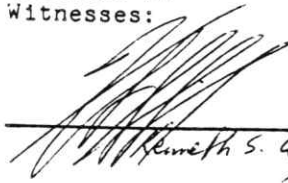
(e) This Guaranty can be changed only by written agreement signed by all parties to the Lease and this Guaranty.

The Guaranter shall be obligated to perform hereunder for a maximum total period of sixty (60) months and shall not exceed said period.

Dated at

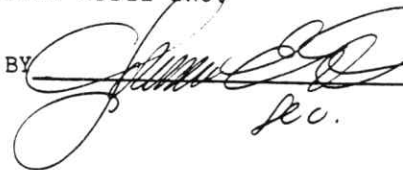
this 17<sup>th</sup> day of March, 1986

Executed at  
Witnesses:

  
Kenneth S. Ginsberg

GUARANTOR:  
CRAZY EDDIE INC.

BY

  
Sec. (L.S.)

STATE OF Connecticut )  
COUNTY OF New Haven ) ss: West Haven

On this the 17<sup>th</sup> day of March, 1986, before me, the undersigned officer, personally appeared Robert Solomon Antler who acknowledged himself to be Secretary of Handen Audio Distributors, Inc. a corporation, and that as such Secretary being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Secretary

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

  
NOTARY PUBLIC

Kenneth S. Ginsberg  
Commissioner of Superior Court

KINSBERG, GINSBURG  
& ALDERMAN  
ATTORNEYS AT LAW  
377 MAIN STREET  
P.O. BOX 605  
WEST HAVEN CT 06516

EXHIBIT B

WORK TO BE PERFORMED BY LANDLORD

1. Premises to be delivered in "broom clean" condition with all equipment and trade fixtures of former tenant removed.

WORK TO BE PERFORMED BY TENANT

- A. Wall finish.
- B. Interior partitions and walls.
- C. All interior lighting.
- D. Floor finish.
- E. Plumbing fixtures and interior piping.
- F. Electric - interior wiring, including all plugs, switches and lighting.
- G. Signage (subject to Landlord's approval)
- H. Bathrooms (existing bathrooms to be left in place by Landlord.
- I. Exterior remodelling (subject to Landlord's approval.)

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& ALDERMAN  
ATTORNEYS AT LAW  
377 MAIN STREET  
P.O. BOX 605  
WEST HAVEN, CT 06516





THIS INDENTURE OF LEASE,\* made on the \_\_\_\_\_ day of February, 19\_\_\_\_, by and between JAMES A. FIEBER, as TRUSTEE with an office and principal place of business at 175 Drum Hill Road, Wilton, Connecticut 06897 (hereinafter the "Landlord"), and CRAZY EDDIE, INC.<sup>1</sup> having its principal place of business at 2845 Coney Island Avenue, Brooklyn, New York 11235 (hereinafter the "Tenant"),

WITNESSETH:

ARTICLE I

DEMISE, BROKER AND USE

1.1 Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease, that certain space having an approximate width of 60 feet and an approximate depth of 120 feet, situated within the Center, (as hereinafter defined) in the area cross-hatched on Exhibit A. The premises are demised together with the right to use the Common Areas hereinafter described, and with the basement space which will be located directly under Tenant's premises.

1.2 Reserved Rights: Landlord reserves the right at any time to make alterations or additions to any building in the Center shown on Exhibit A; to build additional stories thereon; to construct buildings or improvements in the Center not shown on Exhibit A; to change from time to time the size, location and nature of the Common Areas, or to build a greater or lesser area of the buildings shown on Exhibit A; to erect, install, maintain, use, repair and replace pipes, cables, ducts, conduits, plumbing, vents, wires and appurtenant fixtures leading in, to and through the Premises in locations which shall not materially interfere with tenant's use thereof.

1.3 Common Areas: Common Areas shall mean and include all gutters, downspouts and canopies of buildings in the Center (excepting as below provided) and all entrances, exits, driveways, service roads, sidewalks, landscaping, outdoor and traffic lighting facilities, pylon signs, curbing, parking areas and all other improvements in the Center which are intended for the Common use of all of the owners of land or tenants within the Center. The roof, gutters, downspouts and canopies of any building in the Center leased to any other tenant who is responsible (except for fire or other casualty) for repair, maintenance and/or replacement such roof, gutters, downspouts and canopies, shall be excluded from the Common Areas.

1.4 "Center" shall mean the land described on Exhibit B, annexed hereto, together with all improvements, structures and/or buildings now or hereafter located thereon during the term of this Lease, or as they or any part thereof may, from time to time, be reduced by eminent domain takings or dedications to public authorities or disposition or demolition by Landlord, and "Building" shall mean the building in which the Premises are located.

1.5 "Broker" -

1.6 "Permitted Use" - shall mean the only use for which the Premises may be used, which shall be as a store commonly known as Crazy Eddie's. Tenant shall not sell alcoholic beverages or prescription drugs on the Premises.

ARTICLE II

TERM

2.1 Term. The "Term" or "Lease Term" of this Lease shall be 20 years. The Commencement Date of the Term shall be either (a) ten (10) days after the estimated date of Substantial Completion of Landlord's Work as set forth in a notice from Landlord to Tenant, or (b) the date Tenant opens for business in the Premises, whichever date shall sooner occur; or if Landlord's Work is substantially completed before or after the date estimated in the notice from Landlord to Tenant referred to above, then and in such event, the Commencement Date of the Term shall be (a) thirty days after the actual date of Substantial Completion of Landlord's Work, or (b) the date Tenant opens for business in the Premises, whichever date shall sooner occur. "Substantial Completion" of Landlord's Work as used herein shall mean that the work to be performed by Landlord pursuant to Exhibit C has been completed with the exception of minor items which can be fully completed within ten (10) days without material interference with Tenant. When the dates of the beginning and end of the Lease Term have been determined such dates shall be evidenced by a document in form for recording executed by Landlord and Tenant and delivered each to the other.

-1-

\* Lease is subject to Landlord obtaining applicable permits to commence construction. Lease is subject to Landlord obtaining applicable use permit from appropriate governmental agencies.

\*\* Store square footage 7,123.3. Tenant understands that Landlord has applied to the appropriate governmental bodies for a variance to increase the square footage in the structure in the center. Tenant agrees to lease from Landlord additional square footage resulting from a successful application for a variance up to 1500 square feet.

1 Tenant is hereby given the right to conduct its business under an assumed name or under another corporate entity at the demised premises so long as such corporate entity is a wholly owned subsidiary of the Tenant and abides by all of the terms and conditions hereof,



2.2 Notwithstanding Section 2.1 hereof in the event this Lease does not pertain to the initial occupancy by any tenant of the Premises the Premises shall be delivered "as is" and the Commencement Date of the Term shall be the day following the day on which the prior tenant vacates the Premises, provided that Landlord shall have given Tenant at least ten (10) days prior notice estimating when such vacation will occur.

2.3 Notwithstanding the provisions of Sections 2.1 and 2.2 hereof, in the event the Commencement Date shall fall on other than the first day of a calendar month, there shall be added to the term the balance of such month.

### ARTICLE III IMPROVEMENTS

3.1 Landlord's Work. Unless the Premises have been previously occupied in which event the Landlord shall be delivered "as is", Landlord shall have no responsibility to do any work not set forth in Exhibit C and no credits shall be allowed to Tenant for any modifications to Exhibit C requested by Tenant and approved by Landlord. All such work shall be done in a good and workmanlike manner employing good materials and so as to conform to all governmental requirements. Landlord's Work shall be deemed approved by Tenant when Tenant opens for business in the Premises except for the items of Landlord's Work which are uncompleted or do not conform to Exhibit C and as to which in either case Tenant shall have given written notice to Landlord prior to such opening. If Landlord shall for any reason have failed to substantially complete the construction of Landlord's Work on or before the expiration of twenty-four (24) months from the date of the execution of this Lease by Landlord and Tenant, Landlord or Tenant shall have the right to terminate this Lease by giving written notice of such termination to the other within thirty (30) days after expiration of such twenty-four (24) month period; and if such notice be given, this Lease shall thereupon terminate. Such right of termination shall be the only remedy, either at law or in equity, available to Tenant in the event of Landlord's failure to complete at the time above specified.

3.2 Tenant's Work. Tenant agrees that it will within ten (10) days after the execution of this Lease submit to Landlord for Landlord's approval, which will not be unreasonably withheld, two (2) complete sets of plans and specifications outlining in detail the construction to be performed by Tenant (Tenant's Work). If Landlord fails to disapprove such plans or specifications within thirty (30) days after receipt thereof, the same shall be deemed approved. Such approval shall not constitute a waiver by Landlord of any requirement under this Lease that Tenant perform Tenant's Work in accordance with all applicable laws, ordinances, rules or regulations affecting the same nor shall such approval impose any liability or responsibility upon Landlord for the legality or adequacy of such plans and specifications. Tenant agrees that within five (5) days after it receives a notice from Landlord that the premises are so completed as to permit Tenant to commence Tenant's Work, it will enter the Premises and perform Tenant's Work so as to ready the Premises for opening within thirty (30) days following such notice. Tenant shall perform its work in such manner as not to interfere with any work being done by or for Landlord in the Premises or elsewhere in the Center. Tenant shall keep the Premises free and clear of debris caused by construction of Tenant's Work. If Landlord is delayed in commencing or completing Landlord's Work by reason of the failure of Tenant to timely submit plans and specifications as above provided or to timely commence and complete Tenant's Work, Tenant shall pay to Landlord 1/360 of the Annual Fixed Rent and annual additional rent payable by Tenant under this Lease for each day Landlord is so delayed. Except as provided in the preceding sentence, during the period of occupancy of the premises by Tenant prior to the Commencement Date, no Fixed Rent or additional rent shall accrue or be payable, but otherwise such occupancy shall be subject to all the terms, covenants and conditions contained in this Lease. With respect to Tenant's Work or Tenant's Alterations referred to in Section 3.3, Tenant agrees as follows: (a) Tenant shall not employ any persons on the Premises in connection with any such alteration or construction work, the employment of which would cause a strike, stoppage or slowdown by an employee of any contractor or subcontractor engaged in construction of the Center; (b) Tenant agrees to employ for such work one or more responsible contractors whose labor will work in harmony with other labor working in the Center; to cause such contractors employed by Tenant to carry Workmen's Compensation Insurance in accordance with statutory requirements and Comprehensive Public Liability Insurance covering such contractors on or about the Premises in amounts not less than \$1,000,000 single combined limit, which policy shall name Landlord as an additional insured and to submit certificates evidencing such insurance coverage to Landlord prior to the commencement of such work; and (c) Tenant shall not consent to the reservation of any title by any conditional vendor to any property purchased by Tenant in the Premises which may be affixed to the realty so as to become a part thereof.

3.3 Tenant's Alterations. Subject to the prior written consent of Landlord, and to the provisions of this Article, Tenant at Tenant's expense may make alterations, installations, additions or improvements, which are non-structural and which do not affect utility services or plumbing and electrical lines, in or to the interior of the Premises. All improvements made by or on behalf of Tenant shall become the property of Landlord and shall remain upon and be surrendered with the Premises unless Landlord, by notice to Tenant no later than twenty (20) days after the termination of this Lease, elects to have them removed by Tenant; in such event, the same shall be removed from the premises by Tenant forthwith, at Tenant's expense. Nothing in this Article shall be construed to prevent Tenant's removal of trade fixtures which are not affixed to the Premises or upon removal of any such trade fixtures from the premises or upon removal of other installations as may be required by Landlord, Tenant shall immediately and at a sole expense, repair and restore the Premises to the condition existing prior to installation and repair any damage to the Premises or the Building due to such removal.



3.4 Permits, Insurance, Mechanics Liens. Tenant, before undertaking any Tenant's Work or making any alterations, installations or improvements permitted under Section 3.3 above, shall, at its expense, obtain all permits, approvals and certificates required by any governmental or quasi-governmental bodies necessary or required in connection with Tenant's Work, use of the Premises or occupancy thereof, and upon completion shall deliver promptly duplicates of all such permits, approvals and certificates to Landlord. Tenant agrees to abide by and conform to any and all laws, ordinances, rules and regulations, federal, state or local (including, without limitation, federal Occupational Safety Hazards Act (OSHA), as the same may from time to time be amended); and shall hold the Landlord harmless from any cost, suit or expense arising out of any alleged violation of Tenant's obligations hereunder, including without limitation any penalties, assessments, interest or attorneys' fees charged by Landlord. In connection with any of the foregoing, Tenant agrees to carry and will cause Tenant's contractors and subcontractors to carry such workman's compensation, general liability, personal and property damage insurance as Landlord may require in addition to the specific insurance referred to in this Article 3. If any mechanic's lien is filed against the Premises, or the Building, for the work claimed to have been done for, or materials furnished to Tenant, the same shall be discharged of record at Tenant's expense within ten (10) days after request from Landlord.

#### ARTICLE IV

##### RENT

("Fixed Rent")

4.1 Fixed Rent. Tenant covenants and agrees to pay an annual fixed minimum rent to Landlord in equal monthly installments, in advance, on the first day of each calendar month at the address of Landlord set forth in Article XIII or such other place as Landlord may by notice in writing to Tenant from time to time direct, the following amounts and at the following times without any prior demand therefor and without deduction or offset except as specifically provided in this Lease:

SEE SCHEDULE OF RENT ATTACHED HERETO

Fixed Rent for less than a full year or full month shall be pro-rated

4.2 Definition of Lease Year. "Lease Year" shall mean, in the case of the first Lease Year, the twelve full calendar months plus the partial month, if any, following the Commencement Date. Thereafter, "Lease Year" shall mean each successive twelve calendar month period following the expiration of the first Lease Year, except that in the event of the termination of this Lease on any day other than the last day of a Lease Year, then the last Lease Year shall be the period from the end of the preceding Lease Year to such date of termination.

4.3 Late Payments of Rent. If any installment/Fixed Rent or additional rent is paid after more than ten (10) days after the date the same was due, it shall bear interest at the highest annual legal rate allowable, but not in excess of eighteen (18%) percent per annum, computed from the due date to the date of payment.

4.4 ~~Percentage Rent to be paid by Tenant shall be as follows:~~  
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~~Percentage Rent to be paid by Tenant shall be as follows:~~

##### ARTICLE V

##### REAL ESTATE TAXES

or "real estate taxes"

5.1 Definition of Real Estate Taxes. "Real Estate Taxes" shall mean all real estate and ad valorem taxes, special and general assessments, water and sewer rents, taxes, and assessments, school taxes, and other governmental impositions and charges of every kind and nature whatsoever, extraordinary as well as ordinary, foreseen and unforeseen, and each and every installment thereof, which shall or may during, or with respect to, the Term, be levied, assessed, imposed, become or have become due and payable; or liens upon, or arising in connection with the occupancy or possession of, or growing due or payable out of or for, the Center or any part thereof, or any land, buildings or other improvements therein or thereupon. Such term shall include any charge, such as a water meter charge and the sewer rent based thereon, unless measured by the consumption by the actual user of the item or service for which the charge is made and billed separately to tenants of the Center. Whether or not Landlord shall take the benefit of the provisions of any statute or ordinance permitting any assessment for public betterments or improvements to be paid over a period of time, Landlord shall, nevertheless, be deemed to have taken such benefit and the term "taxes" shall include only the current annual installment of any such assessment and the interest on unpaid installments. A tax bill or copy thereof submitted by Landlord to Tenant shall be conclusive evidence of the amount of a tax or installment thereof. Nothing herein contained shall be construed to include as Real Estate Taxes, any inheritance, estate, succession, transfer, gift, franchise, corporation, income or profit tax or capital levy that is imposed upon Landlord; provided, however, that, if at any time during the Term the methods of taxation prevailing at the execution of this Lease shall be altered so that in lieu of or as a substitute for or in addition to the whole or any part of the taxes levied, assessed or imposed on real estate as such there shall be levied, assessed or imposed (i) a tax on the rents received from such real estate, or (ii) a license fee measured by the rents received by Landlord from the Center or any portion thereof, or (iii) a tax or license fee imposed upon Landlord which is otherwise measured by or based in whole or in part upon the Center or any portion thereof, then the same shall be included in the computation of real estate taxes hereunder, computed as if the amount of such tax or fee so payable were that due if the Center were the only property if Landlord subject thereto.

5.2 "Tax Rates" shall be the levy per \$1,000 of assessed valuation as imposed by each of the taxing authorities affecting the Real Property; and "Base Tax Rate" with respect to each Tax, shall mean the respective Tax Rates in effect on the date of this Lease.

5.3 "Tax Year" means the fiscal period for each Tax affecting the Real Property, whether based on a calendar or fiscal year or both, and "Base Tax Year" with respect to each Tax affecting the Real Property shall mean the Tax Year in effect on the signing of this Lease if the Building shall have been assessed by the respective taxing authority as a completed Building, or if not, the Tax Year in which the Building shall first be so assessed by the respective taxing authority ("Base Assessment").

5.4 "Tenant's Pro Rata Share" shall mean a fraction, the numerator of which is the area of the Premises and the denominator of which is the area of all buildings assessed on the tax bill covering the Center.

5.5 "Tenant's Building Share" shall be applicable only if the Building is assessed separately from other buildings in the Center, and shall mean a fraction, the numerator of which is the area of the Premises and the denominator of which is the area of the Building.

5.6 Payment of Increases in Taxes. Tenant shall pay the Landlord as additional rent, 100% of Taxes, which additional rent shall be computed and paid as follows:

(i) The respective "Base Year Taxes" shall mean the respective Base Tax Rate multiplied by the respective Base Assessment.

(ii)\* If any of the respective Taxes payable during any Tax Year subsequent to the Base Tax Year shall for any reason exceed the respective Base Year Tax, Tenant shall pay to Landlord as additional rent Tenant's Pro Rata Share or Tenant's Building Share, as applicable, of such excess. Such payment of additional rent shall be made within ten (10) days after the rendition of a statement from Landlord to Tenant setting forth the amount of additional rent due. If Landlord shall receive a refund for any Tax Year for which payment of additional rent shall have been made by Tenant, Landlord shall pay to Tenant Tenant's Pro Rata Share or Tenant's Building Share, as applicable, of such refund (including any interest paid on such refund by the taxing authorities), not in excess of the amount of additional rent paid by Tenant on account of such Tax Year, after deducting from such refund and interest the reasonable costs and expenses (including experts' and attorneys' fees) of obtaining such refund.

(iii) If any Tax Year in effect at the expiration of the Term extends beyond the expiration date, the increase, or refund, if any, shall be prorated to said expiration date.

5.7 Taxes on Tenant Improvements. In addition to the foregoing, Tenant shall pay one hundred (100%) percent of any Real Estate Taxes attributable solely to Tenant's Work or Tenant's Alterations. If the tax records of the City of Stamford specifically designate which portion of the real estate taxes upon the Center are attributable solely to Tenant's Work or Tenant's Alterations, Tenant agrees to furnish to the Landlord a list of the items constituting Tenant's Work or Tenant's Alterations, together with the cost thereof; and Tenant agrees to pay to the Landlord as additional rent in each Tax Year an amount equal to the taxes assessed upon such improvements described as Tenant's Work or Tenant's Alterations computed on the basis of the cost of such improvements (as adjusted by any equalization evaluation used by the taxing authorities) multiplied by the rate of taxation imposed against the Center for each Tax Year.

\* Tenant shall pay to Landlord one hundred percent (100%) of Tenant's Base Year Taxes and one hundred percent (100%) of Tenant's ratable share of tax increases during the lease term, which share shall be computed according to Section 5.4 above.



5.8 If at any time prior to the establishment of the Base Year Taxes the taxing authorities change the standards or methods utilized in arriving at Taxes, then and in such event calculations under Section 5.6 shall be made by applying such factor or factors to the new standards or methods as may be necessary to make the calculation of increases under Section 5.6 on the same basis as that in effect on the date of execution of this Lease.

5.9 In the event that, at any time, the Center is assessed for Tax purposes with other property owned by Landlord, and the taxing authorities are unwilling to separately assess or tax the properties, the tax ascribable to the Center shall be such portion of the Tax on the entire properties as the value of the Center bears to the value of the entire properties, as such values are determined by the Assessor of the municipality in which the Center is located. An informal apportionment by such Assessor of the total assessment to such Real Property shall be binding upon the parties hereto.

## ARTICLE VI COMMON AREAS

6.1 Common Areas Operation. Landlord, at its own expense, shall at all times during the term of this Lease or any extension or renewal thereof, maintain or cause to be maintained the parking areas, roadways, driveways, walkways, landscaping and other facilities located in the Center which are intended for the common use of all of the owners of land or lessees within the Center, their tenants, invitees and licensees, in good repair and in a safe condition, reasonably clean and free of rubbish, debris, ice, snow or other hazards to persons using the same. Landlord shall operate, manage, equip, light, stripe, repair, replace and maintain the Common Areas for their intended purposes. Except as herein provided or as provided in Section 10.6 hereof, Landlord shall have no responsibility to make any repairs to any portion of the Center. Landlord shall not be liable for any inconvenience or interruption of business or other consequences resulting from the making of repairs, replacements, improvements, alterations or additions or from the doing of any other work, by or at the direction of Landlord, to or upon any of such Common Areas, or from delay or failure to perform such maintenance, snow removal or other work with respect to such Common Areas, where such delay or failure is attributable to strikes or other labor services, or from any cause beyond Landlord's reasonable control. Landlord shall have no duty to furnish police services (public or private) in connection with traffic control or circulation. Tenant agrees to remove snow and ice from any exterior sidewalk in front of the Premises and to keep said walk clean and free of dirt and debris.

\* and except for structural repairs to any buildings in the Center not resulting from any fault, negligence or misuse by Tenant or any other tenant in the Center,



6.2 Operating Costs. Tenant shall pay to Landlord as additional rent, Tenant's Pro Rata Share of "Operating Costs" of operating and maintaining the Common Areas during the term of this Lease. "Operating Costs" shall mean the following: All amounts actually paid by Landlord for operating, maintaining and repairing the Common Areas including, without limitation, cleaning, snow, ice, trash, garbage and other refuse removal; cost and expense of gardening and landscaping, including planting, replanting, and replacing flowers and landscaping; the cost of all Landlord's insurance including bodily injury, public liability, property damage liability, vehicle and sign insurance and other insurance carried by Landlord for the Common Areas; water and sewer charges (except to the extent that Landlord is reimbursed by other tenants); Taxes as defined in Section 6.2 except to the extent otherwise provided for; repairs; restriping parking areas; resurfacing parking areas; painting; rental and maintenance of traffic and directional signs and equipment; lighting; sanitary control; all electrical, water, or other utility charges serving the Common Areas, policing and regulating traffic and the cost of personnel to implement such services, reasonable depreciation of machinery and equipment necessary for such operation and maintenance; unemployment, social security, personal property, sales and use taxes, material, supplies, and services purchased and employed for the maintenance of the Common Areas, cost of rental of any equipment for the maintenance and operation of the Common Areas, and all other similar costs properly chargeable to such operation and maintenance. ~~Excluded from Operating Costs shall be those~~ Excluded from Operating Costs shall be those\*

6.3 Tenant's Share of Common Area Charges and Payment Thereof. Tenant's Pro Rata Share of the Operating Costs shall be an amount equal to the total Operating Costs multiplied by a fraction, the numerator of which shall be the total gross square feet of floor area in the Premises measured from the exterior surfaces of exterior walls and the center line of party or partition walls and the denominator of which shall be the aggregate gross square feet of floor area in the Center measured from the exterior surfaces of exterior wall and the center line of party or partition walls. The annual charge to Tenant shall be paid in monthly installments on the first day of each calendar month in advance in an amount estimated by Landlord during the first year of the term, and thereafter in an amount equal to one-twelfth (1/12th) of the operating costs during the preceding year. Within ninety (90) days after the end of each calendar year Landlord shall furnish Tenant an annual statement in reasonable detail of the actual Operating Costs paid or incurred by Landlord or its designee(s) during such period prepared in accordance with sound accounting practices by Landlord and/or Landlord's designee(s) or accountant(s) and signed and certified by an officer or partner of Landlord or its designees and thereupon there shall be an adjustment between Landlord and Tenant within ten (10) days thereafter with payment by Tenant or Landlord, as the case may require, to the end that Landlord shall receive the entire amount of Tenant's Pro Rata share of such Operating Costs for such period. Tenant shall have the right to audit Landlord's books and records pertaining to Operating Costs to ascertain the correctness and propriety of such charges, provided such audit is made within six (6) months after the annual statement is submitted by Landlord to Tenant and is limited to the period covered by such statement.

6.4 Control of Common Areas. The Common Areas shall at all times be subject to the exclusive control and management of Landlord and may be expanded, contracted or changed by Landlord from time to time as deemed desirable. Subject to reasonable, non-discriminatory rules and regulations to be promulgated by Landlord, the Common Area is hereby made available to Tenant and its employees, agents, customers and invitees for their reasonable non-exclusive use in common with other tenants, their employees, agents, customers, invitees and Landlord for the purposes for which constructed. Landlord shall have the right to change the areas, location and arrangement of parking areas and other Common Areas; to enter into, modify and terminate easements and other agreements pertaining to the use and maintenance of the Common Area; to restrict parking by tenants, their officers, agents and employees to designated areas within the Common Area; to close all or any portion of the Common Area to such extent as may, in the opinion of Landlord's counsel be necessary to prevent a dedication thereof or the accrual of any rights to any person or to the public therein; to close temporarily any or all portions of the Common Areas to discourage non-customer parking; and to do and perform such other acts in and to said areas and improvements as, in the exercise of good business judgment, Landlord shall determine to be advisable with a view to the improvement of the convenience and use thereof by tenants, their officers, agents, employees and customers. Landlord reserves the right in its sole discretion to change, re-arrange, alter, modify, or supplement any or all of the Common Areas designed for the common use and convenience of all tenants so long as adequate facilities in common are made available to the Tenant herein.

