

1. DELIVERY AND ACCEPTANCE OF EQUIPMENT

The Equipment is to be delivered and installed at Lessee's expense at the location specified on the face of this Lease and shall be deemed to have been accepted by Lessee for all purposes under this Lease upon Lessor's receipt of the Acceptance Certificate hereto executed by Lessee. Lessor shall not be liable or responsible for any failure or delay in the delivery of the Equipment of Lessee for whatever reason.

2. TERM AND PAYMENTS

The Lease Term shall commence on the Acceptance Date and shall continue for the number of months set forth on the face hereof beyond the Acceptance Date. Payments ("Payments") shall commence on the Acceptance Date and shall be due and payable as set forth on the face hereof. Any Advance Payment(s) shall be applied as the first Payment(s) due under the Lease Term, unless otherwise specified. The Lease Term shall automatically extend beyond its original expiration date, on the same terms and conditions (including Payments) unless ninety (90) days prior to the expiration of the Lease Term, Lessee gives Lessor written notice of Lessee's election to extend the Lease Term, purchase the Equipment or return the Equipment under the terms hereof. Lessee shall pay an administrative late charge of 5% of the amount of any overdue Payment plus interest on such delinquent Payment of 1 1/2% per month or the maximum amount permitted by law, whichever is lower. All Payments to be made to Lessor shall be made to Lessor at the address shown on the face hereof or at such other place as Lessor shall specify in writing.

If a Fixed Fair Market Value Purchase Option is indicated on the face hereof, then, so long as no Event of Default has occurred and is continuing hereunder, Lessee shall have the option at the expiration of the Lease Term of this Lease to: 1) purchase all, but not less than all, of the Equipment for an amount equal to the Fixed Fair Market Value amount indicated on the face hereof, or; 2) return the Equipment pursuant to the terms of Section 18. Lessee shall pay Lessor a Fixed Fair Market Value Fee as indicated on the face hereof upon execution of this Lease.

If a Fair Market Value Purchase Option is indicated on the face hereof, then, so long as no Event of Default has occurred and is continuing hereunder and upon at least ninety (90) days prior written notice to Lessor, Lessee shall have the option at the expiration of the initial Lease Term of this Lease to: 1) purchase all, but not less than all, of the Equipment for an amount equal to the Fair Market Value of the Equipment (plus any taxes applicable at the time of purchase) on the date of the expiration of the initial Lease Term (the "Purchase Date") or; 2) to extend the Lease Term covering all, but not less than all, of the Equipment for a mutually agreed upon period. This Lease shall continue in effect following said extended period until terminated by either party upon not less than ninety (90) days prior written notice. Title to the Equipment shall automatically pass to Lessee on the Purchase Date, provided Lessee had paid the full purchase price, the Fair Market (Rental) Value shall be determined on the basis of and shall be aggregate amount which would be obtainable at the expiration of the initial Lease Term in an arm's-length transaction between an informed and willing buyer/user (Lessee) and an informed and willing seller (Lessor) under no compulsion to sell.

The parties agree that the Lease is a "Finance Lease" as defined in Section 2 A of the Uniform Commercial Code ("UCC"). The Lessee may contact the Manufacturer of the Equipment (Manufacturer) for a copy of or a description of any rights the Lessee may have