6.5 Tenant Parking. Tenant shall require its employees to park their cars only in those portions of the Common Areas designated from time to time for that purpose by Landlord. Tenant shall furnish Landlord with State automobile license numbers assigned to Tenant's car or cars and cars of its employees within five (5) days after taking possession of the Premises and shall thereafter notify Landlord of any changes within five (5) days after such change.

\*6.2 Continued - structural repairs for which Landlord is responsible under section 6.1 hereof, but all other repairs to the Center which Landlord shall make (other than those charged to any tenant in the Center) shall be included in Operating Costs. Also included shall be fifteen (15%) percent of all of the foregoing costs in this Section 6.2 to cover Landlord's administrative supervision, overhead and general conditions costs. Further, and notwithstanding Section 1.3 hereof, when used in Sections 6.2 and 6.3 hereof, "Common Areas" shall mean and include all parts of the Center, except when the cost or expense in question is of such a nature that under the terms of this Lease, had this lease been applicable, it would have constituted an item of Landlord's Work under Exhibit C or it would have constituted an item for which Tenant would be responsible for payment.



occurs. In the event Landlord is limited or precluded from maintaining the Common Areas as otherwise required hereunder because of Tenant's failure to enforce the foregoing obligation, Landlord shall be relieved of such responsibility to the extent thereof.

## ARTICLE VII UTILITIES AND SERVICES

7.1 Utilities and Charges Therefor. From and after the Commencement Date set forth in Section 2.1 of the Lease or from and after the date Tenant enters the Premises for purposes of beginning the construction of Tenant's Work, whichever date shall sooner occur, Tenant agrees to pay, as additional rent, all charges for water, gas, electric, telephone and any other utilities used or consumed in the Premises. Landlord is hereby granted the authority by Tenant upon such date to change any meters in the Premises for such utilities to Tenant's name. Landlord shall be under no obligation to construct any such utilities except as provided in Exhibit C and Landlord shall not be liable for any interruptions or failure in the supply of any such utilities to the Premises nor shall any such interruptions or failure entitle Tenant to an abatement of rent. If no separate water meter is installed in the Premises, Tenant shall pay to Landlord a portion of the water charges billed to Landlord for the building, either on a submeter basis or on such other equitable basis as Landlord shall determine. Tenant agrees it will at all times keep sufficient heat in the Premises to prevent the pipes therein from freezing, and that it shall, at its cost, keep and maintain in good condition, and repair, the heating, air-conditioning and other facilities serving the Premises.

## ARTICLE VIII TENANT'S ADDITIONAL COVENANTS

8.1 Affirmative Covenants. Tenant covenants at its expense at all times during the Lease Term and such further time as Tenant occupies the Premises or any part thereof:

8.1.1 Intentionally Omitted.

8.1.2. Conduct of Business. To conduct its business at all times in a high-grade and reputable manner so as to maintain a high reputation for the Center; except when and to the extent that the Premises are untenable by reason of damage by fire or other casualty, to use for the Permitted Use all of the Premises; to carry a full and complete stock of merchandise; not to install coin-operated vending machines or similar devices for the sale of goods or services; to maintain adequate trained personnel for efficient service to the customers; to keep open for business during all business hours on all business days when other stores containing a majority of the selling floor area in the Center or other similar shopping centers in the area of the Center are open for business.

8.1.3. Rules and Regulations. To comply with the following rules and regulations, as the same may be rescinded, altered, modified or amended by Landlord from time to time:

(a) Tenant shall not affix or maintain upon the glass panes and supports of the show windows (and within twenty-four [24] inches of any window), doors and the exterior wall of the Premises, or any place within the Premises if intended to be seen from the exterior of the Premises, any signs, advertising placards, names, insignia, trademarks, descriptive material or any other such like item or items without the prior written approval of Landlord; and Landlord shall have the right, without giving prior notice to Tenant and without any liability for damage to the Premises reasonably caused thereby, to remove any of the same from the Premises, except such as shall have first received written approval of Landlord as to the size, type, color, location, copy, nature and display qualities. \*

(b) No awning or other projections shall be attached to the outside walls of the Premises or the building of which they form a part without, in each instance, the prior written consent of Landlord.

(c) All loading and unloading of goods shall be done only at such times, in the areas, and through the entrances, designated for such purpose by Landlord.

(d) All garbage and refuse shall be kept in the kind of container specified by Landlord, and shall be placed outside of the Premises as required by the Landlord, prepared for collection in the manner and at the times and places specified by Landlord. If Landlord shall provide or designate a service for collection or refuse and garbage, Tenant shall use same, at Tenant's expense, provided the cost thereof is competitive to any identical service available to Tenant.

(e) No radio or television aerial shall be erected on the roof or exterior walls of the Premises without the prior written consent of Landlord. Any aerial so installed shall be subject to removal without notice at any time and any damage to the wall or roof caused by such removal shall be the responsibility of Tenant. \*\*

(f) No loudspeakers, televisions, phonographs, radios, flashing lights or other devices shall be used in a manner so as to be heard or seen outside of the Premises without the prior written consent of Landlord.

(g) No auction, fire, bankruptcy or selling-out sales shall be conducted on or about the Premises without the prior written consent of the Landlord.

\* Tenant is hereby granted permission to erect a sign on the exterior of the premises and the return (side) thereof using its national logo and colors. Any and all signage shall be subject to local municipal approval, rules, regulations and ordinances pertaining thereto and shall comply therewith. Tenant may make use of any signs to the fullest extent permitted by law. In addition, Tenant may place any signs on the windows of the premises which shall not be limited in size but which shall comply with all local laws and which shall be professionally made.

\*\* Tenant is hereby granted permission to erect a television antenna and a satellite dish, antenna on the roof of the premises in an area to be agreed upon with the Landlord and its roofer. Any such antennas shall comply with any local laws pertaining thereto.

Tenant shall be granted its proportional share of space on any pylon sign, if existing, or, on any pylon sign which may later be constructed on the premises



(h) Tenant shall keep Tenant's display windows illuminated and the signs and exterior lights lighted each and every day of the term hereof during the hours designated by Landlord.

(i) The outside areas immediately adjoining the Premises shall be kept clear at all times by Tenant and Tenant shall not place nor permit any obstructions, garbage, refuse, merchandise or displays in such areas.

(j) Except as specifically approved by Landlord in writing, nothing is to be attached or placed on the roof or exterior wall of the Premises nor shall Tenant place any sign or obstruction of any kind in the Common Areas.

(k) Tenant shall use, at Tenant's expense, such pest extermination contractor as Landlord may direct and at such intervals as Landlord may require, providing the cost thereof is competitive to any similar service available to Tenant.

(l) Tenant, its employees and/or its agents, shall not solicit business in the parking or other joint use areas, nor shall Tenant, its employees and/or agents, distribute any handbills or other advertising matter in or on automobiles parked in the parking or other joint use areas.

(m) In the event Landlord installs a sprinkler alarm system and fire alarm system for the protection of Tenant and/or the Center, Tenant agrees to pay its Pro Rata Share of the charge, as said term is defined in Section 6.3 of this Lease, provided, however, that the area of any building in which the tenant thereof supplies its own sprinkler alarm system and fire alarm system shall be excluded from the denominator of the fraction in computing Tenant's Pro Rata Share under this Section (m) hereof.

~~(n) Whenever Tenant advertises its store address or addresses it shall refer to the name and address of the Center. Tenant agrees that Landlord's name or the name of the Center shall not be used in any confusing, detrimental or misleading manner, and upon termination of this Lease, Tenant will cease to use Landlord's name or the name of the Center, or any part thereof, in any manner.~~

(o) Tenant shall not carry on any trade or occupation or operate any instrument or apparatus or equipment which emits an odor or causes a noise discernible outside of the Premises.

(p) Tenant shall not place within the Premises any fixtures, merchandise or other material which will individually or collectively exceed the floor load of the floor of the Premises as determined by Landlord.

(q) Tenant agrees that it will not keep, use, sell or offer for sale in or upon the Premises any article which may be prohibited by the standard form of fire insurance policy. Tenant agrees to pay any increase in premiums for fire and extended coverage insurance or sprinkler insurance that may be charged during the Term of this Lease on the amount of such insurance which may be carried by Landlord on the Premises or any building in the Center from the type of merchandise sold by Tenant in the Premises, whether or not Landlord has consented to the same. In determining whether increased premiums are the result of Tenant's use of the Premises, a schedule issued by the organization making the insurance rate on the premiums, showing the various components of such rate, shall be conclusive evidence of the several items and charges which make up the fire insurance rate on the Premises. Landlord shall, for the enforcement of the covenants, conditions and agreements nor or hereafter made a part of this Section, to be referred to as "Rules and Regulations", have all remedies in this Lease provided for breach of the provisions hereof.

**8.1.4. Repairs and Maintenance.** To make any and all repairs required to be made to the Premises during the Term of this Lease and to any improvements placed in the Premises by either Landlord or Tenant, all at Tenant's own cost and expense and without expense to the Landlord excepting that in the event of damage or destruction to the Premises, the provisions of Section 10.6 shall govern. All such repairs shall be made by Tenant promptly and without delay and shall be made of quality or class equal to the original work or construction. In addition thereto, Tenant agrees to make any and all repairs required to be made to any <sup>heating and</sup> air conditioning equipment situated outside of the Premises but servicing only the Premises. Repairs as used herein shall mean replacement whenever reasonably necessary. If Tenant refuses or neglects to make any such repair within the prescribed time for defaults under this Lease, Landlord may make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures, or other property or to Tenant's business by reason thereof, and upon completion thereof, Tenant shall pay Landlord's cost for making such repairs upon presentation of a bill therefore, as additional rent. Said bill shall include interest at the highest rate permitted by law or eighteen (18%) percent per annum (whichever is lesser) computed from the date of completion of repairs by Landlord to the date of payment by Tenant to Landlord.

**8.1.5. Compliance with Law.** To make all repairs, alterations, or replacements to the Premises required by any law or ordinance or any order or regulation of any public authority because of Tenant's use of the Premises; to keep the Premises equipped with all safety appliances so required because of such use; to procure any licenses and permits required for any such use; to pay all municipal, county or state taxes assessed against the leasehold interest hereunder, or personal property of any kind owned by or placed in, upon or about the Premises by Tenant; and to comply with the orders and regulations of all governmental authorities, except that Tenant may defer compliance so long as the validity of any such law, ordinance, order or regulation shall be contested in good faith and by appropriate legal proceedings, if Tenant first gives Landlord assurance satisfactory to Landlord against any loss, cost or expense on account thereof and Landlord's interest in the Center or that of any mortgagee of Landlord's interest, is not thereby jeopardized.

8.1.6. Payment for Tenant's Work. To pay promptly when due the entire cost of any work to the Premises undertaken by Tenant and to bond against or discharge any liens for labor or materials within ten (10) days after written request by Landlord; to procure all necessary permits before undertaking such work; and to do all of such work in a good and workmanlike manner, employing materials of good quality and complying with all governmental requirements.

8.1.7. Landlord's Right to Enter. To permit Landlord and its agents; to examine the Premises at reasonable times; to show the Premises to prospective purchasers, lenders and Tenants; and to enter the Premises to make such repairs and replacements as Landlord is required, or may elect, to make.

8.1.8. Personal Property at Tenant's Risk. That all of the furnishings, fixtures, equipment, effects and property of every kind, nature and description of Tenant and all persons claiming by, through or under Tenant which, during the continuance of this Lease or any occupancy of the Premises by Tenant or anyone claiming under Tenant, may be on the Premises or elsewhere in the Center, shall be at the sole risk and hazard of Tenant, and if the whole or any part thereof shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, by theft or from any other cause, no part of said loss or damage is to be charged to or borne by Landlord.

8.1.9. Surrender. At the expiration of the Lease Term or earlier termination of this Lease to remove all trade fixtures and personal property and such other installations made by Tenant; to repair any damage caused by such removal; and to remove all Tenant's signs wherever located and to surrender all keys to the Premises and yield quit, and surrender up the Premises, broom clean and in the same good order and repair in which Tenant is obliged to keep and maintain the Premises by the provisions of this Lease. Tenant shall further indemnify Landlord against all loss, cost and damage resulting from Tenant's failure and delay in surrendering the Premises as above provided. The obligations of Tenant under the provisions of this paragraph shall survive the termination of this Lease.

8.2. Negative Covenants of Tenant. Tenant covenants at all times during the Lease and such further time as Tenant occupies the Premises or any part thereof:

8.2.1. Assignment, Subletting. Not without on each occasion first obtaining the written approval of Landlord to assign, transfer, mortgage or pledge this Lease or sublease (which term shall be deemed to include the granting of concessions and licenses and the like), all or any part of the Premises or suffer or permit this Lease or the leasehold estate hereby created or any other rights arising under this Lease to be assigned, transferred, or encumbered, in whole or in part, whether voluntarily, involuntarily or by operation of law, or permit the occupancy of the Premises by anyone other than Tenant. Any attempted assignment, transfer, mortgage, pledge, sublease or other encumbrance, without such written consent shall be void. No assignment, transfer, mortgage, sublease or other encumbrance, whether or not approved, and no indulgence granted by Landlord to any assignee or sublessee, shall in any way impair the continuing primary liability (which after an assignment shall be joint and several with the assignee) of Tenant hereunder, and no approval in a particular instance shall be deemed to be a waiver of the obligation to obtain Landlord's approval in the case of any other assignment or subletting.

8.2.2. Recapture. Notwithstanding anything to the contrary, if Tenant wishes to assign this Lease or to sublease more than thirty (30%) percent of the Premises, Tenant shall give Landlord written notice of its intention as aforesaid, and Landlord shall have the right upon receipt of such notice to terminate this Lease within ninety (90) days after Landlord's receipt of Tenant's notice. Landlord shall give notice to Tenant of Landlord's election to terminate this Lease, which termination shall become effective sixty (60) days after the date the termination notice is forwarded to Tenant; and, upon such termination, all of the liabilities of the parties each to the other shall cease and terminate except as to covenants of Tenant which survive the termination of this Lease; provided, however, that Tenant may nullify such termination by withdrawing, in writing, its notice of intention to assign or sublet as aforesaid by notice to Landlord given prior to the expiration of the sixty (60) day period above mentioned.

8.2.3. Voting Control of Tenant. Not without on each occasion first obtaining the written approval of Landlord, if at any time during the term of this Lease:

(i) Tenant is a corporation or a trust (whether or not having shares of beneficial interest) and it wishes to have occur any change in the identity of any of the persons then having power to participate in the election or appointment of the directors, trustees or other persons exercising like functions and managing affairs of Tenant; or

(ii) Tenant is a partnership or association or otherwise not a natural person (and is not a corporation or a trust) it wishes to have occur any change in the identity or any of the persons who then are members of such partnership or association or who comprise Tenant.

If Landlord fails to approve of said change, and the change occurs notwithstanding the failure to approve, Landlord may terminate this Lease by notice to Tenant given within ninety (90) days thereafter.

This section shall not apply if the initial Tenant named herein is a corporation, the outstanding voting stock of which is listed on a recognized securities exchange.

8.2.4. Non-Competition. ~~Not to open, or permit any corporation, firm, partnership, trust, association or other person or entity affiliated with Tenant and using the same trade name, directly or indirectly, to open another business of the kind conducted in the Premises within a radius of three (3) miles from the Premises or anywhere within the City of Stamford, County of Fairfield, State of Connecticut. This sub-~~

\* Landlord's election not to recapture the demised premises within the time period provided therefor shall be deemed as consenting to an assignment or subletting by Tenant as provided for under section 8.2.1 above, and Tenant need not obtain any further consents from Landlord before proceeding with its proposed assignment or sublease, etc.

Tenant is hereby granted permission to maintain licensed departments on the demised premises, all of which shall be bound by the terms and conditions hereof.



~~section does not apply to the continued conduct of any business now being operated by Tenant or such affiliate within such area, but does apply to any increase in size of the Premises devoted to such business. In addition, and without prejudice to any other legal or equitable remedy otherwise available to Landlord for breach of this covenant, in the event of such breach Landlord may at its election require that any and all sales made at, in, on or from any such prohibited location be included in the computation of the Percentage Rent, if any, due hereunder with the same force and effect as though such sales had actually been made at, in, on or from the Premises.~~

## ARTICLE IX QUIET ENJOYMENT

9.1 Quiet Enjoyment. Landlord agrees that upon Tenant's paying the rent and any additional rent hereunder, and performing and observing the agreements, conditions and other provisions on its part to be performed and observed, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises during the Lease Term without any manner of hindrance or molestation from Landlord or anyone claiming under Landlord, subject, however, to the terms of this Lease; to matters of record appearing and to any mortgage, ground lease or easements which may now or hereafter be superior to this Lease. This Lease and Tenant's rights hereunder shall be automatically subject and subordinate to any future easements with respect to the Common Areas hereafter granted by Landlord in connection with any property adjoining the Center.

## ARTICLE X INSURANCE - CASUALTY - TAKING

10.1 Landlord's Insurance. Landlord covenants to carry, or cause to be carried, during the term hereof such insurance in connection with the Center as Landlord shall deem appropriate, the cost of which shall be an Operating Cost.

10.2 Tenant's Liability and Fire Insurance. Tenant covenants throughout the term of this Lease to maintain in responsible companies qualified to do business in Connecticut and in good standing therein (a) comprehensive public liability insurance covering the Premises insuring Landlord as well as Tenant with limits which shall, at the commencement of the Lease Term, be at least equal to Two Million (\$2,000,000) Dollars single and combined limit and from time to time during the Lease Term shall be for the higher limits, if any, as are customarily carried with respect to similar properties in the area where the Center is located, and (b) Workman's Compensation Insurance with statutory limits covering all of Tenant's employees working in the Premises. In addition, Tenant or its contractors, shall carry during the time Tenant is constructing Tenant Work, either a builders risk contract equal to replacement value, or a conventional fire, extended coverage and vandalism contract with permission to complete endorsed thereon. Said policy shall hold Landlord harmless in the event of water or steam damage. Tenant agrees to deposit promptly with Landlord certificates for such insurance, and all renewals thereof, bearing the endorsement that the policies will not be cancelled until after thirty (30) days written notice to Landlord.

10.3 Plate Glass and Fire Insurance by Tenant. Tenant further covenants to maintain in responsible companies qualified to do business in the Connecticut and in good standing therein, plate glass insurance (with Landlord as a named additional insured) covering all exterior plate glass in the Premises and fire insurance with such extended coverage endorsements as Landlord may from time to time require covering all of Tenant's fixtures, furniture, furnishings, floor coverings and equipment in the Premises to the extent of their replacement cost. \*\*

10.4 Tenant's Indemnity. Tenant shall defend, indemnify and save harmless Landlord and its agents and employees against and from all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable architects' and attorneys' fees, which may be imposed upon or incurred by or asserted against Landlord and/or its agents by reason of any of the following occurring during the Term, or during any period of time prior to the Commencement Date that Tenant may have been given access to or possession of all or any part of the Premises: (a) any work or thing done in on or about the Premises or any part thereof by or at the instance of Tenant, its agents, contractors, subcontractors, servants, employees, licensees or invitees; (b) any negligence or otherwise wrongful act or omission on the part of Tenant or any of its agents, contractors, subcontractors, servants, employees, subtenants, licensees or invitees; (c) any accident, injury or damage to any person or property occurring in, on or about the Premises or any part thereof, or vault, passageway or space adjacent thereto; (d) any failure on the part of Tenant to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in this Lease on its part to be performed or complied with. In case any action or proceeding is brought against Landlord by reason of any such claim, Tenant upon written notice from Landlord shall at Tenant's expense resist or defend such action or proceeding by counsel approved by Landlord in writing, which approval Landlord shall not unreasonably withhold.

10.5 Waiver of Subrogation. All insurance which is carried by either party with respect to the premises, whether or not required, shall include provisions which either designate the other party as one of the insureds or deny to the insurer acquisition by subrogation of rights of recovery against the other party to the extent such rights have

\* Landlord shall use its best efforts to obtain a non-disturbance agreement from any present mortgagee agreeing not to disturb Tenant's occupancy in the event of any default by mortgagor. Any future mortgages, liens, etc., against the demised premises shall contain a provision that Tenant's occupancy shall not be disturbed in the event of any default by the Landlord (mortgagor) and that Tenant shall attorn to the holder of the mortgage, etc., should any such default situation arise.

\*\* Tenant may self-insure on any of its plate glass on the premises.



been waived by the insured party prior to occurrence of loss or injury, insofar as, and to the extent that such provisions may be effective without making it impossible to obtain insurance coverage from responsible companies qualified to do business in the State of New York (even though extra premium may result therefrom). Each party shall be entitled to have duplicates or certificates of any policies containing such provisions. Each party hereby waives all rights of recovery against the other for loss or injury against which the waiving party is or may be protected by insurance containing said provisions.

**10.6 Landlord to Repair or Rebuild in Event of Casualty or Taking.** In case the Premises or any part thereof shall be damaged or destroyed by fire or other casualty, or ordered to be demolished by the action of any public authority in consequence of a fire or other casualty, or taken for any public or quasi-public use under any statute or by any exercise of the right of eminent domain, or by private purchase in lieu thereof, this Lease shall, unless it is terminated as provided in this Lease, remain in full force and effect and Landlord shall at its expense, proceeding with all reasonable dispatch, repair or rebuild the Premises, or what may remain thereof, so as to restore them (not including any of Tenant's Work or Tenant's Alterations or Tenant's fixtures, furniture, furnishings, floor coverings and equipment) as nearly as practicable to the condition they were in immediately after completion of Landlord's Work, but Landlord shall not be required to expend in such repair or rebuilding more than the proceeds of insurance or award of damages, if any, actually received by Landlord with respect to such damage, destruction or taking, less Landlord's reasonable expenses incurred in collecting such proceeds or award, as the case may be. Tenant shall at its own expense, proceeding with all reasonable dispatch, repair or replace such of Tenant's Work, Tenant's Alterations or its fixtures, furniture, furnishings, floor coverings and equipment as may be required as a result of such damage, destruction or taking.

**10.7 Right to Terminate in Event of Casualty.** If the Premises shall be partially damaged by fire or other casualty insured under Landlord's insurance policies, then upon Landlord's receipt of the insurance proceeds, Landlord shall, except as otherwise provided herein, repair and restore the same (exclusive of Tenant's trade fixtures, decorations, signs, and contents) substantially to the condition thereof immediately prior to such damage or destruction, limited, however, to the extent of the insurance proceeds received by Landlord therefor. If by reason of such occurrence: (a) the Premises is rendered wholly untenable, or (b) the Premises is damaged in whole or in part as a result of a risk which is not covered by Landlord's insurance policies, or (c) the Premises is damaged in whole or in part during the last three (3) years of the term (or of any renewal term), hereof, or (d) the building of which the Premises forms a part or all of the buildings which then comprise the Center is or are damaged (whether or not the Premises is damaged) to an extent of fifty (50) percent or more of the then monetary value (hereof, or (e) any or all of said buildings or the common areas of the Center are damaged (whether or not the Premises is damaged) to such an extent that the Center cannot in the sole judgment of Landlord be operated as an integral unit, then or in any of such events, Landlord may elect either to repair the damage as aforesaid, or to cancel this lease by written notice of cancellation given to Tenant within one hundred eighty (180) days after the date of such occurrence, and thereupon this lease shall cease and terminate with the same force and effect as though the date set forth in the Landlord's said notice were the date herein fixed for the expiration of the term hereof and Tenant shall vacate and surrender the Premises to Landlord. Upon the termination of this lease, as aforesaid, Tenant's liability for the rents reserved hereunder shall cease as of the effective date of the termination of this lease, subject however, to the provisions for the prior abatement of rent hereinafter set forth. Unless this lease is terminated by Landlord, as aforesaid, this lease shall remain in full force and effect and the parties waive the provisions of any law to the contrary, and Tenant shall repair, restore or replace Tenant's trade fixtures, decorations, signs, and contents in the Premises in a manner and to at least a condition equal to that existing prior to their damage or destruction and the proceeds of all insurance carried by Tenant on said property shall be held in trust by Tenant for the purpose of such repair, restoration or replacement. If by reason of such fire or other casualty the Premises is rendered wholly untenable the Fixed Rent shall be fully abated, or if only partially damaged such rent shall be abated proportionately as to that portion of the Premises rendered untenable, in either event (unless Landlord shall elect to terminate this lease, as aforesaid) until fifteen (15) days after notice by Landlord to Tenant that the Premises have been substantially repaired and restored or until Tenant's business operations are restored in the entire Premises, whichever shall occur sooner. Tenant shall continue the operation of Tenant's business in the Premises or any part thereof not so damaged during any such period to the extent reasonably practicable from the standpoint of prudent business management and, except for such abatement of the Fixed Rent as hereinabove set forth, nothing herein contained shall be construed to abate Tenant's obligations for the payment of the Fixed Rent or any other additional rents and charges reserved hereunder, except that the computation of such Fixed Rent shall be based upon the revised Fixed Rent as the same may be abated. If such damage or other casualty shall be caused by the negligence of Tenant or of Tenant's subtenants, concessionaires, licensees, contractors or invitees or their respective agents or employees, there shall be no abatement of rent. Except for the abatement of the Fixed Rent hereinabove set forth, Tenant shall not be entitled to and hereby waives all claims against Landlord for any compensation or damage for loss of use of the whole or any part of the Premises and/or for any inconvenience or annoyance occasioned by any such damage, destruction, repair or restoration.



**10.8 Termination in Event of Taking.** If all the Premises are taken by eminent domain this Lease shall terminate when Tenant is required to vacate the Premises. If by such a taking the floor area of the Premises is reduced by more than ten (10%) percent thereof, this Lease may at the option of either party be terminated, as of the date when Tenant is required to vacate the portion of the Premises so taken, by written notice given to the other not more than thirty (30) days after the date on which the party desiring to terminate receives notice of the taking. If by such a taking the gross floor area of the building in which the Premises are situated is reduced by more than ten (10%) percent, this Lease may at the option of Landlord be terminated, as of the date when the tenants or occupants of the portion of said building so taken are required to vacate the same, by giving written notice to Tenant not more than thirty (30) days after the date on which Landlord receives notice of the taking.

**10.9 Landlord Reserves Award.** Landlord reserves all rights to awards, settlements or judgments for damages to the Premises and the leasehold hereby created now accrued or hereafter accruing (not including a separate award for Tenant's moving expenses or Tenants' trade fixtures, furniture, decorations, signs and contents), by reason of any exercise of the right of eminent domain, or by reason of anything lawfully done in pursuance of any public or other authority; and by way of confirmation Tenant grants to Landlord all Tenant's rights to such awards, settlements or judgments and agrees to execute and deliver such further instruments of assignment thereof as Landlord may from time to time request.

**10.10 Abatement of Rent.** In the event of any casualty or taking, a just proportion of the Fixed Rent payable hereunder, according to the nature and extent of the injury, shall be abated until completion of repairs or rebuilding required to be made by Landlord under Section 10.6 or termination of this Lease, or in the case of casualty, until the expiration of Landlord's right to collect rental insurance, whichever shall first occur. In the case of a taking which permanently reduces the area of the Premises, or if following a casualty the restored Premises are smaller in area than the original area of the Premises, a just proportion of the Fixed Rent shall be abated for the remainder of the Lease Term.

## ARTICLE XI DEFAULTS

**11.1.1 Default and Remedies.** This Lease and the Term and estate hereby granted are subject inter alia to the limitation that whenever Tenant shall make an assignment for the benefit of creditors, or shall file a voluntary petition under any bankruptcy or insolvency law, or an involuntary petition alleging an act of bankruptcy or insolvency is filed against Tenant, or whenever a petition shall be filed by or against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or any future federal bankruptcy act or any other present or future applicable federal, state or other statute or law, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant or of all or any subtrustee, receiver or liquidator of Tenant or of all or any substantial part of its properties, or whenever a permanent or temporary receiver of Tenant or of, or for, the property of Tenant shall be appointed, or if Tenant shall plead bankruptcy or insolvency as a defense in any action or proceeding, then, Landlord, (a) at any time after receipt of notice of the occurrence of any such event, or (b) if such event occurs without the acquiescence of Tenant, at any time after the event continues for sixty (60) days, may give Tenant a notice of intention to end the Term at the expiration of five (5) days from the service of such notice of intention, and upon the expiration of said five (5) days from the period this Lease and the term and estate hereby granted, whether or not the Term shall theretofore have commenced, shall terminate with the same effect as if that day were the last day of the lease term hereof, but Tenant shall remain liable for damages as provided in this Lease.

**11.1.2 Further Limitation.** This Lease and the Term and estate hereby granted are subject to the further limitation that, (a) whenever Tenant shall default in the payment of any monthly installment of Fixed Rental, or in the payment of any other sums payable to Landlord under this Lease as additional rent, on any day upon which the same shall be due and payable and such default shall continue for ten days, or (b) whenever Tenant shall do or permit anything to be done, whether by action or inaction, contrary to any of Tenant's obligations hereunder, and if such situation shall continue and shall not be remedied by Tenant within fifteen (15) days after Landlord shall have to give Tenant a notice specifying the same, or, in the case of a happening or default which cannot with due diligence be cured within a period of fifteen (15) days and the continuance of which for the period required for cure will not subject Landlord to the risk of criminal liability or termination of any superior lease or foreclosure of any superior mortgage, if Tenant shall not duly institute within such fifteen (15) day period and promptly and diligently prosecute to completion all steps necessary to remedy the same, or, (c) whenever any event shall occur or any contingency shall arise whereby this Lease or any interest therein or the estate hereby granted or any portion thereof or the unexpired balance of the Term hereof would, by operation



of law or otherwise, devolve upon or pass to any person, firm or corporation other than Tenant, except as expressly permitted in this Lease or (d) whenever Tenant shall abandon the Premises, or a substantial portion of the Premises shall remain vacant for a period of ten (10) consecutive days, unless such vacancy arises as a result of a casualty; then in any such event covered by subsections b, c or d of this paragraph at any time thereafter, Landlord may give to Tenant a notice of intention to end the Term of this Lease at the expiration of three (3) days from the date of the service of such notice of intention, and upon the expiration of said three (3) days this Lease and the Term and estate hereby granted, whether or not the Term shall theretofore have commenced, shall terminate with the same effect as if that day were the last day of the lease term hereof, but Tenant shall remain liable for damages as provided in Article XII of this Lease. During the pendency of any proceedings brought by Landlord to recover possession by reason of default, Tenant shall continue all money payments required to be made to Landlord, and Landlord may accept such payments for use and occupancy of the Premises; in such event Tenant waives its right in such proceeding to claim as a defense that the receipt of such money payments by Landlord constitutes a waiver by Landlord of such default.

**11.1.3. Re-Entry by Landlord - Default Provisions.** If this Lease shall terminate for any reason whatsoever, Landlord or Landlord's agents and employees may, without further notice, immediately or at any thereafter, enter upon and re-enter the Premises, or any part thereof, and possess or repossess itself thereof either by summary dispossess proceedings, ejectment or by any suitable action or proceeding at law or by agreement, or by force or otherwise, and may dispossess and remove Tenant and all other persons and property from the Premises without being liable to indictment, prosecution or damages therefor, and may repossess the same, and may remove any persons therefrom, to the end that Landlord may have, hold and enjoy the Premises and the right to receive all rental income again as and of its first estate and interest therein. The words "enter" or "re-enter", "possess" or "repossess" as herein used, are not restricted to their technical legal meaning. In the event of any termination of this Lease under the provisions of this Article XI or re-entry under this paragraph or in the event of the termination of this Lease, or of re-entry by summary dispossess proceedings, ejectment of any suitable action or proceedings at law, or by agreement, or by force or otherwise by reason of default hereunder on the part of the Tenant, Tenant shall thereupon pay to Landlord the **Fixed Rent** and any additional rent due up to the time of such termination of this Lease or of such recovery of possession of the Premises by Landlord, as the case may be, and shall also pay to Landlord damages as provided in Article XII.

**11.1.4. Threatened Breach.** In the event of any breach or threatened breach by Tenant of any of the agreements, terms, covenants or conditions contained in this Lease, Landlord shall be entitled to enjoin such breach or threatened breach and shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as though re-entry, summary proceedings, and other remedies were not provided for in this Lease.

**11.1.5. Cumulative Remedies.** Each right and remedy of Landlord provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Landlord of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

**11.1.6. Retention of Monies.** If this Lease shall terminate under the provisions of this Article XI, or if Landlord shall re-enter the Premises under the provisions of this Article XI, or in the event of the termination of this Lease, or of re-entry, by or under any summary dispossess or other proceeding or action of any provision of law by reason of default hereunder on the part of Tenant, Landlord shall be entitled to retain all monies, if any, paid by Tenant to Landlord, whether as advance rent, security or otherwise, but such monies shall be credited by Landlord against any **Fixed Rent** or additional rent due from Tenant at the time of such termination or re-entry or, at Landlord's option, against any damages payable by Tenant under Section 12.1 pursuant to law.

**11.1.7. Payment of Landlord's Cost of Enforcement.** Tenant agrees to pay on demand Landlord's expenses, including reasonable attorneys' fees, incurred in enforcing any obligation of Tenant under this Lease or in curing any default by Tenant under this Lease, whether or not any proceeding shall be commenced.

**11.1.8. Landlord's Right to Cure Defaults.** Landlord may, but shall not be obligated to, cure, at any time, following ten (10) days' prior written notice to Tenant, except in cases of emergency when no notice shall be required, any default by Tenant under this Lease; and whenever Landlord so elects, the lower of the highest rate of interest or eighteen (18%) percent annually on any sums expended by Landlord, all costs and expenses incurred by Landlord, including reasonable attorneys' fees, shall be paid by Tenant to Landlord on demand.

**11.1.9. No Waiver of Default.** No consent or waiver, express or implied, by Landlord to or of any breach of any covenant, condition or duty of Tenant shall be construed as a consent or waiver to or of any other breach of the same or any other covenant, condition or duty.

## ARTICLE XII DAMAGES

**12.1** If this Lease is terminated under the provisions of Article XI, or if Landlord shall re-enter the Premises under the provisions of Article XI, or in the event of the termination of this Lease, or of re-entry by summary dis-

process proceedings, ejectment or by any suitable action or proceeding at law, or by agreement, or by force or otherwise, by reason of default hereunder on the part of Tenant, Tenant shall pay to Landlord as damages, at the election of Landlord, either,

(a) on demand; a sum which at the time of such termination of this Lease or at the time of any such re-entry by Landlord, as the case may be, represents the excess of (1) the aggregate of the Fixed Rent and the additional rent payable hereunder which would have been payable by Tenant (conclusively presuming the additional rent to be the same as was payable for the year immediately preceding such termination) for the period commencing with such earlier termination of this Lease or the date of any such re-entry, as the case may be, and ending with the expiration of the Term, had this Lease not so terminated or had Landlord not so re-entered the Premises, over (2) the aggregate rental value (calculated as of the date of such termination or re-entry) of the Premises for the same period,

(b) sums equal to the Fixed Rent and the additional rent (as above presumed) payable hereunder which would have been payable by Tenant had this Lease not so terminated, or had Landlord not so re-entered the Premises, payable monthly but otherwise upon the terms thereof specified herein following such termination or such re-entry and until the expiration of the Term, provided, however, that if Landlord shall relet the Premises or any portion or portions thereof during said period, Landlord shall credit Tenant with the net rents received by Landlord from such reletting, such net rents to be determined by first deducting from the gross rents as and when received by Landlord from such reletting the expenses incurred or paid by Landlord in terminating this Lease or in re-entering the Premises and in securing possession thereof, as well as the expenses or reletting, including altering and repairing the Premises or any portion or portions thereof for new tenants, brokers' commissions, advertising expenses, attorneys' fees, and all other expenses properly chargeable against the Premises and the rental therefrom; it being understood that any such reletting may be for a period shorter or longer than the remaining Term of this Lease, but in no event shall Tenant be entitled to receive any excess of such net rents over the sums payable by Tenant to Landlord hereunder, nor shall Tenant be entitled in any suit for the collection of damages pursuant to this Subsection to a credit in respect of any net rents from a reletting, except to the event that such net rents are actually received by Landlord. If the Premises or any part thereof should be relet in combination with other space, then proper apportionment shall be made of the rent received from such reletting and of the expenses of reletting.

If the Premises or any part thereof be relet by Landlord for the unexpired portion of the Term, or any part hereof, before presentation of proof of such damages to any court, commission, or tribunal, the amount of rent reserved upon such reletting shall, prima facie, be the fair and reasonable rental value of the Premises, or part thereof, so relet during the term of reletting. Landlord however, shall in no event and in no way be responsible or liable for any failure to relet the Premises or any part thereof or for failure to collect any rent due upon any such reletting.

### ARTICLE XIII

#### MISCELLANEOUS PROVISIONS

13.1. Notices from Tenant to Landlord. Any notice from Tenant to Landlord shall be deemed duly given if mailed to Landlord at the address hereinbelow set forth by registered or certified mail, return receipt requested, postage prepaid, by depositing the same in an official U. S. Postal Depository, addressed as follows: James A. Fieber, as Trustee 175 Drum Hill Road, Wilton, Connecticut 06897 with a copy to Norman A. Fieber 62 Fox Ridge Road, Stamford, Connecticut 06903

13.2. Notices from Landlord to Tenant. Any notice from Landlord to Tenant shall be deemed duly given if mailed to Tenant at the address hereinabove set forth in accordance with the provisions of Section 13.1 hereof or by delivering a copy to Tenant at the Premises.

13.3. Brokerage. Tenant covenants that the only broker which was instrumental or with which it dealt in connection with the execution and delivery of this lease was the Broker; and that it shall indemnify and hold harmless Landlord from and against all claims (and costs and expenses, including without limitation attorney's fees and defense costs) made by any third party alleging that it was instrumental or dealt with Tenant in connection with this Lease. Based on the foregoing, Landlord agrees to pay the brokerage commission to which the Broker may be entitled, in connection with this transaction, per separate agreement.

13.4. Lease not to be Recorded. Tenant agrees that it will not record this Lease but both parties shall, upon the request of either, execute and deliver a notice or short form of this Lease as required by any applicable statutes. If this Lease is terminated before the Term expires, Landlord may file in the name of the Landlord and Tenant a notice of such termination to be recorded. Any such form shall not specify the Fixed Rent or additional rent and shall be in form satisfactory to Landlord.

13.5. Bind and Inure: Limitation of Landlord's Liability. The obligation of this Lease shall run with the Land, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Landlord and each successive holder of the Landlord's interest in the Center shall be liable only for obligations arising during the period of such ownership of such interest. Landlord and Landlord's partners (if the Landlord be a partnership, general or limited) shall not be personally liable to the Tenant for the performance of any of the covenants of the Landlord under this Lease; and in the event of any alleged claim by tenant against Landlord arising under this Lease, Tenant agrees it will not seek to secure any such claim against Landlord by any attachment, garnishment or other security proceedings against property of the Landlord other than the Center; and in the



event Tenant obtains any judgment against Landlord by virtue of an alleged default by Landlord under this Lease, Tenant agrees it will not look to any property of Landlord other than the Center, for satisfaction of such judgment, such exculpation of liability to be absolute and without any exception whatsoever.

13.6. Landlord shall not be responsible for any failure or delay in performance of its obligations under this lease because of circumstances beyond its reasonable control, including, without limitation, acts of God, fires, floods, wars, civil disturbances, sabotage, accidents, labor disputes (whether or not the employees' demands are reasonable and within the party's power to satisfy), governmental actions or inability to obtain labor, material, equipment or transportation, nor shall any such failure or delay give Tenant the right to terminate this Lease.

13.7. Status Certificate. Tenant agrees from time to time, upon not less than fifteen (15) days' prior written request by Landlord to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect and that Tenant has no defenses, offsets or counterclaims against its obligation to pay rent or additional rent; and to perform its other covenants under this Lease; or, if there have been any modifications, that the Lease is in full force and effect as modified, and stating that the modifications and any defenses or offsets claimed by Tenant in reasonable detail. Any such statement delivered pursuant to this Section may be relied upon by any prospective purchaser or mortgagee of the Premises or Center.

13.7.1. Subordination, Attornment, Notice to Lessor and Mortgagees. This Lease, and all rights of Tenant hereunder, are and shall be subject and subordinate in all respects to all present and future ground leases, overriding leases and underlying leases and/or grants of term of the land and/or the Building or the portion thereof in which the Premises are located in whole or in part now or hereafter existing ("superior leases") and to all mortgages and building loan agreements, which may now or hereafter affect the land and/or the Building and/or any of such leases ("superior mortgages") whether or not the superior leases or superior mortgages shall also cover other lands and/or buildings, to each and every advance made or hereafter to be made under the superior mortgages, and to all renewals, modifications, replacements and extensions of the superior leases and superior mortgages and spreaders, consolidations and correlations of the superior mortgages. This Section shall be self-operating and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall promptly execute and deliver at its own cost and expense any instrument, in recordable form, if required, that Landlord, the lessor of any superior lease or the holder of any superior mortgage or any of their respective successors in interest may request to evidence such subordination; and tenant hereby constitutes and appoints Landlord attorney-in-fact for Tenant to execute any such instrument for and on behalf of Tenant. \*and attornment men-

Tenant agrees without further instruments of attornment in each case, to attorn to lessor under any superior lease, or the holder of any superior mortgage, as the case may be, to waive the provisions of any statute or rule or law now or hereafter in effect which may give or purport to give Tenant any right of election to terminate this Lease or to surrender possession of the Premises in the event a superior lease is terminated or a superior mortgage foreclosed, and that unless and until said lessor, or holder, as the case may be, shall elect to terminate this Lease, this Lease shall not be affected in any way whatsoever by any such proceeding or termination, and Tenant shall take no steps to terminate this Lease without giving written notice to said lessor under the superior lease, or holder of a superior mortgage, and a reasonable opportunity to cure (without such lessor or holder being obligated to cure), any default on the part of the Landlord under this Lease.

13.7.2. No assignment or sublease by Tenant of this Lease and no agreement to make or accept any surrender, termination or cancellation of this Lease and no agreement to modify so as to reduce the rent, change the Lease Term, or otherwise materially change the rights of Landlord under this Lease, or to relieve Tenant of any obligations or liability under this Lease, shall be valid unless consented to by Landlord's mortgagees of record, if any, so requiring such consent. No CPI or Fixed Rent, Percentage Rent, additional rent, or any other charge shall be paid more than ten (10) days prior to the due date thereof and payments made in violation of this provisions shall (except to the extent that such payments are actually received by a mortgagee) be a nullity as against such mortgagee and Tenant shall be liable for the amount of such payments to such mortgagee. No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, or by law, to be relieved of Tenant's obligations hereunder or to terminate this Lease, shall result in a release or termination of such obligations or a termination of this Lease unless (i) Tenant shall have first given written notice of Landlord's act or failure to act to Landlord's mortgagees of record, if any, specifying the act or failure to act on the part of Landlord which could or would give basis to Tenant's rights; and (ii) such mortgagees, after receipt of such notice, have failed or refused to correct or cure the condition complained of within a reasonable time thereafter; but nothing contained in this Section shall be deemed to impose any obligation on any such mortgagees to correct or cure any such condition. "Reasonable time" as used above means and includes a reasonable time to obtain possession of the mortgaged Premises if the mortgagee elects to do so and a reasonable time to correct or cure the condition if such condition is determined to exist.

13.8. No Accord and Satisfaction. No acceptance by Landlord of a lesser sum than the Fixed Rent, additional rent of any other charge than due shall be deemed to be other than on account of the earliest installment of such rent or charge due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent or other charge be deemed on accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy in this Lease provided.



13.9. Applicable Law and Construction. This Lease shall be governed by and construed in accordance with the laws of Connecticut. If any term of this Lease, or the application thereof to any person or circumstances, shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Lease shall be valid and enforceable to the fullest extent permitted by law. There are no oral or written agreements between Landlord and Tenant affecting this Lease. This Lease may be amended only by instruments in writing executed by Landlord and Tenant. Landlord shall not be deemed, in any way or for any purpose, to have become, by the execution of this Lease or any action taken thereunder, a partner of Tenant in its business or otherwise a joint venturer or a member of any enterprise with Tenant. The titles of the several Articles and Sections contained herein are for convenience only and shall not be considered in construing this Lease. The listing or naming on Exhibit A of any other Tenant or the description thereof of any kind of business in the Center are not representations by Landlord that such named other Tenant or business in or shall be an occupant of the Center and any and all such designations appearing upon the site plan shall not be considered part of this Lease. If there be more than one Tenant under this Lease, the obligations imposed by this Lease upon Tenant shall be joint and several. In construing the provisions of this Lease, and the rule of ejusdem generis shall not be affected thereby.

13.10. Warranties. It is agreed that no warranties or representations, either express or implied in law or in fact, have been made by Landlord.

13.11. Submission not an Option. The submission of this Lease or a summary of some or all of its provisions for examination does not constitute a reservation of or option for the Premises, or an offer to lease, it being understood and agreed that this Lease shall not bind Landlord in any manner whatsoever until it has been approved and executed by Landlord and delivered to Tenant.

13.12. Waiver of Trial by Jury. The parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use of occupancy of the Leased Premises, and/or claim of injury or damage.

13.13. Exhibits. This Lease and the Exhibits attached hereto and forming a part hereof, set forth all the covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the Premises, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them other than are herein set forth. No subsequent alteration, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by them.

13.14. Pronouns. The use of the neuter singular pronoun to refer to Landlord or Tenant shall be deemed a proper reference even though Landlord or Tenant may be an individual, a partnership, a corporation, or a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Landlord or Tenant to either corporation, associations, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

13.15. Captions. The captions, section numbers, article numbers, and index appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or intent of such sections or articles of this Lease nor in any way affect this Lease.

13.16. Holding Over. Any holding over after the expiration of the Term hereof, with the consent of the Landlord, shall be construed to be a tenancy from month to month at the rent and additional rent herein specified and shall otherwise be on all of the terms and conditions set forth.

13.17. Waivers. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Premises by reason of the violation by Tenant of any of the covenants or conditions of this Lease, or otherwise.

13.18. Additional Rent. Any and all payments payable by Tenant under this Lease, including without limitation, Operating Costs, Rent, Real Estate Taxes and utilities shall be deemed rent under this Lease and Landlord reserves the same rights and remedies against Tenant for default in any such payments as Landlord shall have for default in the payment of Fixed Rent; including, without limitation, the right to seek and recover the same as "rent" under any applicable provisions of the United States Bankruptcy Act.

13.19. Option to Cancel for Financing Reasons. Tenant acknowledges that it has been advised that Landlord intends to procure some part or all of the funds to finance the construction of improvements on and to the Center from one or more financing institutions. If any such financing institution requires any modification of the terms and provisions of this Lease as a condition to such financing (including the issuance of a commitment) as Landlord may desire, then Landlord shall have the right to cancel this Lease if Tenant refuses to approve and execute such modification within fifteen (15) days after Landlord's request therefor (which request may not be made later than thirty (30) days prior to delivery of possession). If such right is exercised, this Lease shall thereafter be null and void and any money deposited hereunder shall be returned to Tenant. Neither party shall have any liability either for damages or otherwise to the other by reason of such cancellation. Notwithstanding anything in this paragraph to

the contrary, Tenant shall not be required to agree and Landlord shall not have any right of cancellation for Tenant's refusal to agree, to any modification of the provisions of this lease relating to the amount of rental reserved, the purposes for which the Premises may be used, the size and/or location of the Premises, the duration of the Term or the Commencement Date, or the improvements to be made by Landlord to the Premises prior to delivery of possession.

13.20. Survival of Covenants. Any and all covenants of Tenant not fully performed on the date of the expiration or termination of this Lease shall survive such expiration or termination.

#### ARTICLE XIV SECURITY DEPOSIT

14.1. Tenant has deposited with Landlord the sum of \$ 20,000.00 as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this Lease; it is agreed that in the event Tenant defaults in respect of any of the terms, provisions, and conditions of this Lease, including, but not limited to, the payment of rent and additional rent, Landlord may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any rent and additional rent or any other sum as to which Tenant is in default or for any sum which Landlord may expend or may be required to expend by reason of Tenant's default in respect of any of the terms, covenants and conditions of this Lease, including but not limited to, any damages or deficiency in the reletting of the Premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord. In the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Lease, the security shall be returned to Tenant after the date fixed as the end of the Lease and after delivery of entire possession of the Premises to Landlord. In the event of a sale of the land and building or leasing of the building, of which the Premises form a part, Landlord shall have the right to transfer the security to the vendee or lessee and Landlord shall thereupon be released by Tenant from all liability for the return of such security; and Tenant agrees to look to the new Landlord solely for the return of said security; and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the security of a new Landlord. Tenant further covenants that it will not assign or encumber or attempt to assign or encumber the monies deposited herein as security and that neither Landlord nor its successors or assigns shall be bound by any such statement, encumbrance, attempted assignment or attempted encumbrance.

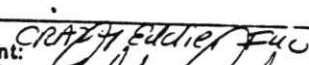
IN WITNESS WHEREOF, the parties have executed this Lease in three or more counterparts and under seal on the day and year first above written.

Landlord: 

JAMES A. FIEBER, as Trustee

By: 

Tenant: 

  
CRAZY EDDIE, FUE.  
  
CRAZY EDDIE, FUE.  
EEDY ANTAR, TREAS.

STATE OF )

COUNTY OF )

SS.:


On the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared \_\_\_\_\_, a limited partnership, and known to me to be the person described in and who executed the foregoing instrument in the partnership name, and he duly acknowledged the foregoing instrument to be his free act and deed and the free act and deed of said partnership.

Notary Public



STATE OF *New York* )  
COUNTY OF *Kings* ) SS.:

On the *20* day of *February*, 19*86*, before me personally appeared *Eddy ANTAR* to me known, and known to me to be the ~~TRANSUR~~ *President* of *CRAY Eddie, Inc.*, a corporation, and known to me to be the person described in and who executed the foregoing instrument in the name of said corporation, and he duly acknowledged the foregoing to be his free act and deed and the free act and deed of said corporation.

  
Notary Public

SOLOMON E. ANTAR  
NOTARY PUBLIC, State of New York  
No. 24-0000453  
Qualified in Kings County  
Commission Expires March 30, 19*87*

STATE OF )  
COUNTY OF ) SS.:

On the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared \_\_\_\_\_ to me known and known to me to be a general partner of \_\_\_\_\_ a limited partnership, and known to me to be the person described in and who executed the foregoing instrument in the partnership name, and he duly acknowledged the foregoing instrument to be his free act and deed and the free act and deed of said partnership.

\_\_\_\_\_  
Notary Public

STATE OF *Connecticut* )  
COUNTY OF *Fairfield* ) SS.: *Wilton*

On the *13th* day of *March*, 19*86*, before me personally appeared *James A. Fieber* to me known and known to me to be the individual described in and who executed the foregoing instrument, and he duly acknowledged the foregoing instrument to be his free act and deed.

  
Notary Public  
*Expires 4/88*

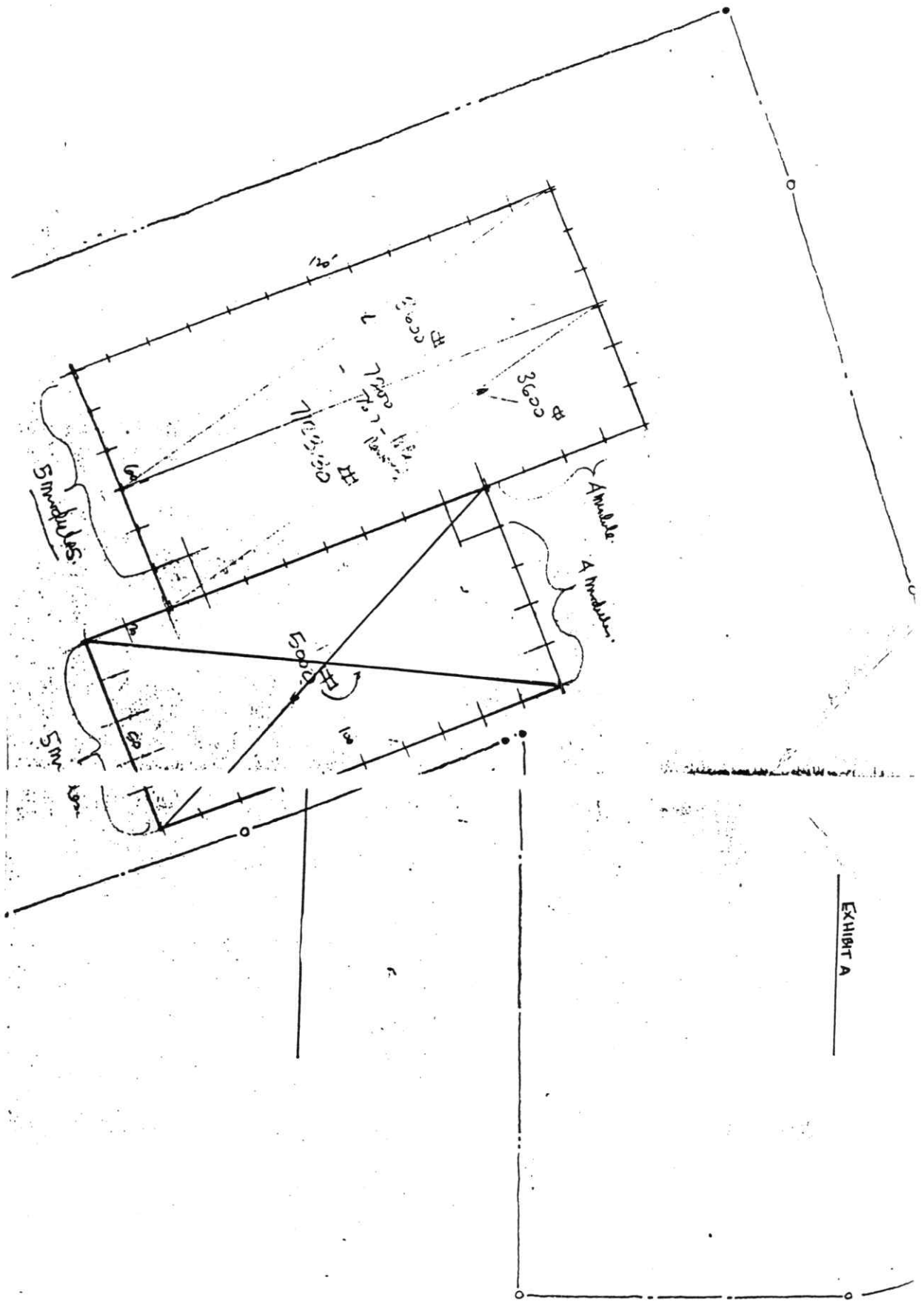


EXHIBIT A



EXHIBIT B

ALL THAT certain piece, parcel or tract of land situated in the City of Stamford, County of Fairfield and State of Connecticut, bounded and described as follows:

NORTHERLY	75.00 feet by Olga Drive;
NORTHEASTERLY	133.60 feet by land of Amelaine Realty Co., Inc.;
NORTHERLY, again	127.97 feet by land of Amelaine Realty Co., Inc.;
SOUTHEASTERLY	150.93 feet by High Ridge Road;
SOUTHERLY	179.81 feet by land of Robert Sandolo
WESTERLY,	134.05 feet by land of Evelyn L. Sabia;
WESTERLY, again	123.68 feet by Square Acre Drive; and
NORTHWESTERLY	47.12 feet by the curved intersection of Square Acre Drive and Olga Drive.

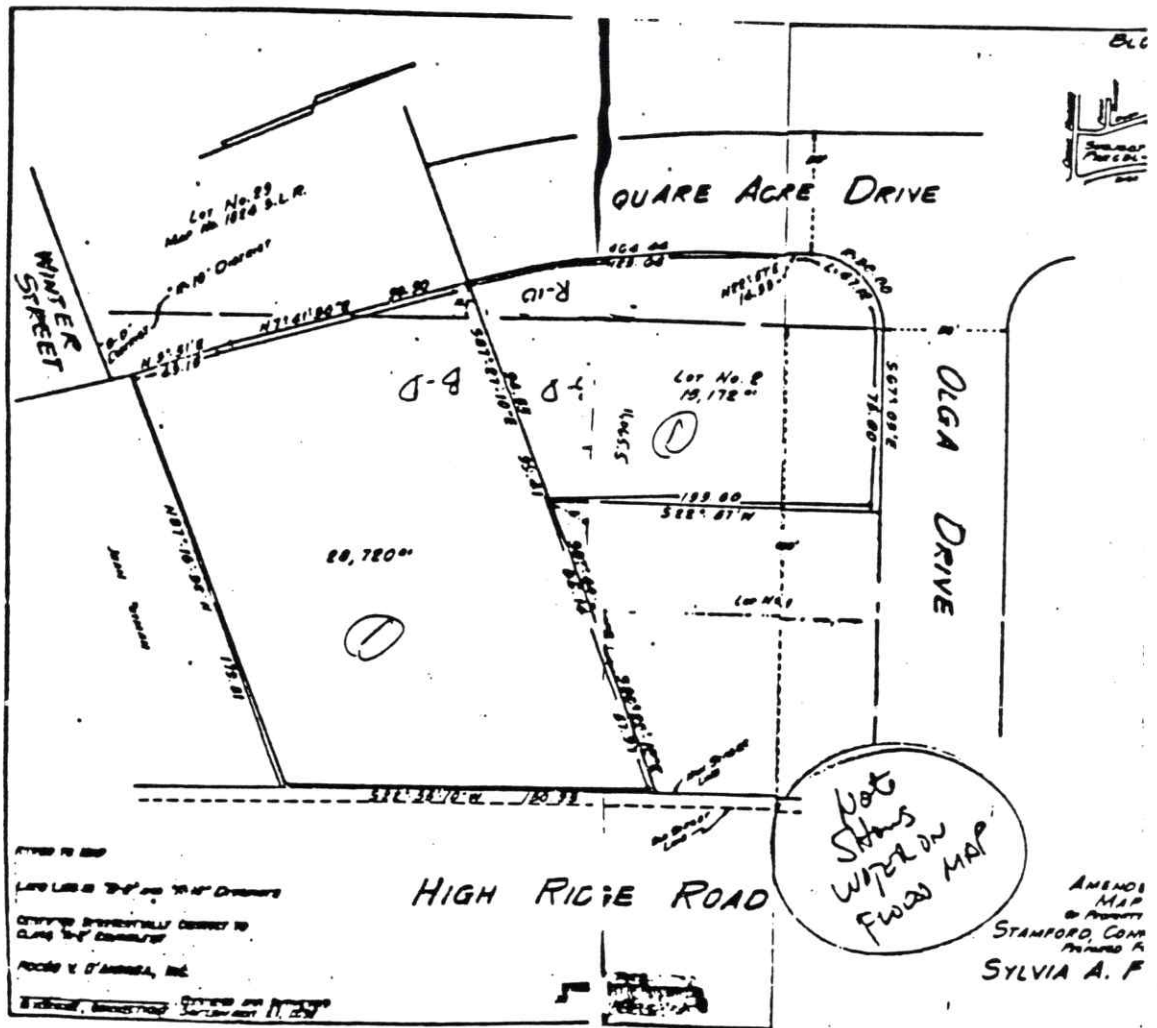


EXHIBIT C  
LANLORD'S WORK

- a. Provide finished exterior walls.
- b. Ceiling unfinished.
- c. Ceiling height to be sufficient to allow for finished ceiling of twelve feet.
- d. Provide 400 amp service with panel to the premises and additional service for heat and HVAC.
- e. Provide HVAC. HVAC system to be designed sufficient for ordinary use. Additional capacity requirements for Tenant shall be paid for by Tenant at time of installation of HVAC system. Tenant shall provide ductwork.
- f. Lanlord agrees to discuss Tenant's requirements for exterior design. Tenant, however, shall pay additional costs for special requirements.
- g. Glass storefront.
- h. Concrete slab floor ready for tile.
- i. Two bathrooms with rough plumbing ("stubbed") at locations to be designated by Tenant.
- j. The height of the basement ceiling shall be a minimum of seven (7) feet.

SCHEDULE OF RENTS (reference section 4.1)

YEARS 1, 2, 3 & 4	\$185,206
YEARS 5, 6, 7 & 8	205,578
YEARS 9, 10, & 11	222,024
YEARS 12, 13 & 14	246,447
YEARS 15, 16 & 17	268,627
YEARS 18, 19 & 20	292,803

RENT BASED ON 7123 square feet

ADDITIONAL RENT SHALL BE PAID ON A PROPORTIONAL BASIS FOR ADDITIONAL SQUARE FOOTAGE OBTAINED THROUGH VARIANCE

Notwithstanding anything to the contrary set forth herein, Tenant is hereby granted the option of terminating and cancelling this lease agreement within ninety (90) days after the fifteenth anniversary of the date hereof. Such option shall be exercised by written notice from Tenant to Landlord within the said time period after which this lease shall be deemed to have been terminated as is the termination date had been advanced to the date of Tenant's notice.





LEASE OF  
NEW BRITAIN AVENUE  
FARMINGTON AND NEWINGTON, CONNECTICUT

Landlord: 641 NEW BRITAIN AVE ASSOCIATES

Tenant:

Date:

INSBERG, GINSBURG  
& ALDERMAN  
ATTORNEYS AT LAW  
377 MAIN STREET  
P.O. BOX 605  
WEST HAVEN CT 06516

THIS INDENTURE (hereinafter referred to as the "Lease"), made and entered into this 17<sup>th</sup> day of March, 1986, by and between 641 NEW BRITAIN AVE ASSOCIATES, having a principal place of business c/o Ginsberg, Ginsburg & Alderman, 377 Main Street, West Haven, Connecticut, 06516, (hereinafter referred to as "Landlord") and FARMINGTON AUDIO DISTRIBUTORS, INC., a Connecticut Corporation (hereinafter referred to as "Tenant");

W I T N E S S E T H :

ARTICLE I. GRANT AND TERM

1.01 Landlord hereby leases to Tenant and Tenant hereby hires and rents from Landlord; premises located at #641 NEW BRITAIN AVENUE, which premises are hereinafter referred to as the SHOPPING CENTER, situated on the easterly side of New Britain Avenue, in the Towns of Farmington and Newington, County of Hartford and State of Connecticut. Said premises, hereinafter referred to as the LEASED PREMISES, consist of approximately 20,000 square feet, as outlined in red on Exhibit A affixed hereto and made a part hereof.

1.02 The use and occupation by the Tenant of the Leased Premises shall include the use in common with others entitled thereto of the common areas, employees' parking areas, service roads, loading facilities, sidewalks and customer car parking areas, located in said shopping center and other facilities as may be designated from time to time by the Landlord, subject however to the terms and conditions of this Agreement and to reasonable rules and regulations for the use thereof as prescribed from time to time by the Landlord.

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1.03 The effective date of this Lease under which Tenant shall be obligated to commence payment of rental (hereinafter referred to as the Commencement Date) shall be the date which is ninety (90) days from the date upon which Landlord notifies the Tenant in writing that the Leased Premises are ready for occupancy, or the date upon which the Tenant opens for business to the public, whichever shall first occur.

In the event that the Commencement Date as hereinabove defined shall occur on a day other than the first day of the month, then the rent shall be immediately paid for such partial month prorated on the basis of a thirty (30) day month and the term of this Lease shall be extended for the number of days from the Commencement Date to the first day of the month next preceding. In no event shall said Commencement Date be before July 1, 1986.

1.04 The term of this Lease shall be for fifteen (15) years following the commencement of the term as provided in Section 1.03 hereof. Notwithstanding the foregoing, Tenant shall be bound by all of the provisions of this Lease, except for the payment of rent, from the date of the first occupancy of the Leased Premises by Tenant or its agents for any purpose prior to the Commencement Date.

## ARTICLE II. CONSTRUCTION OF LEASED PREMISES

2.01 Landlord shall at its cost and expense construct or alter the Leased Premises for Tenant's use and occupancy only in accordance with plans and specifications prepared by Landlord or Landlord's architect, incorporating in such construction all items of work described in Exhibit B attached hereto and made apart hereof. Any work in addition to any of

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the items specifically enumerated in said Exhibit B shall be performed by the Tenant at its own cost and expense and shall be subject to the prior written approval of Landlord.

2.02 Landlord hereby reserves the right at any time to make alterations or additions to and to build additional stories on any building located in the Shopping Center. Landlord also reserves the right to construct other buildings or improvements in the Shopping Center from time to time and to make alterations thereof or additions thereto and to build additional stories on any such building or buildings and to build adjoining the same. Such construction by Landlord shall not unreasonably interfere with Tenant's use and enjoyment of the Leased Premises or the parking thereto.

The Landlord shall not perform any permanent additional construction near or about the demised premises which causes a reduction in the visibility of or access to the demised premises.

2.03 The purpose of the site plan attached hereto as Exhibit A is to show the location of the Leased Premises. Landlord reserves the right at any time to relocate the automobile parking areas, and other common areas located in the shopping Center or to build a greater area of the buildings. The parties acknowledge that the listing or naming on Exhibit A of any other tenant or the description thereon of any kind or business in the Shopping Center are not representations by Landlord that such named other tenant or business shall be an occupant of the Shopping Center and all such designations appearing upon said Exhibit shall not be considered part of this Lease.

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ARTICLE III. CONDUCT OF BUSINESS BY TENANT

3.01 Tenant shall use the Leased Premises for the operation of the retail sale, rental and distribution of the following:

(i) audio, video, audiovisual, acoustical, electronic, duplicating, photographic, telephonic and communication equipment of all kinds and nature and for all applications and uses whatsoever including, but not limited to, any and all such other equipment known in the trade and by the designation of "Home Entertainment" or of "Consumer Electronic" products;

(ii) televisions, video recorders, radio receivers, phonographs, turntables, phonograph records and tapes, videotapes, cameras, calculators toys and electronic games, musical instruments, automotive stereo systems, electronics and equipment;

(iii) computers, computer products and equipment, and all software and hardware products related thereto; and

(iv) non-major home appliances;

(v) any and all products and product lines and equipment relating to the use or application of the foregoing products and/or stemming from the technology utilized in the design or manufacture of the same;

(vi) jewelry and athletic equipment.

Tenant is also granted permission to maintain departments in the Demised Premises for the servicing, repair, maintenance and installation of any of the products which it offers for sale.

3.02 Tenant shall occupy the Leased Premises on the Commencement Date and shall conduct continuously in the Leased Premises the business above stated.

3.03 No auction, fire or bankruptcy sales may be conducted in the Leased Premises without the previous written consent of Landlord.

ARTICLE IV. PARKING AND COMMON USE AREAS AND FACILITIES

4.01 All automobile parking areas, driveways, entrances and exits thereto, and other facilities in or near the Shopping Center, including employee parking areas, the truck way or ways, loading docks, package pick-up stations, pedestrian sidewalks and

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ramps, landscaped areas, exterior stairways, and other areas and improvements provided for the general use, in common, of tenants, their officers, agents, employees and customers, shall at all times be subject to the exclusive control and management of Landlord, and Landlord shall have the right from time to time to establish, modify and enforce reasonable rules and regulations with respect to all facilities and areas mentioned in this Article. Landlord shall have the right to construct, maintain and operate lighting facilities on all said areas and improvements; from time to time to change the area, level, location and arrangement of parking areas and other facilities hereinabove referred to and to restrict parking by tenants, their officers, agents and employees to employee parking areas. Landlord shall not have any duty to police the traffic in the parking areas.

#### ARTICLE V. MAINTENANCE OF COMMON AREAS

5.01 (a) During the term of this Lease, Tenant agrees to pay monthly to Landlord, as additional rent, on the first business day of each month in advance, as Tenant's share of the common area maintenance, casualty and liability insurance premiums for the Shopping Center, and any utility expense the tenant is responsible for, which expense is billed to the Shopping Center as a whole, the sum of \$1,667.00.

(b) However, in the event that Tenant's pro rata share (as hereinafter defined) of the annual aggregate cost incurred in the maintenance of the common areas of the Shopping Center as provided in Sections 5.02 and 5.03, infra, and in the maintenance of the policy of fire insurance provided for in Section 10.05, infra, shall exceed the annual amount paid by Tenant pursuant to subsection (a) of this Section 5.01, then and in such event, Tenant shall pay to Landlord, within Thirty (30)

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days after Tenant's receipt of Landlord's bill therefor, the difference between Tenant's pro rata share of such annual expenses and the aggregate amount paid by Tenant for the preceding twelve (12) month period. Tenant's pro rata share shall mean the amount arrived at by multiplying the total expenses incurred in connection with such common area maintenance and insurance premiums by a fraction of the numerator of which is the total ground floor area of the Leased Premises and the denominator of which is the total ground floor area of the gross leaseable premises within the Shopping Center. As of the date of this lease, the Tenant pro rata share express as a percentage is One Hundred (100%).

At Landlords discretion, but not more frequently than annually, the monthly payment set forth in subsection (a) above shall be appropriately adjusted for the succeeding twelve (12) month period, so that said monthly payment shall equal one-twelfth (1/12th) of Tenant's adjusted pro rata share for the preceding twelve (12) month period.

5.02 Landlord's maintenance of the common areas of the Shopping Center shall include, without limitation, repairing and replacing paving, keeping the common areas (excepting sidewalks and entranceways adjacent and contiguous to the Leased Premises) secure and properly supervised, drained, reasonably free of snow, ice, rubbish and other obstructions, and in a neat, clean, orderly and sanitary condition; keeping the common areas suitably lighted during and for the appropriate periods before and after Tenant's business hours; maintaining signs (other than Tenant's signs), markers, painted lines delineating parking spaces, and other means and methods of pedestrian and vehicular traffic control; maintaining adequate roadways, entrances and

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exits, maintaining any planting and landscaped areas; and maintenance and repair of all utilities and utility conduits situated within the common areas.

5.03 Landlord's maintenance of the common areas of the Shopping Center shall also include maintaining public liability insurance covering the parking areas and other common areas (excepting sidewalks and entranceways adjacent and contiguous to the Leased Premises), in an amount not less than \$300,000 for injury to any one person and \$500,000 for injuries arising out of any one accident and \$25,000 property damage coverage.

#### ARTICLE VI. TENANT'S FIXTURES AND IMPROVEMENTS

6.01 Provided the Tenant obtains the prior written consent of Landlord thereto (except for alterations costing less than \$25,000.00) which consent shall not be unreasonably withheld or unduly detained. Tenant may make interior non-structural alterations to the Leased Premises at its own expense and may install trade fixtures therein. All such alterations and fixtures shall remain the property of the Tenant for the term of the Lease. The Tenant shall at all times maintain fire insurance with extended coverage in an amount adequate to cover the cost of replacement of all alterations, decorations, additions or improvements in the event of fire or extended coverage loss. Tenants shall deliver to the Landlord certificates of such fire insurance policies which shall contain a clause requiring the insurer to give the Landlord ten (10) days' notice of cancellation of such policies. Upon expiration or sooner termination of this Lease, the Tenant shall remove all such alterations and trade fixtures and restore the Leased Premises as provided in Article 8.03 hereof. If the Tenant fails to remove such alterations and trade fixtures and restore the Leased Premises, then

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upon the expiration or sooner termination of this Lease, and upon the Tenant's removal from the premises, all such alterations, decorations, additions and improvements shall become the property of the Landlord.

6.02 Tenant shall promptly pay all contractors and materialmen hired by Tenant to furnish any labor or materials which may give rise to the filing of a mechanic's lien against the premises. Should any such lien be made or filed, Tenant shall bond against or discharge the same within ten (10) days after written request by Landlord.

#### ARTICLE VII. SIGNS

7.01 Tenant will not place or suffer to be placed or maintain on any portion of the exterior of the Leased Premises any sign, awning or canopy, or advertising matter or other thing of any kind, without first obtaining Landlord's written approval and consent.

Tenant further agrees to maintain such sign, awning, canopy, decoration lettering, advertising matter or other thing as may be approved in good condition and repair at all times and to repaint or replace such signs from time to time when reasonably necessary. In no event shall Tenant place or erect any free standing sign on any portion of the Shopping Center.

Landlord acknowledges that Tenant in the normal course of its business shall maintain temporary, professionally prepared paper or similar material signs, which signs shall be in keeping with good taste and decor of the center.

#### ARTICLE VIII. MAINTENANCE AND REPAIRS OF LEASED PREMISES

8.01 Except as provided in Section 8.04 below, Tenant shall at all times keep in good order, condition and repair

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the entire Leased Premises, including, without limitation, exterior entrances, all glass and show window moldings, all interior partitions, and all doors, fixtures, equipment and appurtenances thereto, including lighting, heating and plumbing fixtures and air conditioning fixtures and air conditioning system or systems.

8.02 If Tenant refuses or neglects to make any such repair within the prescribed time for curing of defaults under this Lease, after written demand, Landlord may make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures, or other property or to Tenant's business by reason thereof, and upon completion thereof, Tenant shall pay Landlord's cost for making such repairs upon presentation of bill therefor, as additional rent. Said bill shall include interest at twelve (12%) per cent per annum on said cost from the date of completion of repairs by Landlord.

8.03 At the expiration of the tenancy hereby created, Tenant shall surrender the Leased Premises in the same condition as the Leased Premises were in upon delivery of possession thereto under this Lease, reasonable wear and tear excepted, and damage by unavoidable casualty excepted, and shall surrender all keys for the Leased Premises to Landlord at the place then fixed for the payment of rent and shall inform Landlord of all combinations on locks, safes and vaults, if any, in the Leased Premises. Tenant shall remove all its trade fixtures, and any alterations or improvements before surrendering the premises as aforesaid and shall repair any damage to the Leased Premises caused thereby. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this lease.

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8.04 During the term of this lease, the replacement of plate, window, or door glass of any kind, shall at all times be the sole responsibility of the Tenants. Landlord's repair obligations shall be limited to any and all necessary repairs to the roof, foundation and walls of the Leased Premises and to any interior or exterior structural steel members of the Leased Premises. Notwithstanding the foregoing, in the event that any of Landlord's repairs are required due to the act or neglect of Tenant, its agents, servants, employees, licensees, invitees or independent contractors, then it shall be Tenant's obligation to make such repairs at its own cost and expenses.

Additionally, Landlord shall, during the term of this Lease, assign to Tenant the balance of any term remaining on any manufacturer's or contractor's guaranties or warranties for the heating, ventilating and/or air conditioning system or systems which services the Leased Premises.

#### ARTICLE IX. RULES AND REGULATIONS

9.01 The Tenant agrees as follows:

(a) The delivery or shipping of merchandise, supplies and fixtures to and from the Leased Premises shall be subject to such rules and regulations as in the reasonable judgment of the Landlord are necessary for the proper operation of the Leased Premises or Shopping Center.

(b) All garbage and refuse shall be kept in the kind of container specified by Landlord, and shall be placed outside of the premises prepared for collection in the manner and at the times and places specified by Landlord. If Landlord shall provide or designate a service for picking up refuse and garbage, Tenant shall use same at Tenant's cost said designated service

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shall be at a cost competitive with a alternate source of service. Tenant shall pay the cost of a removal of any of Tenant's refuse or rubbish.

(c) Nothing shall be erected on the roof or exterior walls of the premises, or on the grounds, without in each instance, the written consent of the Landlord. Anything so installed without such written consent shall be subject to removal without notice at any time. Tenant shall have right to erect one antenna on roof subject to approval of municipal authorities, location and nature of construction of base subject to Landlords' approval which consent shall not be unreasonably or unduly withheld.

(d) No loud speakers, televisions, phonographs, radios, or other devices shall be used in a manner so as to be heard outside of the premises without the prior written consent of the Landlord.

(e) Tenant shall keep the premises at a temperature sufficiently high to prevent freezing of water in pipes and fixtures.

(f) The entrances and sidewalks immediately adjoining the premises shall be kept clean and free from snow, ice, dirt and rubbish by the Tenant to the reasonable satisfaction of the Landlord and Tenant shall not place or permit any obstruction or merchandise in such areas.

(g) Tenant and Tenant's employees shall park their cars only in those portions of the parking area designated for that purpose by Landlord. Tenant shall furnish Landlord with state automobile license numbers assigned to Tenant's car or cars and cars of Tenant's employees within five (5) days after

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taking possession of the premises and shall thereafter notify the Landlord of any changes within five (5) days after such changes occur.

(h) The plumbing facilities shall not be used for any other purpose than that for which they are constructed, and no foreign substance of any kind shall be thrown therein, and the expense of any breakage, stoppage, or damage resulting from a violation of this provision shall be borne by Tenant, or whose employees, agents or invitees shall have caused it.

(i) Tenant shall keep the Leased Premises free of pests or vermin at Tenant's cost and expense.

(j) Tenant shall not burn any trash or garbage or any kind in or about the Leased Premises or the Shopping Center.

(k) Tenant and Tenant's employees and agents shall not solicit business in the parking or other common areas, nor shall Tenant distribute any handbills or other advertising matter in the parking area or in other common areas.

#### ARTICLE X. INSURANCE AND INDEMNITY

10.01 Tenant shall, during the entire term hereof, keep in full force and effect a policy of public liability and property damage insurance with respect to the Leased Premises, the sidewalks and entranceways in front of the Leased Premises, and the business operated by Tenant and any subtenants of Tenant in the Leased premises in which the limits of public liability shall initially be not less than \$500,000.00 per person and \$1,000,000.00 per accident and in which the property damage liability shall be not less than \$100,000.00. During the term of this Lease, Landlord shall have the right in its reasonable

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discretion to require Tenant to cause the aforesaid limits of liability to be increased, provided, however, that adjustments in said limits of liability shall not be required more frequently than annually. The policy shall name Landlord and Tenants and the fee owner of the Shopping Center, if different from Landlord, as insured, and shall contain a clause that the insurer will not cancel or change the insurance without first giving the Landlord ten (10) days prior written notice. The insurance shall be in an insurance company approved by Landlord and a copy of the policy or a certificate of insurance shall be delivered to Landlord.

10.02 Tenant agrees that it will not keep, use, sell or offer for sale in or upon the Leased Premises any article which may be prohibited by the standard form of fire insurance policy. Tenant agrees to pay any increase in premium for fire and extended coverage insurance that may be charged during the term of this Lease on the amount of such insurance which may be carried by Landlord on said premises or the building of which they are a part, resulting from the type of merchandise sold by Tenant in the Leased Premises, whether or not Landlord has consented to the same. In determining whether increased premiums are the result of Tenant's use of the Leased Premises, a schedule, issued by the organization making the insurance rate on the Leased Premises, showing the various components of such rate, shall be conclusive evidence of the several items and charges which make up the fire insurance rate on the Leased Premises.

10.03 Tenant will indemnify Landlord and save it harmless from and against any and all claims, actions, damages, liability and expense in connection with loss of life, personal injury and/or damage to property arising from or out

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of any occurrence in, upon or at the Leased Premises, or the occupancy or use by Tenant of the Leased Premises or any part thereof, occasioned wholly or in part by the default under this Lease or any act or omission of Tenant, its agents, contractors, employees, servants, lessees, or concessionaires, licensees or invitees. In case Landlord shall, without fault on its part, be made a party to any litigation commenced by or against Tenant, the Tenant shall protect and hold Landlord harmless and shall pay all costs, expenses and reasonable attorney's fees incurred or paid by Landlord in connection with such litigation. Tenant shall also pay all costs, expenses and reasonable attorney's fees that may be incurred or paid by Landlord in enforcing the covenants and agreement in this Lease.

10.04 Tenant agrees to use its best efforts to have its insurance carrier to include a WAIVER OF SUBROGATION PROVISION in such policies without increase in premium; if such provision can be obtained only upon the payment of an increase in premium, then the party who would benefit from such provision shall have the option of paying the increase in premium or foregoing the benefit of such provision.

10.05 Throughout the initial term of this Lease and any extensions thereof, Landlord shall maintain or cause to be maintained a policy of fire insurance with extended coverage on all of the buildings and improvements situated within the Shopping Center in an amount equal to at least eighty (80%) percent of the full insurable value thereof. All such policies which affect the Leased Premises shall name Landlord and the holder of any mortgage which affects the Leased Premises, as parties insured thereunder as their respective interests may appear. Landlord shall also have the right to maintain, as an endorsement to said fire insurance policy, rental value insurance insuring payment of one (1) year's fixed and additional rentals and other annual charges payable by Tenant to Landlord pursuant to the terms of this Lease.

ARTICLE XI. UTILITIES

11.01 From and after the date upon which Landlord delivers to Tenant possession of the Leased Premises, Tenant shall be solely responsible for and promptly pay all charges for heat, water, gas, electricity, sewer use or any other utility used or consumed in the Leased Premises. It is expressly agreed and understood that Landlord shall in no event be liable to Tenant for any interruption or suspension of utility services, except where directly caused by the act or neglect of Landlord, its agents, servants or employees.

ARTICLE XII. ESTOPPEL STATEMENT, ATTORNMEN, SUBORDINATION

12.01 Within ten (10) days after request therefor by Landlord, or in the event that upon any sale, assignment or hypothecation of the Leased Premises and/or the land thereunder by Landlord or offset statement shall be required from Tenant;

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Tenant agrees to deliver in recordable form a certificate to any proposed mortgagee or purchaser, or to Landlord, certifying (if such be the case) that this Lease is in full force and effect and that there are no defenses or offsets thereto, or stating those claimed by Tenant.

12.02 Tenant shall, in the event any proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage made by the Landlord covering the Leased Premises, attorn to the mortgagee in the event of strict foreclosure or to the purchaser upon any such foreclosure or sale and recognize such mortgagee or (as the case may be) purchaser as the Landlord under this Lease.

12.03 Upon request of the Landlord, Tenant will subordinate its rights hereunder to the lien of any mortgage now or hereafter placed upon the land of which the Leased Premises are a part, and to all advances made or hereafter to be made upon the security thereof. The word "mortgage" as used herein includes mortgage, deeds of trust or similar instruments and modifications, consolidations, extensions, renewals, replacements or substitute thereof.

12.04 The Tenant, upon request of the party in interest, shall execute promptly such instruments or certificates to carry out the intent of Sections 12.02 and 12.03 above as shall be requested by the Landlord. The Tenant hereby irrevocably appoints the Landlord as attorney-in-fact for the Tenant with full power and authority to execute and deliver in the name of the the Tenant any such instruments or certificates.

12.05 Tenant agrees to give any mortgagee of the Shopping Center which may in writing so request a duplicate

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notice of any letter to Landlord alleging a default by Landlord under this Lease and Tenant agrees that such mortgagee shall thereafter have a reasonable time to correct or cure such default, as well as Landlord, either such performance to be accepted by Tenant.

12.06 Notwithstanding the above, this lease, its terms, conditions and all leasehold interests and rights hereunder, are expressly made, given and granted subject and subordinate to the lien of any bona fide mortgage on the Shopping Center or a portion thereof; provided, however, that said mortgagee enter into a non-disturbance agreement with Lessee obligating any parties acquiring title or right of possession under or by virtue of such mortgage to be bound by this Lease and by all of the Lessee's rights hereunder provided that Lessee is not then in continued default after notice in the payment of rent or otherwise under the terms of this lease as hereafter modified.

ARTICLE XIII. ASSIGNMENT AND SUBLETTING

13.01 Tenant will not assign this Lease in whole or in part, nor sublet all or any part of the Leased Premises, without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld. In the event that Tenant so assigns or sublets this Lease, Tenant shall pay to Landlord all legal fees incurred by Landlord in connection with the negotiation, drafting and/or review by Landlord's attorneys of the terms and provisions of any instrument of assignment or subletting. The consent by Landlord to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting. This prohibition against assigning or subletting shall be construed to include a prohibition against any assignment or subletting by

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operation of law. If this Lease be assigned, or if the Leased Premises or any part thereof be underlet or occupied by anybody other than Tenant, Landlord may collect rent from the assignee, under-tenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, under-tenant or occupant as tenant, or a release of Tenant from further performance by Tenant of covenants on the part of Tenant herein contained. Notwithstanding the foregoing, Tenant shall have the right to either license or sublease a portion of the Demised Premises to be used for a record department. Notwithstanding any assignment or sublease, Tenant shall remain primarily liable on this Lease during the term of this Lease and any extensions thereof and shall not be released from performing any of the terms, covenants and conditions of this Lease, but Tenant and such assignee shall thereafter be jointly and severally liable for the full and faithful performance of the obligations of Tenant under this Lease. If the Tenant is a corporation, the sale or transfer of twenty-five (25%) percent or more of its voting stock shall be deemed an assignment of this Article XIII. The preceeding paragraph shall not apply to a corporation whose stock is traded on any recognized exchange.

#### ARTICLE XIV. WASTE, GOVERNMENTAL REGULATIONS

14.01 Tenant shall not commit or suffer to be committed any waste upon the Leased Premises or any nuisance or other act or thing which may disturb the quiet enjoyment of any other tenants in the building in which the Leased Premises may be located, or in the Shopping Center.

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14.02 Tenant shall, at Tenant's sole cost and expense, comply with all of the requirements of all county, municipal, state, federal and other applicable governmental authorities, now in force, or which may hereafter be in force, pertaining to the said premises, and shall faithfully observe in the use of the premises all municipal and county ordinances and state and federal statutes now in force or which may hereafter be in force.

ARTICLE XV. DESTRUCTION OF LEASED PREMISES

15.01 Landlord agrees that subject to and excepting the provisions of Section 15.02 below, if the Leased Premises shall be damaged by fire or other casualty during the term of this Lease, Landlord shall at its own expense cause the damage to be repaired within a reasonable time after such damage has occurred. If by reason of such occurrence, the premises are not thereby rendered untenable, the rent shall not be abated. If, however, the premises shall be rendered untenable in part or in whole, the fixed minimum rent shall be abated proportionately to the portion of the premises rendered untenable until such date as Tenant receives exclusive possession of the Leased Premises, at which time the full rent shall be reinstated and payable by Tenant.

15.02 In the event that fifty (50%) percent or more of the Leased Premises shall be damaged or destroyed by fire or other cause during the final twenty-four (24) months of the term of this Lease under which Tenant is then occupying the Leased Premises, either party shall have the right, to be exercised by notice in writing delivered to the other party within sixty (60) days from and after said occurrence, to elect to cancel and terminate this Lease. Upon the giving of such notice, the term of

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this Lease shall expire by lapse of time upon the thirtieth day after such notice is given, and Tenant shall vacate the Leased Premises and surrender the same to Landlord within thirty (30) days thereafter.

15.03 In the event that thirty (30%) percent or more of the Shopping Center shall be damaged or destroyed by fire or other cause, the Landlord shall have the right, to be exercised by notice in writing, to elect to cancel and terminate this Lease. Upon the giving of such notice, the term of this Lease shall expire by lapse of time upon the thirtieth day after such notice is given and Tenant shall vacate the Leased Premises and surrender the same to Landlord within thirty (30) days thereafter.

#### ARTICLE XVI. EMINENT DOMAIN

16.01 If the Leased Premises shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, then the term of this Lease shall cease and terminate as of the date of title vesting in such proceeding and all rentals shall be paid up to that date.

16.02 In the event of any taking, partial or whole, under the provisions of Section 16.01, all of the proceeds of such award, judgment or settlement shall be and remain the sole and exclusive property of the Landlord, and Tenant shall not be entitled to any portion of such award, judgment or settlement received by Landlord from such condemning authority. Tenant, however, may pursue its own claim against the condemning authority for any damages or award permitted under the laws of the state in which the Leased premises are located, to be paid to the Tenant without diminution or reduction of the award, judgment or settlement received by Landlord.

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ARTICLE XVII.    DEFAULT OF THE TENANT

17.01        Any event of a failure of Tenant to pay any rental or additional rental due hereunder within ten (10) days after written notice of default, or any failure to commence and diligently pursue the performance of any other of the terms, conditions or covenants of this Lease to be observed or performed by Tenant for more than twenty (20) days after written notice of default shall have been mailed to Tenant, or if Tenant shall become bankrupt or insolvent, or file any debtor proceedings, or take or have taken against Tenant in any court pursuant to any statute either of the United States or of any state a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Tenant's property, or if Tenant makes an assignment for the benefit of creditors or petitions for or enters into an arrangement, or if Tenant shall abandon said premises, or suffer this Lease to be taken under any writ of execution shall constitute an act of default to the extent allowed by law and the Landlord shall have such rights or remedies as it may have at law or equity.

17.02        Should Tenant default hereunder and Landlord elect to re-enter and take possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Lease or it may from time to time without terminating this Lease, make such non-structural alterations and repairs as may be necessary in order to relet this premises, and relet said premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Landlord in its discretion may deem advisable; upon each such reletting all rentals received by the Landlord

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from such reletting shall be applied, first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any costs and expenses of such reletting, including brokerage fees and attorney's fees and of costs of such non-structural alterations and repairs; third, to the payment of rent due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder. If such rentals received from such reletting during any month be less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. No such re-entry or taking possession of said premises by Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach. Should Landlord at any time terminate this Lease for any breach, in addition to any other remedies it may have, it may recover from Tenant all damages it may incur by reason of such breach, including the cost of recovering the Leased Premises, reasonable attorney's fees, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable rental value of the Leased Premises for the remainder of the stated term, all of which amounts shall be immediately due and payable from Tenant to Landlord.

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17.03 In case suit shall be brought for recovery of possession of the Leased Premises, for the recovery of rent or any other amount due under the provisions of this Lease, or because of the breach of any other covenant herein contained on the part of Tenant to be kept or performed, and a breach shall be established, Tenant shall pay to Landlord all expenses incurred therefor, including a reasonable attorney's fee.

17.04 The parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Leased Premises and/or any claim of injury or damage.

17.05 Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Leased Premises, by reason of the violation by Tenant of any of the covenants or conditions of this Lease or otherwise.

17.06 If Tenant shall fail to pay, after notice when the same is due and payable, any rent or additional rent, such unpaid amounts shall bear interest from the due date thereof to the date of payment, at the rate of twelve (12%) per cent per annum.

ARTICLE XVIII. ACCESS BY LANDLORD

18.01 Landlord or Landlord's agents shall have the right upon reasonable prior notice to Tenant to enter the Leased Premises at all reasonable times to examine the same, and to show them to prospective purchasers of the building, and to make such reasonable

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repairs, alterations, improvements or additions as Landlord may deem necessary or desirable, and Landlord shall be allowed to take all material into and upon said premises that may be required therefor, without the same constituting an eviction of Tenant in whole or in part and the rent reserved shall in no way abate while said repairs, alterations, improvements, or additions are being made, by reason of loss or interruption of business of Tenant, or otherwise. During the six (6) months prior to the expiration of the term of this Lease or any renewal term, Landlord may exhibit the premises to prospective tenants or purchasers. Nothing herein contained, however, shall be deemed or construed to impose upon Landlord any obligation, responsibility or liability whatsoever, for the care, maintenance, or repair of the building or any part thereof, except as otherwise specifically provided.

#### ARTICLE XIX. TENANT'S PROPERTY

19.01 Tenant shall be responsible for and shall pay before delinquency all municipal, county or state taxes assessed during the term of this Lease against any leasehold interest or personal property of any kind, owned by or placed in, upon or about the Leased Premises by the Tenant.

19.02 Landlord shall not be liable for any damage to property of Tenant or of others located on the Leased Premises, nor for the loss of or damage to any property of Tenant or of others by theft or otherwise, except where caused by the negligence of Landlord, its servants, agents or employees, and except to the extent not covered by insurance carried and/or required to be carried by Tenant pursuant to the terms of this Lease. Landlord shall not be liable for any injury or damage to person or property resulting from fire, explosion, falling plaster,

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steam, gas, electricity, water, rain, or snow or leaks from any part of the Leased Premises or from the pipes, appliances or plumbing works or from the roof, street or subsurface or from any other place or by dampness or by any other cause of whatsoever nature. Landlord shall not be liable for any such damage caused by other tenants or persons in the Leased Premises, occupants of adjacent property, of the Shopping Center, or the public, or caused by operation in construction of any private, public or quasi-public work. Landlord shall not be liable for any latent defect in the Leased Premises or in the building of which they form a part. All property of Tenant kept or stored on the Leased Premises shall be so kept or stored at the risk of Tenant only.

19.03 Tenant shall give immediate notice to Landlord in case of fire or accidents in the Leased Premises or in the building of which the premises are a part or of defects therein or in any fixtures or equipment.

ARTICLE XX. HOLDING OVER, SUCCESSORS

20.01 Any holding over after the expiration of the term hereof, with the consent of the Landlord, shall be construed to be a tenancy from month to month at the rents herein specified (prorated on a monthly basis) and shall otherwise be on the terms and conditions herein specified, so far as applicable.

20.02 All rights and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several respective heirs, executors, administrators, successors, and assigns of the said parties; and if there shall be more than one tenant, they shall all be bound jointly and severally by the terms, covenants and agreements herein. No

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rights, however, shall inure to the benefit of any assignee of Tenant unless the assignment to such assignee has been approved by Landlord in writing as provided above in this Lease.

ARTICLE XXI. QUIET ENJOYMENT

21.01 Upon payment by the Tenant of the rents herein provided, and upon the observance and performance of all the covenants, terms and conditions on Tenant's part to be observed and performed, Tenant shall peaceably and quietly hold and enjoy the Leased Premises for the term hereby demised without hindrance or interruption by Landlord or any other person or persons lawfully or equitably claiming by, through or under the Landlord, subject, nevertheless, to the terms and conditions of this Lease, and subject to restrictions and easements or other matters as of record appear.

ARTICLE XXII. MISCELLANEOUS

22.01 The waiver by Landlord of any breach 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 the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenants or condition of this Lease, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. No covenant, term or condition of this Lease shall be deemed to have been waived by Landlord unless such waiver be in writing by Landlord.

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

22.03 This Lease and the exhibits and Rider, if any, attached hereto and forming a part hereof, set forth all the covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the Leased Premises and supersede any and all prior agreement and understanding between Landlord and Tenant, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them other than are herein set forth. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by them.

22.04 Landlord does not, in any way or for any purpose, become a partner of Tenant in the conduct of its business, or otherwise, or joint adventurer or a member of a joint enterprise with Tenant. Any provisions of this Lease relating to the percentage rent payable hereunder are included solely for the purpose of providing a method whereby the rent is to be measured and ascertained.

22.05 In the event that either party hereto shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lockouts, labor

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troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason of a like nature not the fault of the party delayed in performing work or doing acts required under the terms of this Lease, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. The provisions of this Section 22.05 shall not operate to excuse the Tenant from the prompt payment of rent, percentage rent, additional rent or any other payments required by the terms of this Lease.

22.06 Any notice by Tenant to Landlord must be served by certified or registered mail, postage prepaid, addressed to Landlord, c/o Ginsberg Ginsburg & Alderman, at P.O. Box 605, West Haven, Connecticut, 06516, or at such other address as Landlord may designate by written notice.

22.07 Any notice by Landlord to Tenant must be served by certified or registered mail, postage prepaid, addressed to Tenant at 2845 Coney Island Avenue Brooklyn, N.Y. 11235 or at such other address as Tenant may designate by written notice.

22.08 The captions, section numbers, article numbers, and index appearing in the Lease are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or intent of such sections or articles of this Lease in any way affect this Lease.

22.09 The word "Tenant" shall be deemed and taken up to mean each and every person or party mentioned as a Tenant herein, be the same one or more; and if there shall be more than one Tenant, any notice required or permitted by the terms of this

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Lease may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. The use of the neuter singular pronoun to refer to Landlord or Tenant shall be deemed a proper reference even though Landlord or Tenant may be an individual, a partnership, a corporation, or a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Landlord or Tenant and to either corporations, associations, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

22.10 If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to person or circumstances other than those as to which it is held invalid or unenforceable shall not effected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by Law.

22.11 The submission of this Lease for an examination does not constitute a reservation of or option for the Leased Premises and this Lease becomes effective as a Lease only upon execution and delivery thereof by Landlord and Tenant.

22.12 Tenant shall not record this Lease, but the parties hereto agree to execute a Notice of Lease drawn in accordance with the statutes of the State of Connecticut.

22.13 This Lease shall be governed by the laws of the State of Connecticut.

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ARTICLE XXIII. REAL ESTATE TAXES AND IMPOSITIONS

23.01 Tenant shall be obligated and hereby covenants to pay as additional rent during the term of this Lease Tenant's pro rata share of all real estate taxes (including expenses directly incurred by Landlord in contesting the validity of, in seeking a reduction in, or in seeking to prevent an increase in any such taxes or assessments), water and sewer rentals, duties and/or charges, assessments, levies or other governmental charges, general and special, and all other like impositions or charges, ordinary or extraordinary, of any kind and nature whatsoever, including any tax that may be levied on rents received by Landlord (hereinafter sometimes collectively referred to as "Impositions"), levied or assessed on the Shopping Center or any part thereof or interest therein, or Landlord's interest with respect thereto, or use, occupancy or other possession thereof and the improvements thereon. Tenant's failure to make any such payment of additional rent hereunder shall be deemed a default in the payment of rent, and Landlord shall have the same remedies as herein provided for such default.

As used in this Section 23.01, Tenant's pro rata share shall be determined by multiplying any Imposition by a fraction the numerator of which shall be the total number of square feet of ground floor area of the Leased Premises, and the denominator of which is the total ground floor area of the gross Leaseable Premises within the Shopping Center. Tenant shall pay to Landlord Tenant's pro rata share within twenty (20) days after receipt from Landlord of a bill therefor. As of the date of this lease the Tenant's pro rata share expressed as a percentage is 100%.

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23.02 Tenant shall pay monthly to Landlord, together with the payment of the fixed minimum annual rent, an amount equal to one-twelfth (1/12th) of Tenant's pro rata share of the then current or last determined annual aggregate amount of real estate tax or taxes assessed against the Shopping Center. An initial payment on account of such taxes shall be made together with the first month's rent so that there shall at all times be on deposit with the said Landlord a sum equal to the pro rata amount of Tenant's pro rata share of taxes to become due on the next date for paying taxes. If on the date thirty (30) days prior to the day when any such tax or any installment thereof may be paid without interest or penalty, there shall be insufficient funds in said account to pay said tax or installment thereof, upon Landlord's written demand, the Tenant shall forthwith pay to the Landlord the difference between the amount allocated for the payment of the particular tax, and the amount to be paid. If on said date, there shall be an amount in excess of the amount required to make such payment, such excess shall be credited towards the next succeeding monthly payment. It is agreed and understood that Tenant's monthly tax payment to Landlord pursuant to this Section 23.02 shall initially be in the amount of \$2,083.00.

The foregoing amount shall be appropriately adjusted to reflect any future increases in the assessment for the Shopping Center, in order that Tenant's monthly tax payment shall at all times be based upon the then current amount of said assessment.

#### ARTICLE XXIV. RENT

24.01 (a) The fixed minimum annual rent during the first three (3) years of this Lease shall be \$570,000.00 payable in equal monthly installments of \$47,500.00 DOLLARS, on

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or before the first day of each month in advance, at the office of the Landlord or at such other place designated by Landlord.

(b) The fixed minimum annual rent during the second three (3) years of this Lease shall be \$660,000.00 DOLLARS, payable in equal monthly installments of \$55,000.00, on or before the first day of each month, in advance, at the office of the Landlord or at such other place designated by Landlord.

(c) The fixed minimum annual rent during the third three (3) years of this Lease shall be \$750,000.00 DOLLARS, payable in equal monthly installments of \$62,500.00, on or before the first day of each month, in advance, at the office of the Landlord or at such other place designated by Landlord.

(d) The fixed minimum annual rent during the fourth three (3) years of this Lease shall be \$840,000.00 DOLLARS, payable in equal monthly installments of \$70,000.00, on or before the first day of each month, in advance, at the office of the Landlord or at such other place designated by Landlord.

(e) The fixed minimum annual rent during the fifth three (3) years of this Lease shall be \$930,000.00 DOLLARS, payable in equal monthly installments of \$77,500.00, on or before the first day of each month, in advance, at the office of the Landlord or at such other place designated by Landlord.

24.02 (a) Notwithstanding paragraph 24.01 hereinabove, the fixed minimum annual rent for each subsequent three years of this lease shall be upon the same terms and conditions herein contained, however, the fixed minimum annual rent for each subsequent three year period of this Lease shall be increased over the first year's fixed minimum annual rent by a sum which shall not be less than the sum derived by multiplying a fraction, the numerator of which is the Increase Index and the denominator

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of which is the Base Index (hereinafter defined) but not less than zero, by the fixed minimum rent for the first year of this Lease.

(b) "BASE INDEX" shall be the Consumer Price Index, All Urban Consumers, All Items (published by the United States Department of Labor, Bureau of Labor Statistics) for the calendar month next preceding the commencement month of this Lease.

(c) "INCREASE INDEX" shall be the difference between the Base Index (defined above) and the month next preceding the commencement of the first month of the next three year period.

(d) If the official monthly "BLS Consumers' Price Index" is not available for use as a cost of living index for the month hereinabove provided for to be used as a basis for the basic rent adjustments, it is agreed that the "BLS Consumers' Price Index" as issued and published for the earliest preceding months should be used in determining such basic rent adjustments.

(e) In the event that at any time during the term hereof the United States Bureau of Labor Statistics shall discontinue the issuance of "BLS Consumers' Price Index," then in such event the parties hereto agree to use any other standard nationally recognized cost of living index then issued and available, which is published by the United States Government.

#### ARTICLE XXV. ADVANCED RENT

25.01 The Tenant shall upon the execution of the Lease by the parties hereto, deposit with Landlord the sum of ONE HUNDRED NINETY THOUSAND (\$190,000.00) DOLLARS. Said deposit shall be held by said Landlord without liability for interest as security for the faithful performance by Tenant of all the terms of this

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Lease by said Tenant to be observed and performed and shall be applied by the Landlord toward the payment of the Tenant's rent due for the first four (4) months of the lease.

ARTICLE XXVI. NET LEASE

26.01 This Lease shall be deemed and construed to be a net Lease and, except as herein otherwise expressly provided, the Landlord shall receive the minimum annual rent and additional rent and all other payments hereunder to be made by the Tenant absolutely free from any charges, assessments, impositions, expenses or deductions of any and every kind or nature whatsoever.

ARTICLE XXVII. ANNEXATION

27.01 Landlord reserves the right to annex to and incorporate into the Shopping Center any property contiguous to said Shopping Center, as the same may from time to time be constituted. Landlord further reserves the right to construct buildings or improvements on said contiguous property, to make alterations or additions thereto, to build additional stories on any such building or buildings and to grant to occupants thereof the right to use the common areas of the Shopping Center in common with Tenant and other Tenants leasing space therein. Said annexation shall not interfere with Tenant's use and enjoyment of the Leased Premises.

ARTICLE XXVIII PYLON SIGN

28.01 Landlord shall erect a pylon identification sign for the shopping center and in the event any space is allocated for the identification of Tenants located in the shopping center, the Tenant shall be allocated its pro rata share of signage.

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ARTICLE XXIX. BROKERS

29.01 Each party hereto represents that it has had no dealings with any broker or agent in connection with this Lease other than RANDY SUE GENET and GERALD H. GENET of Gerald H. Genet, Inc., 589 Central Avenue, East Orange, New Jersey, whose commission will be paid by Landlord in accordance with a separate agreement, and Tenant agrees to indemnify and hold harmless Landlord from the claims of any other broker or agent whom Tenant, and not Landlord, has dealt with or employed.

ARTICLE XXX. PERCENTAGES


30.01 In the event common area maintenance, insurance and/or taxes are computed in conjunction with any adjacent premises owned by the Landlord or a related entity, the Tenant's share of said expense shall be computed on a pro rata basis using the same general theory of computation utilized herein except that the total square footage shall include those located on said adjacent premises for the purpose of said computation.

IN WITNESS WHEREOF, Landlord and Tenant have respectively signed and sealed as of the day and year first above written.

Signed, Sealed and Delivered  
in the Presence of:


  
Kenneth S. Ginsberg

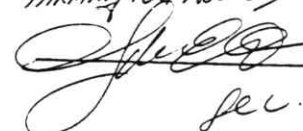
  
JAMES M. O'CONNOR

  
Kenneth S. Ginsberg

  
JAMES M. O'CONNOR

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& ALDERMAN  
ATTORNEYS AT LAW  
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P.O. BOX 605  
WEST HAVEN, CT 06516

LANDLORD  
  
(L.S.)

TENANT  
FARMING TON Audio Distributors, Inc.  
  
(L.S.)  
JEC.

STATE OF CONNECTICUT )  
COUNTY OF NEW HAVEN )

ss: *West Haven*

On this the *17<sup>th</sup>* day of *MARCH*, 1986,  
before me, the undersigned officer, personally appeared  
*Solomon ANTAR*, who acknowledged himself to be the  
*SECRETARY* of *FARMINGTON Audio Distributors, Inc.*  
corporation, and that he as such *SECRETARY*  
being authorized so to do, executed the foregoing instrument for  
the purposes therein contained, by signing the name of the cor-  
poration by himself as *SECRETARY*

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

*James M. O'Connor*  
COMMISSIONER OF THE SUPERIOR COURT  
*JAMES M. O'CONNOR*

STATE OF CONNECTICUT )  
COUNTY OF NEW HAVEN )

ss: *West Haven*

On this the *17<sup>th</sup>* day of *March*, 1986,  
before me, the undersigned officer, personally appeared  
*Robert A. Ginsburg* known to me, or satisfactorily  
proven, to be the person whose name is subscribed to the within  
instrument and acknowledged that he executed the same, for the  
purposes therein contained, as his free act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

*Robert A. Ginsburg*  
COMMISSIONER OF THE SUPERIOR COURT  
*Robert A. Ginsburg*

GUARANTY

WHEREAS, the Landlord would not enter into the attached Lease with *Farmington Audio Distributors Inc*

as Tenants, unless the undersigned guarantees the Tenant's performance; under the terms of said Lease and

WHEREAS, the undersigned requested the Landlord to enter into the Lease with the Tenant; and

WHEREAS, the undersigned has a substantial interest in making sure that the Landlord rents the Premises to the Tenant.

IN CONSIDERATION of the Landlord leasing the premises to the Tenant, One Dollar and other valuable considerations, the undersigned guarantees the full performance of the Lease by the Tenant.

This Guaranty is absolute and without any condition. It includes, but is not limited to, the payment of rent and other money charges.

In addition, the undersigned agrees to these other terms:

(a) This Guaranty will not be affected by any change in the Lease, whatsoever. This includes, but is not limited to, any extension of time or renewals. The Guaranty will bind the undersigned even if it is not a party to these changes.

(b) The Guarantor does not have to be informed about any default by Tenant and it waives notice of nonpayment or other default.

(c) If the Tenant defaults, the Landlord may require the guarantor to perform without first demanding that the Tenant perform.

(d) The guarantor gives up its right to trial by jury in any claim related to the Lease or this Guaranty.

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& ALDERMAN  
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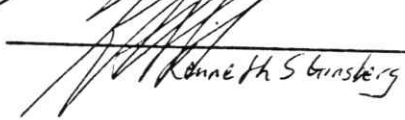


(e) This Guaranty can be changed only by written agreement signed by all parties to the Lease and this Guaranty.

The Guaranter shall be obligated to perform hereunder for a maximum total period of sixty (60) months and shall not exceed said period.

Dated at WEST HAVEN this 19 day of MARCH, 1986

Executed at  
Witnesses:

  
JAMES M. O'CONNOR  
  
Kenneth S. Ginsburg

GUARANTOR:

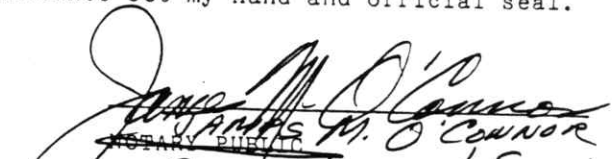
CRAZY EDDIE INC.

BY   
sec.

STATE OF CONNECTICUT ss: West Haven  
COUNTY OF New Haven

On this the 17th day of MARCH, 1986, before me, the undersigned officer, personally appeared SPENCER ANTA who acknowledged himself to be SECRETARY of CRAZY EDDIE INC a corporation, and that as such SECRETARY being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as SECRETARY

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

  
JAMES M. O'CONNOR  
COMMISSIONER OF THE Superior COURT

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& ALDERMAN  
ATTORNEYS AT LAW  
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P.O. BOX 605  
WEST HAVEN, CT 06516

EXHIBIT B

WORK TO BE PERFORMED BY LANDLORD

1. Demising Walls - finished tape sheetrock ready for painting.
2. Suspended ceiling grid with 2' x 4' Acoustical Ceiling Tile.
3. Floor - poured concreted ready to receive floor covering.
4. Plumbing - stubbed cold water supply and sewer hook-up to Tenant location.
5. Electric - wired to rear of store           AMP.
6. Storefront - aluminum frame glass and block.
7. Heating and air conditioning - installed with main duct, normal distribution ducts, difuses and conduits, wired to stores electrical panel. Total 40 Ton (Economizers).
8. Rear exit door including hardware.
9. Premises to be delivered in "broom clean" condition.

WORK TO BE PERFORMED BY TENANT

- A. Wall finish.
- B. Interior partitions and walls.
- C. All interior lighting.
- D. Floor finish.
- E. Plumbing fixtures and interior piping.
- F. Electric - interior wiring, including all plugs, switches, lighting and distribution panel.
- G. Signage (subject to Landlord's approval)
- H. Bathrooms.

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P.O. BOX 505  
WEST HAVEN, CT 06516



7973A - Disc 0653A  
8213A - Disc 0701A

LEASE

Between:

ACKRIK ASSOCIATES  
as Landlord,

and

CHERRY HILL AUDIO DISTRIBUTORS, INC. d/b/a CRAZY EDDIE, INC.  
as Tenant.

Premises: Cherry Hill, New Jersey

Dated: April 7, 1986

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LEASE dated the 7<sup>th</sup> day of APRIL, 1986  
between ACKRIK ASSOCIATES, a New York partnership having an office  
at 888 Seventh Avenue, New York, New York 10106 (hereinafter  
"Landlord") and CHERRY HILL AUDIO DISTRIBUTORS, INC. d/b/a CRAZY  
EDDIE, INC. a NEW JERSEY corporation with offices at 2845 Coney  
Island Avenue, Brooklyn, New York, 11235 (hereinafter "Tenant").

W I T N E S S E T H :

WHEREAS, Landlord is the Owner of the Shopping Center located  
on Route 38, the Township of Cherry Hill, Camden County, New Jersey,  
known as Cherry Hill Center, as shown on the Plot Plan annexed  
hereto and made part hereof as Exhibit A (the "Shopping Center"); and

WHEREAS, the parties hereto desire that a portion of the  
Shopping Center (said portion hereinafter referred to as the  
"Demised Premises") be leased to Tenant by Landlord, for a term and  
upon the covenants, conditions and provisions hereinafter set forth;  
and

NOW, THEREFORE, in consideration of the mutual promises  
herein contained, and other good and valuable considerations,  
Landlord and Tenant hereby mutually agree as follows:

1. Warranties, Covenants and Representations. Landlord  
warrants and represents to, and covenants with, Tenant as follows:  
No restrictions, zoning ordinances, regulations, easements,  
covenants, rights, liens or encumbrances will exist at the  
commencement of the term with respect to the Demised Premises which  
will prevent the use thereof for the purposes demised or with  
respect to the parking area which would prevent the use thereof for  
access and parking in accordance with the provisions of this Lease.

2. The Demised Premises. Landlord hereby leases to  
Tenant, and Tenant hereby hires from Landlord, for the term, at the  
rental, and subject to the provisions hereinafter set forth, the

Demised Premises, containing approximately 20,550 square feet of enclosed building, with approximately 72 feet and 2 inches in frontage as shown cross-hatched on Exhibit "A", attached hereto and made part hereof, together with the benefit of such rights of use and enjoyment elsewhere in the Shopping Center as are hereinafter set forth or are herein incorporated by reference. All measurements are made from the outside of exterior walls and from center to center of shared interior walls. All measurements and dimensions are subject to final adjustment in accordance with a certificate AGREED UPON BY TENANT'S ARCHITECT AND Landlord's architect issued after completion of construction, and, if necessary, the Fixed Minimum Rent and Additional Rent shall be adjusted accordingly.

SUBJECT, HOWEVER, to each of the following:

- A. The terms, covenants, conditions and provisions hereof.
- B. All liens, utility easements and other matters and objections to title, if any, affecting the Shopping Center, the Demised Premises or the Common Areas (as shown on Exhibit A), provided the same do not prohibit or interfere with the use and occupancy of the Demised Premises by Tenant for retail purposes, and the use of the Common Areas.
- C. All governmental laws, ordinances, rules and regulations affecting the Demised Premises, or any part or parts thereof, including, without limitation, zoning regulations and ordinances, provided the same do not prohibit or interfere with the use and occupancy of the Demised Premises by Tenant for retail purposes, and the use of the Common Areas.
- D. Any state of facts, a physical inspection of the Shopping Center, the Demised Premises or the Common Areas would disclose.

### 3. Term and Construction

#### Section 3.1

A. The term of this Lease shall commence on the date Landlord delivers possession of the Demised Premises substantially completed (as hereinafter defined) to Tenant (the "Term Commencement Date"), and shall expire at midnight on the last day of the month in which the fifteenth anniversary of the Term Commencement Date shall occur, subject however to earlier termination as herein elsewhere provided. Tenant shall commence paying rent on the earlier of (a) the date Tenant opens all or any part of the Demised Premises for business with the public; or (b) ~~sixty~~ <sup>NINETY (90)</sup> days after Landlord delivers possession of the premises to Tenant substantially completed in accordance with Exhibit B attached hereto and made part hereof (the "Rent Commencement Date").

B. In the event Landlord fails to deliver possession of the Demised Premises to Tenant on or before September 15, 1986, Tenant shall not be required to open for business and commence paying rent until February 1, 1987. In the event Tenant opts to open for business prior to February 1, 1987, rent shall commence on the date of opening.

Section 3.2 After the Rent Commencement Date, Tenant, upon the request of Landlord, shall promptly execute and deliver to Landlord, without charge a written declaration duly acknowledged: (1) ratifying this Lease; (2) confirming the Commencement and Expiration dates of the Lease Term; and (3) confirming the Rent Commencement Date.

Section 3.3 Landlord will construct on the Shopping Center, the Demised Premises within the building as shown on Exhibit A. As to the interior of said premises, the same shall be prepared in

Section 3.1 C. Provided this Lease is in full force and effect, and Tenant shall not be in default hereunder beyond any specified period for curing thereof, Tenant shall have the right to extend the term of this Lease for one additional period of five (5) years, commencing upon the expiration of the original term of this Lease. All of the terms, covenants and provisions of this Lease (other than Section ~~3.1~~<sup>3.1</sup> above and the initial construction obligations of Landlord) shall apply to such extended term, except that the annual fixed rent for the renewal period shall be ~~\$64,866.00~~<sup>\$554,850.00</sup> (figured at ~~\$12.00~~<sup>\$27.00</sup> per square foot). ~~for the first 21 years of the renewal term, and the annual fixed rent payable during the balance of the renewal period shall be \$70,872.00 (figured at \$12.00 per square foot).~~

If Tenant shall elect to exercise the aforesaid option, it shall do so only by giving Landlord written notice of such renewal not later than ~~six (6)~~<sup>TWELVE (12)</sup> months prior to the expiration of the initial term. If Tenant gives such notice, the extension of this Lease shall be automatic without the execution of any additional documents. Tenant shall not have any further option to extend this Lease beyond said five (5) year period herein provided.

accordance with the outline specifications, entitled "Description of Landlord's Work" (Exhibit B), and it is understood and agreed by Tenant that non-substantial changes from the plans that have been agreed upon by and between the parties hereto, which may be necessary during the construction of the demised premises for Tenant, will not affect or change this Lease or invalidate same.

Landlord's work shall be deemed substantially completed in accordance with Exhibit B notwithstanding the following: (1) items that cannot be completed until Tenant first completes its work, and (ii) minor items, either such as mechanical adjustments or are cosmetic in nature, all which are known as "punch list items", which items shall be completed reasonably promptly after said punch list is furnished Landlord by Tenant.

Tenant may commence its work during the progress of Landlord's work, provided however, that while Landlord's work is continuing: (i) Tenant's work shall comply with all legal requirements and the approved plans, and shall not interfere with nor delay Landlord's work; (ii) Landlord shall have no liability to Tenant for damage to any of Tenant's property stored in the Demised Premises, unless caused by willful acts or gross negligence of Landlord or its employees or agents; and (iii) Tenant shall indemnify Landlord, and hold Landlord harmless from and against any claims, losses, damages and expenses arising out of the acts or omissions of Tenant, or of its employees or agents.

Tenant shall obtain temporary and permanent certificates of occupancy, and other governmental approvals which may be required to permit Tenant's use and occupancy of the Demised Premises.

Tenant agrees that it will not at any time prior to or during the term hereof, either directly or indirectly, employ or permit the employment of any contractor, mechanic or laborer, or permit any materials in the Demised Premises, if the use of such



contractor, mechanic or laborer or such materials would <sup>RESULT</sup> in ~~Landlord's opinion, create~~ any difficulty, strike or jurisdictional dispute with other contractors, mechanics or laborers engaged by Landlord or others, or would in any way disturb the construction, maintenance, cleaning, repair, management, security or operation of the Shopping Center or any part thereof. In the event of any interference or conflict, Tenant, upon demand of Landlord, shall cause all contractors, mechanics or laborers, or all materials causing such interference, difficulty or conflict, to leave or be removed from the Demised Premises and Shopping Center immediately. Tenant shall be liable to Landlord for all extra costs and damages resultant from Tenant's failure to comply herewith.

Section 3.4 All betterments and improvements in or upon the Demised Premises, made by either party (except Tenant's personal property, stock in trade, furniture and furnishings, signs and trade fixtures put in at Tenant's expense - collectively "Tenant's Personal Property") including, without limitation, all lighting fixtures, heating, ventilating and air conditioning equipment and all pipes, ducts, conduits, wiring, paneling, partitions, railings and the like shall remain upon and be surrendered with the Demised Premises as a part thereof at the expiration or sooner termination of the Lease Term, and shall become the property of Landlord at such time, unless Landlord otherwise elects to have all or portions thereof removed by Tenant (which election shall be made by Landlord not less than ~~five (5)~~ <sup>THIRTY (30)</sup> days prior to the expiration or sooner termination of the Lease Term), and Tenant shall repair any damage such removal may cause.

Section 3.5 Landlord hereby consents to the installation of two (2) antennas on the roof of the Demised Premises provided: (a) the approval of municipal authorities is obtained, and (b) the structural integrity of the roof is not impaired. Tenant shall pay the purchase and installation costs of the antennas.

#### 4. Rent, Additional Rent, and Other Charges

Section 4.1 A. Fixed Rent and Additional Rent (as hereinafter defined) shall be payable to Landlord at the address hereinabove first set forth, or to such address as Landlord may from time-to-time otherwise designate, in lawful money of the United States which shall be legal tender for the payment of all debts, public and private, on the first day of each and every calendar month from and after the Rent Commencement Date (as hereinbefore defined) in advance, without prior demand and without any counterclaim, set-off or deduction whatsoever.

B. "Additional Rent" shall be deemed to consist of all sums of money which shall become due from and payable by Tenant hereunder (excluding Fixed Rent), including but not limited to Tenant's Tax Charge, Tenant's Common Area Charge and any other payments made by Landlord on behalf of Tenant or otherwise payable by Tenant hereunder. If Tenant defaults in the payment of any Additional Rent, Landlord shall have the same remedies as for a default in the payment of Fixed Rent.

Section 4.2 Tenant shall pay to Landlord during the term hereof, commencing on the Rent Commencement Date, the Fixed Rent as hereinafter set forth in equal monthly installments, in advance, on the first day of each and every calendar month throughout the balance of the term. In the event the Rent Commencement Date is other than the first day of a calendar month, the Fixed Rent (as well as all Additional Rent and other charges and sums reserved hereunder) for the portion of the then current calendar month shall be prorated and shall be paid immediately upon the Rent Commencement Date. The Fixed Rent commencing on the Rent Commencement Date is as follows:

- (i) For the first two years of the term figured from the Term Commencement Date: \$295,509.00 per

- annum; \$24,625.75 per month, figured at \$14.38 per square foot; and
- (ii) For the years 3, 4, 5 and 6 of the term:  
\$349,350.00 per annum; \$29,112.50 per month, figured at \$17.00 per square foot; and
- (iii) For the years 7, 8, 9 and 10 of the term:  
\$400,725.00 per annum; \$33,393.75 per month, figured at \$19.50 per square foot; and
- (iv) For the years 11 and 12 of the term:  
\$452,100.00 per annum; \$37,675.00 per month, figured at \$22.00 per square foot; and
- (v) For the last three years of the term:  
\$472,650.00 per annum; \$39,387.50 per month, figured at \$23.00 per square foot.

Section 4.3 If the Tenant shall fail to pay any Fixed Rent or Additional Rent <sup>TEN (10) DAYS</sup> after the same became due and payable, such unpaid amounts shall bear interest at the involuntary rate, as defined in Article 13, from the due date thereof to the date of payment of the default rent.

5. Additional Rent-Taxes.

A. If during any calendar year or partial calendar year during the term of this Lease or any renewal thereof, Landlord is required to pay any amount for "Impositions", as hereinafter defined, Tenant covenants and agrees to pay a proportionate share of such Impositions as additional rent, in each case, at least fifteen (15) days after Landlord bills Tenant therefore. Landlord agrees to provide Tenant with a statement setting forth the amount and calculations of the Impositions and the calculations of Tenant's proportionate share when billing Tenant therefore. Tenant's proportionate share of said Impositions is presently

11.03%. For the purposes of this Article and Article 6, Tenant's proportionate share shall be based upon the ratio which the ground floor square feet of the Demised Premises (20,550 square feet), bears to the leasable ground floor square feet of all buildings (including the Demised Premises) from time to time in the Shopping Center (186,248 square feet), and shall be subject to adjustment in the event: (a) Tenant's premises are adjusted by an "after-built" certificate issued by Landlord's architect, and/or (b) leasable ground floor space is added or removed from the Shopping Center. The parties acknowledge that the dimensions set forth above are not based on actual field measurements, but have been agreed on a representing accurate approximations for purposes of this Lease. Landlord agrees that payments made to it by Tenant as aforesaid shall be deemed to be trust funds for the purpose of payment of said Impositions. Landlord agrees to submit proof of payment of said Impositions to Tenant upon request therefor by Tenant. The certificate, advice or bill of the appropriate official, designated by law to make or issue the same or to receive payments of any Imposition, or the nonpayment thereof, may be relied upon by either party as sufficient evidence that such item is due and unpaid at the time of making or issuance of such certificate, advice or bill. Nothing herein contained shall require Tenant to pay income taxes, capital levy, corporate franchise, excess profits, estate, inheritance or transfer taxes assessed against or payable by Landlord.

B. The term "Impositions" shall be deemed to mean all taxes and assessments, special or otherwise, assessed upon or with respect to the ownership or occupancy of and/or other taxable interests in the Shopping Center (Land, Buildings and Improvements, including Common Areas) for which Landlord is liable by law and imposed by any governmental authority or any other taxing authority having jurisdiction over the Shopping Center or any part thereof, and shall include all assessments, sewer rents, water meter charges or charges in lieu thereof, and all other charges and burdens which Landlord pays, or is required by law to pay, and shall be subject to

adjustment for any tax rebate received by Landlord. Any Imposition relating to a fiscal period of the taxing authority, a part of which period is included within the term of this Lease, and a part of which is included in a period of time before the Rent Commencement Date or after the term of this Lease, as the same may be extended, shall, whether or not such Imposition shall be assessed, levied, confirmed, imposed upon or in respect of, or become a lien upon the Shopping Center or the Premises or shall become payable during the term hereof, be adjusted between Landlord and Tenant as of the Rent Commencement Date, or expiration or other termination of this Lease.

C. Landlord shall have the sole right to contest the amount or validity of any Impositions except that if Landlord shall not commence or note the protest or comply with any judicial or administrative prerequisite for contesting the same within sixty (60) days prior to the last day for doing so then Tenant may demand that Landlord contest such Imposition but at Tenant's expense, and if Landlord has not commenced such contest within fifteen (15) days after Tenant's demand, Tenant may contest such Imposition on behalf of itself and in compliance with the terms hereof, unless Landlord shall notify Tenant as to a valid reason for not contesting such Imposition in which case Tenant shall not contest the same. If, in accordance with the requirements of law, any Imposition is paid in installments then Tenant's obligation with respect thereto shall also be payable in installments. (Tenant's liability being limited to those Impositions which became effective after the Rent Commencement Date and Tenant shall not be obligated to pay those installments which are to become due and payable after the expiration of the term hereof.) The obligation of Tenant shall be limited solely to the proportionate share of said Impositions which are required to be borne by Tenant.

D. If Landlord shall receive a refund of any Impositions theretofore paid by Tenant pursuant to the provisions hereof, Tenant's proportionate share thereof, net of the costs of recovery, shall be promptly paid to Tenant.



E. In the event Landlord shall fail to pay any Impositions required to be paid by it as required by law, Tenant, at its option may, but shall not be required to, pay the same after five (5) days notice to Landlord and shall be reimbursed by Landlord, upon Tenant's demand, together with interest at the "involuntary rate", (as hereinafter defined).

6. Additional Rent - Common Area Maintenance Costs.

A. Tenant shall have the right, in common with Landlord and other tenants of the Shopping Center to the use by Tenant and Tenant's customers of the Common Areas of the Shopping Center, as said term is herein defined, for the purpose of pedestrian or vehicular access, ingress and egress and the parking of cars, subject to such reasonable and non-discriminatory rules and regulations as Landlord may from time to time impose. The Common Areas are those areas of the Shopping Center as are not now or hereafter covered by leasable buildings. Landlord agrees that all entrances, exits, approaches and means of entrance and approach shall not be interfered with or disturbed by any act of Landlord during the term hereof except as may be required by law or any governmental authority. The term "Common Area Maintenance Costs" shall mean the cost paid or incurred for the operation, maintenance and repairs of the Common Areas, and of any installations therein or thereon, including, without limitation, cleaning, snow and ice removal; planting, replanting and replacing flowers and landscaping; maintaining and cleaning sidewalks and curbs; maintenance and repair of utility systems; premiums for liability, fire (including all additional and extended coverages thereunder) and workmen's compensation insurance; salaries (including employee benefits) of employees performing service in connection with the Shopping Center; management fees; unemployment taxes; social security taxes, personal property taxes, if any; sales and use taxes on material and equipment; supplies; operation of loudspeakers and other equipment, if any, supplying music to the Common Areas or any part thereof;

policing, security, and patrolling the Common Areas (including costs relating to controlling traffic thereto and/or therefrom); reasonable straightline depreciation of movable equipment (and rental therefore) used in the operation, repair and maintenance of the Common Areas (but in any such case without duplication as to depreciation charges on any such movable equipment and, as to rental of such movable equipment, Landlord agrees to rent such equipment only if the rental thereof will, in the good faith judgment of Landlord, be less expensive to Tenant than depreciation on owned equipment would be in assessing common area maintenance costs to Tenant); and other similar direct costs properly chargeable to such operation, but excluding real estate taxes and assessments applicable to the Common Areas. Tenant shall, upon request, furnish to Landlord the license numbers of the cars operated by Tenant and its permitted licensees, concessionaires, agents, officers and employees. If any of the items included within said Common Area Maintenance Costs shall have a useful life beyond the term of this Lease, Landlord shall reimburse Tenant for such portion of said Common Area Maintenance Costs as shall have previously been paid by Tenant as shall be applicable to the useful life thereof beyond the end of the term of this Lease. Repairing of the parking lot shall be deemed to have a useful life of ten (10) years for the purpose of the sentence immediately preceding this sentence.

B. As further additional rent, Tenant shall pay to Landlord from and after the Rent Commencement Date its proportionate share of the Common Area Maintenance Costs chargeable or paid by Landlord. Tenant's proportionate share is presently 11.03% as determined in Section 5 hereof. Such amount shall be paid to Landlord with respect to each Lease Year or Partial Lease Year within thirty (30) days after receipt by Tenant of the applicable Landlord's statement. Landlord shall estimate Tenant's annual pro-rata share of the Common Area Maintenance Costs and shall give notice thereof to Tenant. Tenant shall be required to pay to Landlord from and after the Rent Commencement Date, and on the first day of each calendar month thereafter, its pro-rata share thereof

based upon the number of calendar months within the applicable Lease Year or Partial Lease Year. Within 90 days after the end of each Lease Year or Partial Lease Year, Landlord shall furnish to Tenant a statement in reasonable detail of the actual Common Area Maintenance Costs paid or payable by Landlord and thereupon there shall be an adjustment between Landlord and Tenant, with payment to, or repayment by, Landlord, as the case may require, to the end that Landlord shall receive the entire amount of Tenant's pro-rata share for such applicable Lease Year or Partial Lease Year.

7. Utilities. A. Tenant agrees to pay all charges for heat, air conditioning, water, gas, electricity, sprinkler charges and other utilities used in its operations in the Demised Premises. Landlord shall provide separate meters to measure such utilities, and Tenant shall pay the charge therefor directly to the utility company; provided, however, if separate meters are not furnished, then and in such event, Tenant agrees to pay its pro rata share of such utilities, determined by multiplying the amount charged by a fraction, the numerator of which shall be the ground floor square footage contained in the Demised Premises, and the denominator of which shall be the total leasable ground floor square footage of all premises (including the Demised Premises) serviced by such meter(s).

B. Landlord reserves the right to interrupt any of the foregoing services when necessary by reason of accident, damage by the elements, or by reason of strikes, laws, orders or regulations, or any other reason beyond the control of Landlord, and Landlord's sole responsibility or liability in the event of interruption in the supplying of any such services shall be to use its best efforts to repair or restore the same as promptly as reasonably possible.

C. Tenant shall, in connection with any operation beyond the normal shopping center hours, pay for all utilities and such other costs incurred by Landlord in keeping this <sup>Use</sup> Shopping Center open beyond said normal hours.

Section 8.1. Tenant covenants and agrees to (A) use the Demised Premises as an integrated operation solely for the sales, rentals and distribution of the following:

- (i) audio, video, audiovisual, acoustical, electronic, duplicating, photographic, telephonic and communication equipment of all kinds and nature and for all applications and uses whatsoever including, but not limited to, any and all such other equipment known in the trade and by the designation of "Home Entertainment" or of "Consumer Electronic" products;
- (ii) televisions, video recorders, radio receivers, phonographs, turntables, phonograph records and tapes, videotapes, cameras, calculators, toys and electronic games, musical instruments, automotive stereo systems, electronics and equipment;
- (iii) computers, computer products and equipment, and all software and hardware products related thereto;
- (iv) home appliances;
- (v) jewelry;
- (vi) giftware; and
- (vii) all products and product lines and equipment relating to the use of or application of the foregoing products only and/or stemming from the technology utilized in the design or manufacture of the same;
- (viii) Tenant is also granted permission to maintain departments in the Demised

Premises for the servicing, repair, maintenance and installation of the products which it offers for sale pursuant to this Article

(the "Permitted Use") and the same as Tenant operates in a majority of its premises located in the Eastern part of the United States, and for no other purpose; and (B) Except when, and to the extent that, the Demised Premises may be untenable by reason of damage by fire or other casualty, to continuously and uninterruptedly occupy and use during the Lease Term the entire Demised Premises for the Permitted Use, and to conduct Tenant's business therein in a reputable manner; to remain open for business during all hours and all days when the Shopping Center is open for business; to adequately staff its store with a sufficient number of employees to handle the maximum business possible therein, and to carry sufficient stock of seasonal merchandise of such size, character and quality to accomplish the same; to maintain displays of merchandise in the display windows, if any; to keep the display windows, if any, and all signs well lighted during such hours and days that the Common Areas are lighted by Landlord; to keep and maintain the Demised Premises and Tenant's Personal Property and signs therein or thereon, and the exterior and interior portions of all windows, doors and all glass or plate glass, in a neat, clean, sanitary and safe condition; to apply for, secure, maintain and comply with all licenses or permits which may be required for the conduct by Tenant of the Permitted Use, and to pay, if, as and when due, all required license, permit fees and charges of a similar nature; and (C) To store in the Demised Premises only such merchandise as is to be offered for sale at retail within a reasonable time after receipt; to store all trash and refuse in appropriate containers within the Demised Premises so as not to be visible to the public, and to attend to the daily disposal thereof in the manner and by the agency designated by Landlord; to utilize any compactor installed by Landlord and pay Tenant's pro rata share of the purchase and operating cost thereof, including removal of such compacted garbage by an independent collector; to keep all drains inside the Demised



Premises open; to receive and deliver goods and merchandise only in the manner and areas and at times designated by Landlord; and to keep stairways, steps, walks, and any loading docks and ramps adjacent to the Demised Premises reasonably free of refuse, ice and snow. SECTION 8.2 LANDLORD AGREES THAT NO OTHER TENANT IN THE SHOPPING CENTER (EXCLUDING THE PREMISES DESIGNATED AS STORES NOS. 1, 4 AND 5 ON EXHIBIT A) SHALL BE PERMITTED AS A PRIMARY USE TO SELL AUDIO, VIDEO, RECORDS AND TAPES

Section 8.3 The parties consent and agree that because of the difficulty or impossibility of determining Landlord's damages by way of loss of the Percentage Rent from Tenant or other occupants of the Shopping Center, or way of loss of value in the Shopping Center because of diminished saleability or mortgageability or adverse publicity from Tenant's actions, should Tenant (a) fail to take possession of and open for business in the Demised Premises, fully fixtured, stocked and staffed <sup>WITHIN ONE (1) YEAR AFTER</sup> the Rent Commencement Date, or (b) vacate, abandon or desert the Demised Premises, or (c) cease operating or conducting its business therein (except where the Demised Premises are rendered untenable by reason of fire, casualty, permitted repairs or alterations or other causes beyond Tenant's control), or (d) fail or refuse to maintain business hours on such days or nights, or any part thereof, as provided herein, then, and in any such events, Landlord shall have the right to declare a default and terminate this Lease as hereinafter provided.

Section 8.4 Tenant shall comply with all laws and requirements of all governmental authorities applicable to the Demised Premises. Notwithstanding the foregoing, Tenant may, in good faith (and wherever necessary, in the name of, but without expense to, Landlord, and having secured Landlord to its reasonable satisfaction by cash, securities or a surety company bond against loss or damage), contest the validity or application in whole or in part, of any such legal requirements; and, pending the final determination of such contest, may postpone compliance therewith, but not so as to subject Landlord to any fine or penalty or to prosecution for a crime, or to cause the Demised Premises, or any part thereof, to be placed in danger of forfeiture, sale or condemnation.

Section 8.5. Tenant shall not install or operate in the Demised Premises any coin-operated vending machines or similar devices for the sale of goods, wares, merchandise, food and beverages, including, but not limited to, machines for the sale of candy, gum, cigarettes or other edibles, except for the exclusive use of Tenant's employees, without the prior written consent of Landlord.

Section 8.6. Tenant shall not, without Landlord's prior written consent: (i) make application to any local governmental authority for a zoning variance; (ii) permit the extermination of vermin to be performed in, on or about the Demised Premises except by a person or company, if any, designated or approved by Landlord; or (iii) permit laundry accumulated in Tenant's operations or on the Demised Premises to be collected and serviced except by the person or company, if any, designated or approved by Landlord; or (iv) permit window cleaning or janitorial services or any other cleaning or maintenance service in or for the Demised Premises, or on the exterior of the Demised Premises to be performed except by its own employees or an outside person or company designated or approved by Landlord during reasonable hours designated from time to time for such purposes by Landlord; in each of the aforesaid Landlord designated services, the prices to be charged shall be competitive.

9. Assignment and Subletting.

A. Except as herein expressly provided, neither this Lease nor any interest of Tenant hereunder shall be assigned, mortgaged, pledged or otherwise encumbered, or the Demised Premises sublet, in whole or in part, or used or occupied, by anyone other than Tenant. Tenant may, without Landlord's consent, assign this Lease, or sublease the whole or any part or parts of the Demised Premises, for the uses permitted herein, to any affiliate, subsidiary or parent of Tenant, provided that notwithstanding said assignment, the Tenant hereof shall continue to remain liable for the full and complete performance of all of the terms, provisions and covenants hereof.

B. If at any time after the initial six (6) years of the term hereof, Tenant desires to assign all of its interest in this Lease, or to sublet all or a portion of the Demised Premises for the then unexpired term thereof, or to sell a majority or controlling interest (whether in one transaction or in several transactions over a period of time) of the stock ownership of Tenant

(which shall be deemed for all purposes under this Article 9 an assignment of this Lease), Tenant shall so advise Landlord in writing. Within sixty (60) days from the date of receipt of said notice, Landlord shall have the option to recapture all or that portion of the Demised Premises and terminate this Lease (entirely or as to that portion) by notice to Tenant of its intention to so recapture the Demised Premises.

C. Solely in connection with the sale of Tenant's entire business, (or a partial sale as set forth below), Tenant shall have the right, without triggering the aforesaid recapture provision, to assign, only for the Permitted Use hereunder, all, but not part, of Tenant's interest in this Lease; subject however, to provisions set forth in Subparagraph E(i), (ii) and (iii) of this Section 9. Tenant may assign this Lease for the Permitted Use in connection with the sale of a group of Tenant's stores, which are less than the entire chain, subject however to the following: (a) such group of stores shall be in one geographical area (for example, all of the stores which are located within the advertising area reached by the Philadelphia Enquirer); and (b) the purchaser must have: (1) at least three (3) years of retail experience; (2) a net worth of \$3,000,000 or more; <sup>AND</sup> (3) Tenant shall remain liable on the Lease, ~~and (4) Purchaser will continue the use of the Crazy Eddie name in operating such stores.~~

D. Should Landlord elect to recapture all or that portion of the Demised Premises as aforesaid, the resultant termination shall be effective thirty (30) days following Landlord's notice of election to recapture the Demised Premises.

E. In the event Landlord elects not to recapture the Demised Premises, as provided above, then in such event, Tenant shall be permitted to assign or sublet the entire or a portion of the Demised Premises for the Permitted Use, provided that: (i) the Assignee's or Sublessee's net worth at such time <sup>SHALL BE AT LEAST</sup> ~~\$3,000,000.00, better than Tenant's net worth as of the date hereof;~~ (ii) Tenant remains liable on the Lease; and (iii) all excess profits, as hereinafter defined, resulting from such subletting or assignment <sup>SHARED WITH LANDLORD ON A 50/50 BASIS, AND LANDLORD'S SHARE SHALL</sup> ~~be the property of, and be delivered monthly to Landlord~~

("excess profits" shall mean the amount Tenant receives exceeding its Fixed Rent, Additional Rent, and other money obligations hereunder, minus reasonable brokerage commissions and other reasonable expenses incurred in connection with such subletting or assignment, which expenses must be substantiated by Tenant).

F. In the case of any assignment or subletting permitted pursuant to this Article 9, Tenant shall in each case comply with each of the following conditions:

(1) A duplicate original executed copy of any such assignment or sublease shall be delivered to Landlord thirty days prior to the Commencement Date thereof; and in the case of any assignment an assumption agreement by Assignee of all obligations of Tenant thereafter arising, reasonably satisfactory in form and substance to Landlord; and

(2) Each sublease shall provide that, in the event of cancellation of this Lease, the subtenant under said sublease shall, at the option of Landlord, attorn to and become the direct subtenant of Landlord on the same terms and conditions as are provided in said sublease, except that Landlord shall not be liable for defaults of Tenant as sublandlord occurring prior to such attornment.

G. Tenant shall have the right to license or concession portions of the Demised Premises for the purpose of conducting a department of Tenant's business enterprise; provided, however: (i) that the aggregate area occupied by such sublessees, licensees and concessionaires shall not exceed <sup>20%</sup>~~10%~~ of the total area of the Demised Premises, and (ii) the Demised Premises shall operate under a common trade name, and as an integrated operation.

H. No assignment or sublease shall operate to release or discharge the Tenant from liability hereunder, it being distinctly understood and agreed that the liability of the Tenant shall survive any such assignment or sublease, and shall continue with the same force and effect as if no such assignment or sublease had been made.

10. Subordination. This Lease and all rights of Tenant hereunder are and shall be subject and subordinate to the lien of any and all mortgages which may now or hereafter affect the Demised Premises or the Shopping Center, and to any and all renewals, modifications, consolidations, replacements and extensions of any such mortgage or mortgages; provided that as a condition of such subordination, the holder of any such mortgage or mortgages on the estate of Landlord shall, by written agreement with Tenant or by the terms of the mortgage instrument, agree to recognize and respect the rights of the Tenant under this Lease in the event of a foreclosure of such mortgage so long as Tenant is not in default in the performance of any of the terms, covenants and conditions on its part to be performed under this Lease. No further document or subordination shall be required by the mortgagee in confirmation hereof; however, in confirmation of the foregoing, if requested by Landlord, Tenant will, upon ten (10) days' written notice from Landlord, execute and deliver an instrument in recordable form further evidencing such subordination, subject, however, to the foregoing.

11. Non-Liability of Landlord. Landlord shall not be responsible or liable to Tenant for any loss or damage that may be occasioned by the acts or omissions of persons occupying any space adjacent to or adjoining the Demised Premises, or any part thereof, or for any loss or damage resulting to Tenant or its property from water, gas, steam, fire, or the bursting, stoppage or leaking of sewer pipes, provided such loss or damage is not occasioned by the negligence of Landlord or its agents, contractors, servants or employees, or the failure of Landlord to perform its obligations



under this Lease, but nothing herein contained shall be construed so as to relieve Landlord of performance of its obligations hereunder.

12. Indemnity. Tenant agrees to indemnify and save Landlord harmless from and against any and all claims and demands (except such as result from the negligence of Landlord or its agents, contractors, servants or employees), for, or in connection with, any accident, injury or damage whatsoever caused to any person or property arising, directly or indirectly, out of the business conducted in the Demised Premises or occurring in, on or about the Demised Premises or any part thereof or on the sidewalks or passageways adjoining the same, or arising directly or indirectly, from any act or omission of Tenant or any concessionaire or licensee, servants, agents, employees or contractors, and from and against any and all costs, expenses and liabilities incurred in connection with any such claim or proceeding brought thereon.

13. Right to Cure Defaults. If Tenant shall fail to comply fully with any of its obligations under this Lease, then Landlord shall have the right, at its option (but shall not be obligated to do so) to cure such breach at Tenant's expense, provided that in all cases (except emergencies) Tenant shall not have cured the default complained of within <sup>FIFTEEN (15)</sup> ~~seven (7)~~ days after notice thereof (or in cases not susceptible to cure within that period, has not so commenced and thereafter diligently continued such cure to completion). ~~In case of emergency, if possible, Landlord will give to Tenant telephonic notice of Landlord's entry.~~ Tenant agrees to reimburse Landlord (as additional rental) for all costs and expenses incurred as a result thereof together with interest thereon at the "involuntary rate" upon demand. As used in this Lease, interest at the "involuntary rate" shall mean interest at a rate two percentage points in excess of the prime rate from time to time announced by First National City Bank, but in any case not in excess of the highest rate permitted by law. If Tenant disputes whether the work the Landlord has done under this Article 13 was in fact an obligation of Tenant, Tenant may cause such dispute to be arbitrated pursuant to the provisions of Article 40 hereof.

Similarly, if Landlord shall fail to comply fully with any of its obligations under this Lease, then Tenant shall have the right, at its option (but shall not be obligated to do so), to cure such breach at Landlord's expense, provided that in all cases (except emergencies) Landlord shall not have cured the default complained of within ~~seven~~<sup>FIFTEEN (15)</sup> days after notice thereof (or in cases not susceptible to cure within that period, has not so commenced and thereafter diligently completed said cure). In case of emergency, Tenant will give to Landlord telephonic notice if possible. Landlord agrees to reimburse Tenant for all reasonable costs and expenses incurred as a result thereof together with interest thereon at the "involuntary rate" upon demand. If Landlord disputes whether the work Tenant has done under this Article 13 was in fact an obligation of Landlord, Landlord may cause such dispute to be arbitrated pursuant to the provisions of Article 40 hereof.

14. Liability Insurance. Tenant covenants and agrees at its sole cost and expense, throughout the entire term of this Lease, to maintain for the mutual benefit of Landlord and Tenant and, on Landlord's requesting coverage therefor, any mortgagees of Landlord and all other mortgagees which are or hereafter become superior in lien to this Lease ("Prior Lienors"), bodily injury, death or property damage or loss, occurring in, on or about the Demised Premises, any elevator or any escalator therein, including complete sign coverage, naming Landlord and Tenant and the Landlord's mortgagees and Prior Lienors, as insureds, such insurance to afford minimum protection, during the term of this Lease, of not less than One Million (\$1,000,000.00) Dollars in respect of bodily injury or death to any one person, and of not less than Five Million (\$5,000,000.00) Dollars in respect of any one accident, and of not less than Fifty Thousand (\$50,000.00) Dollars for property damage in respect of any one accident or occurrence, irrespective of the number of persons or the amount of property involved, and such protection shall continue at not less than said limits; but in any event, Landlord shall have the benefit of all insurance carried by Tenant with respect to the Demised Premises, no matter how high the

limits thereof may extend. All insurance provided for in this Article 14 may be carried under Tenant's "blanket" insurance policy. Within thirty (30) days after the execution date hereof, Tenant shall furnish Landlord with certificates of such insurance coverage.

All insurance provided for in the above paragraph shall be effected under valid and enforceable policies, in form reasonably satisfactory to the Landlord and issued by insurers of recognized responsibility, licensed to do business in the State where the Shopping Center is located. Within twenty (20) days from the date hereof, and thereafter not later than twenty (20) days prior to the policy expiration date, certificates thereof bearing the interests insured, shall be delivered to Landlord and to all other persons who are insured thereunder. Each such policy shall contain the insurer's agreement, that such policy shall not be cancelled without at least fifteen (15) days' prior written notice to all persons who are insured thereunder other than Tenant.

15. Repairs and Maintenance. Landlord shall maintain, or cause to be maintained at Landlord's sole cost, the roof, foundation and structural portions of the Demised Premises and all utility services up to but not including the junction box or other point of entry to the Demised Premises (exclusive of all signs, storefront, loading docks and platform, windows, glass, all doors, door frames, ducts, diffusers, grilles and all installations, alterations or improvements made by Tenant), in good order, condition and repair, unless the need for such repair shall be caused by the negligence of Tenant, its agents or employees. Tenant shall give prompt notice to Landlord of the need for any repairs. Except as above provided, Tenant shall at its own expense, maintain the entire interior of the Demised Premises in good order, condition and repair and shall make all repairs and replacements necessary to that end, including the HVAC system, all signs, storefront, loading docks, platforms, windows, glass, doors, ducts, diffusers, grilles, plumbing and electricity within the Demised Premises; and shall promptly and

fully perform and comply with all pertinent laws, ordinances, rules, orders and requirements of law, and with all requirements of the Board of Fire Underwriters or similar body insofar as same shall apply to the use of the Demised Premises by Tenant, unless the need for such repair shall be caused by Landlord's negligence or the failure of Landlord to perform its obligations hereunder, or by reason of damage by fire or other casualty covered under insurance policies maintained by Landlord. It shall be Tenant's responsibility to maintain plate glass insurance (or be self-insured with respect thereto), and Tenant shall be responsible for the replacement of all such plate glass. If the need for any repairs or structural changes which Landlord would otherwise be required to make hereunder shall result because of the peculiar use of the Demised Premises by Tenant in a manner more hazardous than the normal conduct of a general merchandise business, Tenant shall have the obligation of either ceasing such operations (and thus avoid the need for said repair or change), or to make and pay for said repair or changes as may be required.

16. Alterations. After completion of Tenant's work, which shall be performed by Tenant in preparing the Demised Premises for Tenant's use, and to which work Landlord agrees not to unreasonably withhold its consent, Tenant shall not have the right to make any alterations, additions or improvements to the Demised Premises other than alterations of a non-structural nature <sup>IN EXCESS OF \$25,000.00</sup> without Landlord's consent first obtained; which consent Landlord agrees shall not be unreasonably withheld or delayed. All alterations, additions and improvements made by Tenant shall be done in a good and workmanlike manner, without impairing the structural soundness of the Premises, and without lessening the value thereof. All such work shall be performed in accordance with all applicable laws, ordinances, rules, regulations and requirements of all governmental authorities having jurisdiction thereover, and this Lease, and shall comply with all requirements of insurers; and before such work is commenced, all required permits and authorizations shall be obtained by Tenant at its sole cost and expense. In the performance of said work, Tenant

shall not unreasonably interfere with the use and enjoyment of the Premises by others entitled thereto, and at the request of Landlord shall make such reasonable provisions as may be required so as to minimize any interference or annoyance to other tenants in the Premises arising out of or in connection with such work. Before commencing any such work including the initial alteration of the Demised Premises contemplated hereunder, Tenant shall obtain workmen's compensation insurance covering all persons employed in connection with the work, and with respect to whom death or bodily injury claims could be asserted against Landlord and Tenant; also general liability insurance naming Landlord and Tenant and all other persons entitled to the benefit of liability insurance hereunder, against any liability that may be incurred as a result of any work done by Tenant in, to or upon the Demised Premises. A certificate or copy of said policy, shall be delivered to the Landlord before commencement of any such work.

17. Signs. Subject to compliance by Tenant with all applicable laws and regulations of governmental authorities, Landlord agrees, ~~and provided such signs conform to Landlord's sign standard, that~~ it will not unreasonably withhold its consent to the installation by Tenant of a sign designating Tenant's name and business on the exterior facing of the front and rear of the Demised Premises. Tenant shall be required to maintain said sign in good condition and repair and to remove the same at the end of the term hereof, and to promptly repair any damage caused by said removal. Subject to the provisions of this Lease, Landlord agrees in the event it has received permission from local governmental authorities to erect a pylon sign, that Tenant shall have space on said pylon sign. Such space shall be allocated to tenants on the basis of the square footage contained in the Demised Premises of each such tenant; provided that each tenant desiring space on the pylon sign shall pay its pro-rata share of the cost of fabricating, installing, operating and maintaining such Pylon sign, as well as to pay the total cost of its space sign to be affixed thereto.



18. Covenant Against Liens. If, because of any act or omission (or alleged act or omission) of Tenant, any mechanic's or other lien, charge or order for the payment of money, or other encumbrance shall be filed against Landlord and/or any portion of the Premises or of the Shopping Center (whether or not such lien, charge, order or encumbrance is valid or enforceable as such), Tenant shall, at its own cost and expense, cause same to be discharged of record or bonded within twenty (20) days after notice of the filing thereof; and Tenant agrees to indemnify and save harmless the Landlord against and from all costs, liabilities, suits, penalties, claims and demands, including reasonable counsel fees resulting therefrom. If Tenant fails to comply with the foregoing provisions, Landlord shall have the option of discharging or bonding any such lien, charge, order or encumbrance, and Tenant shall reimburse Landlord for all costs, expenses and other sums of money in connection therewith, with interest thereon at the involuntary rate, promptly upon demand. All materialmen, contractors, artisans, mechanics, laborers and any other persons now or hereafter contracting for the furnishing of any labor, devices, materials, supplies or equipment with respect to any portion of the Demised Premises, at any time during the term hereof, are hereby charged with notice that they must look exclusively to the Tenant ordering said work to obtain payment for same.

19. Bankruptcy-Insolvency. Tenant agrees that if the estate created hereby shall be taken upon execution, attachment or any other process of law, and any such execution, attachment, or other process, be not vacated or set aside within ninety (90) days thereafter, or if Tenant shall be adjudged a bankrupt or insolvent, or any receiver or trustee shall be appointed for the business or property of Tenant or for Tenant's interest under this Lease and be not discharged within ninety (90) days, or if Tenant shall make any assignment of its property for the benefit of creditors, or if Tenant shall file a voluntary petition in bankruptcy, or apply for reorganization, composition, extension or other arrangement with its creditors under any federal or state law now or hereafter enacted,

or if an involuntary petition in bankruptcy or reorganization be filed against Tenant and not vacated or set aside within ninety (90) days thereafter, or if Tenant's petition in reorganization is approved, then each of the foregoing shall be deemed an Event of Default for the purposes of the following Article 20, and Tenant shall remain liable as provided in said Article 20.

20. Default.

A. The following shall be defined as an "Event of Default": (a) Any failure of Tenant to pay any rental or other sum of money after the same shall become due under this Lease, and continuance of such failure for more than ~~thirty~~ <sup>FIFTEEN (15)</sup> days after notice of such default shall have been given Tenant; or (b) Any failure of Tenant to perform any other of the terms, conditions, or covenants of this Lease to be observed or performed by Tenant for more than thirty (30) days after notice of such default shall have been given Tenant, or any sooner time otherwise specifically set forth in this Lease, except that in cases where Tenant cannot reasonably cure within the said thirty (30) day period, it shall be sufficient if Tenant has commenced such cure within said period and diligently thereafter completed said cure; or (c) If Tenant shall vacate or abandon said premises; or (d) An Event of Default as defined in Section 19 of this Lease has occurred.

B. In any such event, Landlord at any time thereafter may give written notice to Tenant specifying such Event of Default or Events of Default, and stating that this Lease and the term hereby demised shall expire and terminate on the date specified in such notice, which shall be at least five (5) days after the giving of such notice, and upon the date specified in such notice this Lease and the term hereby demised and all rights of the Tenant under this Lease shall expire and terminate, and Tenant shall remain liable as hereinafter provided, unless (i) if such notice of termination is given by reason of a default under A. (a) above, before the date specified in any such notice of termination, such

default is fully remedied and all arrears of rent and all other amounts payable by Tenant under this Lease, together in each case with interest thereon at the involuntary rate from the time when the same became due and payable, and all costs and expenses incurred by or on behalf of Landlord, including reasonable attorneys' fees, shall have been fully paid by Tenant, and all other defaults at the time existing under this Lease, as to which the applicable grace periods shall have expired, shall have been fully cured and made good or secured to the satisfaction of Landlord; or (ii) if such notice of termination is given by reason of a default under A (D) above, before the date specified in any such notice of termination, such default is fully remedied and all arrears of rent and all other amounts payable by Tenant under this Lease, together in each case with interest thereon at the involuntary rate from the time when the same became due and payable, and all costs and expenses incurred by or on behalf of Landlord, including reasonable attorneys' fees, shall have been fully paid by Tenant, and all other defaults at the time existing under this Lease shall have been fully cured and made good, or secured to the satisfaction of Landlord, or Tenant has commenced and is diligently proceeding to cure such defaults which are not curable within the applicable grace period, in any of which events the consequences of such Event of Default or Events of Default shall be deemed to be annulled.

C. Upon any such expiration or termination of this Lease pursuant to B. above, or any termination by summary proceedings or otherwise, Tenant shall quit and peacefully surrender the Demised Premises to the Landlord, without any payment therefor by Landlord; and Landlord, upon or at any time after such expiration or termination, may, without further notice, enter upon and re-enter the Demised Premises and possess and repossess itself thereof, by force, summary proceedings, ejectment or otherwise, and may dispossess Tenant and remove Tenant and all other persons and property from the Demised Premises, and may have, hold and enjoy the Demised Premises and the right to receive all rental income of and from the same.

D. At any time or from time to time after any such expiration or termination of this Lease pursuant to B. above, or any termination by summary proceedings or otherwise, Landlord may relet the Demised Premises, or any part thereof, in the name of Landlord or otherwise, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the term of this Lease) and on such conditions (which may include concessions or free rent) as Landlord, in its sole discretion, may determine, and may collect and receive the rents therefor, and subject to the foregoing the net rents so received shall be applied against the Tenant's obligation under this Lease. Landlord shall in no way be responsible or liable for any failure to relet the Demised Premises or any part thereof, or for any failure to collect any rent due upon any such reletting.

E. No expiration or termination of this Lease pursuant to B. above, or any termination by summary proceedings or otherwise, shall relieve Tenant of its liability and obligations under this Lease, and such liability and obligations shall survive any such expiration or termination. In the event of any such expiration or termination, whether or not the Demised Premises or any part thereof shall have been relet, Tenant shall pay to Landlord the rent and all other charges required to be paid by Tenant up to the time of such expiration or termination of this Lease, and thereafter Tenant, until the end of what would have been the term of this Lease except for such expiration or termination, shall be liable to Landlord for, and shall pay to Landlord, as and for liquidated and agreed upon current damages for Tenant's default, the equivalent of the amount of rent and additional rent and charges which would be payable under this Lease by Tenant if this Lease were still in effect, less the net proceeds of any reletting effected pursuant to the provisions of D. above, after deducting all Landlord's expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage and management commissions, operating expenses, legal expenses including reasonable attorney's fees, alteration

costs and expenses of preparation for such reletting.

Tenant shall pay such current damages (herein called "deficiency") to Landlord monthly on the days on which the rent would have been payable under this Lease if this Lease were still in effect, and Landlord shall be entitled to recover from Tenant each monthly deficiency as the same shall arise.

F. Tenant hereby expressly waives, so far as permitted by law, the service of any notice of intention to re-enter provided for in any statute, ~~or of~~ <sup>OTHER THAN NOTICE OF</sup> the institution of legal proceedings, ~~to that end,~~ and Tenant, for and on behalf of itself and all persons claiming through or under Tenant, also waives any and all right of redemption or re-entry or repossession or to restore the operation of this Lease in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge, or in case of re-entry or repossession by Landlord, or in case of any expiration or termination of this Lease. Landlord and Tenant also, so far as permitted by law, waive and will waive any and all right to a trial by jury in the event that Landlord shall institute summary proceedings. Tenant hereby waives the right to interpose any counterclaim in a summary proceeding or in any action based on non-payment by Tenant of Fixed or Additional Rent. The terms "enter", "re-enter", "entry" or "re-entry", as used in this Lease, are not restricted to their technical legal meaning.

G. Landlord's failure to insist upon the strict performance of any covenant, agreement, term or condition hereof, or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial rent during the continuance of any such breach, shall constitute a waiver of any such breach or of such covenant, agreement, term or condition. No covenant, agreement, term or condition hereof to be performed or complied with by either party and no breach thereof, shall be waived, altered or modified except by a written instrument executed by the other party. No waiver of any breach shall affect or alter this Lease, but each and every covenant, agreement, term and condition of this



Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

21. Fire Insurance. Landlord agrees to carry fire and extended coverage insurance on the Shopping Center. Such insurance shall not cover Tenant's fixtures, equipment, furnishings and installations which Tenant may separately insure at its own cost and expense. Tenant shall not permit any operation to be conducted in the Demised Premises which would cause suspension or cancellation of Landlord's fire and extended coverage insurance policy. Insofar as and to the extent that the following provision may be effective without invalidating or making it impossible to secure insurance coverage obtainable from responsible insurance companies doing business in the State of New Jersey (even though an extra premium may result therefrom) Landlord and Tenant mutually agree that with respect to any loss which is covered by insurance then being carried by them, respectively, the one carrying such insurance and suffering said loss releases the other of and from any and all claims with respect to such loss, and they further mutually agree that their respective insurance companies shall have no right of subrogation against the other on account thereof. In the event that extra premiums are payable by either party as a result of this provision, the other party shall reimburse the party paying such premium the amount of such extra premium. If, at the written request of one party, this release and non-subrogation provision is waived, then the obligation of reimbursement shall cease for such period of time as such waiver shall be effective, but nothing contained in this Section shall be deemed to modify or otherwise affect releases elsewhere herein contained of either party for claims. Tenant covenants and agrees that it will not do or permit anything to be done in or upon the Demised Premises, or bring anything or keep anything therein, which shall increase the rate of insurance on the Premises above standard rates, and Tenant further agrees that in the event it shall do any of the foregoing, it will promptly pay to Landlord on demand any such increase resulting therefrom, which shall be due and payable as additional rent hereunder, until such

time as Tenant shall have remedied the matter causing such increased insurance.

22. Fire and Casualty Damage.

A. If the Demised Premises shall be damaged by fire or other casualty, Tenant shall give prompt notice thereof to Landlord. If the Demised Premises shall be partially damaged (as distinguished from "substantially damaged" as that term is hereinafter defined) Landlord shall forthwith proceed to repair such damage and restore the Demised Premises to substantially their condition at the time of such damage. If the Demised Premises shall be substantially damaged or destroyed by fire or other casualty, this Lease shall, except as hereinafter provided, remain in full force and effect, and Landlord shall, proceeding with all reasonable dispatch, repair or rebuild the Demised Premises to substantially their condition at the time of such damage or destruction. If said damage or destruction shall occur within the last two (2) years of the term hereof, or if said damage or destruction shall be so extensive that the same cannot be restored within one (1) year (i.e. substantially damaged), then either party shall have the right to terminate this Lease, provided that notice thereof is given to the other party not later than sixty (60) days after such damage or destruction.

B. In the event the Demised Premises are partially or substantially damaged as defined in subsection A above, the Fixed Rent and all other charges specified in this Lease (except taxes), shall be abated proportionately during any period in which by reason of such damage or destruction, there is interference with the operation of Tenant's business in the Demised Premises, having regard to the extent to which Tenant may be required to discontinue its business in the Demised Premises, and such abatement shall continue until substantial completion of the restoration. In the event of termination of this Lease, pursuant to this Section 22, this Lease and the term hereof, shall cease and come to an end as of the date of such damage or destruction. Any Fixed Rent or other

charges paid in advance by Tenant shall be promptly refunded by Landlord.

C. If any other portion of the Shopping Center is damaged or destroyed (irrespective of whether the Demised Premises shall have been damaged or destroyed), Landlord shall proceed promptly either to rebuild the same or to restore such damaged property to a sightly condition by the removal of rubble, etc.

D. During any period of time that by reason of such damage or destruction, there is interference with full access to the Demised Premises, there shall be a fair and equitable abatement of the rent and other charges payable hereunder, taking into account the extent to which Tenant's operations may thereby be interfered with.

23. Eminent Domain.

A. If there shall be a total permanent taking of the Demised Premises in condemnation proceedings or by any right of eminent domain, this Lease shall terminate on the date of vesting of title in the taking authority, and the Fixed Rent and all other charges payable by Tenant hereunder shall be apportioned and paid to said date. If (i) said taking is less than the entire Demised Premises, but such taking, in Tenant's reasonable opinion, shall prevent or materially impede Tenant from carrying on its usual business in the Demised Premises; or (ii) such taking shall include such portions of the parking area in the Shopping Center and such entrances to the Shopping Center as shall, in Tenant's reasonable opinion, adversely affect its parking requirements or access to the Shopping Center so as to materially affect Tenant's business, Tenant shall have the right to terminate this Lease by giving written notice to Landlord within ninety (90) days of said taking unless, without expense to Tenant, ingress and egress providing at least one (1) lane for ingress directly from New Jersey State Highway 38, at points where such road abuts the Shopping Center are permanently

restored or replaced before the existing means of ingress and egress are removed, obstructed or otherwise interfered with. In the event of a termination of this Lease, all rent and other charges shall be pro-rated up to the date of such termination and Landlord shall promptly repay to Tenant any prepaid rent and charges.

B. In the event of a taking which does not result in the termination of this Lease, there shall be a fair and equitable abatement of Fixed Rent and other charges during the period of repair and restoration of the Demised Premises, taking into account the extent to which Tenant shall be required to close down all or a portion of its operations, until restoration has been completed, and after such restoration, there shall be a fair and equitable reduction in the Fixed Rent and other charges on a permanent basis, taking into account all factors, including the reduction in size of the Demised Premises and/or the taking of any portion of the Common Areas. In the event of the taking of any other portion of the Shopping Center irrespective of whether any portion of the Demised Premises be taken, appropriate steps shall be taken so as to proceed promptly to either restore that which may remain of the taken property, or to restore the remaining property to a sightly condition by the removal of rubble, etc., or to rebuild the remaining property in such manner as Landlord shall determine.

C. Landlord shall be entitled to retain the entire award received by it by reason of said taking. Tenant shall not be entitled to any portion of the award by reason of the loss of its Lease, or for the value of the unexpired term of this Lease; but Tenant shall have the right to make claim for the taking of its trade fixtures, furniture and furnishings, and for moving expenses.

24. Inspection. Landlord and its duly authorized agents and representatives shall have the right, after notice to Tenant, to enter into and upon the Demised Premises or any part thereof, at all reasonable hours for the purpose of examining the same and all its appurtenances and equipment, or for making such repairs therein and thereto as may be necessary for the safety and preservation thereof,

but Landlord agrees that in so doing it will not unduly interfere with the conduct of Tenant's business.

25. Quiet Enjoyment. Landlord covenants that the Tenant, on paying the rent herein reserved and performing its other obligations hereunder, shall lawfully, peacefully and quietly have, hold, occupy and enjoy the Demised Premises during the term hereof without hindrance, disturbance or objection by Landlord or those claiming by, through or under Landlord.

26. Notices. Any notice, request, demand, approval or objection required or desired hereunder by either party to the other shall be in writing and shall not be effective for any purpose unless the same shall be given or served as follows:

ADDRESSED TO THE ATTENTION OF: SOLOMON E. ANTAR  
WITH A COPY TO MORTON GINDI.

If given or served by the Landlord, by mailing the same to the Tenant by certified or registered mail, return receipt requested, addressed to Tenant at the address set forth on the first page of this Lease, or at such other address as Tenant may from time to time designate by notice given to the Landlord, and if given or served by Tenant, by mailing the same to Landlord by certified or registered mail, return receipt requested, addressed to Landlord at 888 Seventh Avenue, New York, New York 10106, or at such other address as Landlord may from time to time designate by notice to Tenant.

No waiver by the Landlord or by the Tenant of the provisions of this Article 26 with respect to the giving of any single written notice shall constitute a waiver of any of the provisions of this Article with respect to the giving of any previous or subsequent notice. Notice shall be deemed served either on: (a) the date shown on the return receipt; or (b) in the event the addressee refuses delivery, then two (2) days after said mailing date. If requested in writing by any mortgagee of Landlord's interest in the Demised Premises, Tenant agrees that any notice given Landlord shall also be given contemporaneously to such mortgagee.



27. Certificates. Each party hereto shall, without charge at any time and from time to time, within ten (10) days after request by the other, certify by written instrument, duly executed, acknowledged and delivered to any mortgagee, assignee of any mortgagee or purchaser, or any proposed mortgagee, assignee, or purchaser, or any other person, firm or corporation specified as follows:

(a) that this Lease is unmodified and in full force and effect (or, if there has been modification, that the same is in full force and effect as modified, and stating the modifications);

(b) whether or not it knows of any then existing defaults (where Landlord is executing the certificate) or (where Tenant is executing the certificate) any setoffs or defenses against the enforcement of any of the agreements, terms, covenants or conditions hereof upon the part of Tenant to be performed or complied with (and, if so, specifying the same); and

(c) the dates, if any, to which the rental(s) and other charges hereunder have been paid in advance. As used in this Section, the certifying party "knows" only of matters actually brought home to management, and of such other matters which, but for its gross negligence or bad faith, it should have so known.

28. End of Term. At the end, expiration or other termination of this Lease, Tenant shall deliver up the Demised Premises, together with all improvements and additions thereto (other than Tenant's moveable trade fixtures and equipment) made either by Landlord or by Tenant, all in as good order and condition

as they were at the commencement of the term hereof, or at the time of their installation if such installation is subsequent thereto, reasonable wear and tear and damage by casualty or by the elements excepted. Tenant shall, on or before such termination of this Lease, remove from the Demised Premises all its trade fixtures and other property, and shall repair any damage caused by such removal. Tenant's obligations under this Section shall survive the expiration or sooner termination of the term hereunder.

29. Definition of Landlord. The term "Landlord" as used in this Lease means only the owner for the time being of the Landlord's Estate in the Demised Premises (including the owner of a lease of the Shopping Center), so that in the event of any sale or sales of said Shopping Center, or of the Landlord's interest therein, the said Landlord shall be and hereby is entirely freed and relieved of all liabilities and obligations of Landlord hereunder, except those theretofore accrued, and it shall be deemed and construed without further agreement between the parties or their successors in interest, or between the parties and the purchaser at any such sale, that the purchaser has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder.

30. Impossibility. In the event that either party is unable to perform any act (other than obligations to pay money) or render any service as required herein because of strikes, mechanical difficulties, governmental regulations, war conditions or any other cause beyond the control of the said party, whether similar or dissimilar to those enumerated, (financial responsibility excepted), such party shall be excused from such performance while it is unable so to perform, provided it acts with due diligence in attempting to render performance.

31. No Security Deposit. No security deposit is required hereunder, but Tenant shall each year deliver to Landlord its annual statement.

32. Easement for Pipes. Tenant shall permit Landlord or its designees (after notice to Tenant as hereinafter provided) to erect, use, maintain and repair pipes, cables, conduits, plumbing, vents and wires, in, to and through the Demised Premises, as and to the extent that Landlord may now or hereafter deem to be necessary or appropriate for the proper operation and maintenance of any portion of the Shopping Center. All such work shall be covered by adequate insurance against injury or damage occasioned during the course of construction, and shall be completed as expeditiously as possible (and only after prior written notice) and so far as practicable in such manner and in such locations so as to avoid unreasonable interference with Tenant's use of the Demised Premises, or so as to create an unsightly condition.

33. Benefits. In the event of a foreclosure of a mortgage covering the Shopping Center, Landlord agrees to enforce its rights of non-disturbance for the benefit of Tenant.

34. Paragraph Headings. The paragraph headings herein are for convenience and reference only, and are not intended to define or in any way limit or enlarge the scope or intent of the provisions of this Lease.

35. Modifications. This Lease contains the entire Agreement of the parties, all prior understandings and agreements being merged herein, and may not be terminated or modified, nor may any provision hereof be waived, orally or in any manner other than by an agreement in writing signed by all the parties hereto or their respective successors in interest.

36. Waiver of Jury Trial. The parties hereto waive a trial by jury of any and all issues arising in any action or proceeding between them, or their successors, under or connected with this Lease, or any of its provisions, or the Tenant's use or occupation of the Demised Premises.

37. Obligations Are Covenants. All agreements, obligations and undertakings of either of the parties under this Lease shall be deemed to be covenants whether or not so denominated herein.

38. Successors and Assigns. The terms, covenants, conditions, provisions and agreements herein shall bind and inure to the benefit of Landlord, Tenant and their respective successors and permitted assigns.

39. Short Form of Lease. At the request of either party hereto, Landlord and Tenant will execute and deliver a short memorandum of Lease duly acknowledged and in recordable form setting forth, among other things, the names and addresses of the parties, a reference to this Lease and its date, the description of the property, the date of the commencement and termination of the Lease, and such other terms and conditions of this Lease, other than the rental provisions, as the parties may agree upon; but failure to agree upon such other terms and conditions to be set forth in such memorandum of Lease shall not affect or impair the validity of this Lease, or the obligations of the parties hereunder.

40. Arbitration Procedure. Wherever in this Lease any matter is required to be submitted to arbitration, such matter shall be conducted in accordance with the rules of the American Arbitration Association then obtaining, in the City of New York.

41. Brokers. Each party hereto represents that it has had no dealings with any broker or agent in connection with this Lease other than Randy Sue Genet of Gerald H. Genet, Inc., whose commission will be paid by Landlord in accordance with a separate agreement, and

Tenant agrees to indemnify and hold harmless Landlord from the claims of any other broker or agent whom Tenant, and not Landlord, has dealt with or employed.

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

WITNESS:



ATTEST:

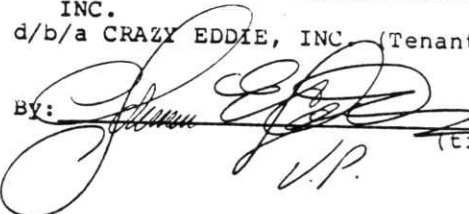
Secretary

[SEAL]

ACKRIK ASSOCIATES (Landlord)

By:   
Irwin Ackerman, General Partner

CHERRY HILL AUDIO DISTRIBUTORS,  
INC.  
d/b/a CRAZY EDDIE, INC. (Tenant)

By:  (title)  
V.P.



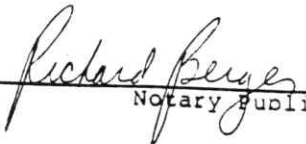
ACKNOWLEDGMENTS

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

On this 7<sup>th</sup> day of April, 1986, before me personally came Irwin Ackerman, to me known, who being by me duly sworn, did depose and say that he resides at New York, New York; that he is the General Partner of Ackrik Associates, the partnership described in, and which executed, the foregoing instrument.

My Commission Expires:

---

  
Notary Public

RICHARD BERGER  
Notary Public, State of New York  
No. 31-4795722  
Qualified in New York County  
Commission Expires March 30, 1987

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

On this 7<sup>th</sup> day of April, 1986, before me personally came Solomon C. Antar, to me known, who being by me duly sworn, did depose and say that he resides at Brooklyn, New York; that he is the Vice President of Cherry Hill Audio Distributors, Inc., the corporation described in, and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

My Commission Expires:

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Notary Public

RICHARD BERGER  
Notary Public, State of New York  
No. 31-4795722  
Qualified in New York County  
Commission Expires March 30, 1987

Exhibit B

Description of Landlord's Work

1. Demising walls taped, spackled and ready for painting
2. Storefront with one (1) double door
3. Ceiling <sup>2'x2' LAY-IN TILES, EXCEPT IN THE WAREHOUSE AREA</sup> or an allowance to Tenant of \$1.25 per sq. ft.
4. <sup>600</sup> ~~400~~ amp electrical service brought to installed panel box at rear of Demised Premises. Gas, water and electric meters included.
5. <sup>IN MULTIPLE UNITS OF FOUR (4) WITH ECONOMIZERS</sup> HVAC unit (80 tons) on roof, including gas and electric hook-up, and distribution. Tenant to pay any extra costs incurred due to special distribution needs. <sup>LANDLORD WILL ASSIGN WARRANTIES TO TENANT.</sup>
6. Stub-ups provided for Toilet Room
7. Sprinkler System to Code <sup>AS PER TENANT'S PLANS.</sup>
8. Concrete floor
9. Ceiling Heights - 12 ft. in first two bays, approx. 11 ft. in last 2 bays - WITH FIRESTOPS.
10. 2 - 3' DOORS IN REAR
11. FIRE DOORS AS REQUIRED PER TENANT'S PLANS AND AS AUTHORIZED BY CODE

LANDLORD MAY PERFORM THE FOLLOWING WORK, IF AUTHORIZED BY TENANT, AND BE REIMBURSED THEREFORE AS AGREED UPON.

1. Lighting as per Tenant's plan.
2. Electrical distribution per Tenant's plan
3. Electric for power signs and security gates
4. Installation and furnishing of 2 bathrooms.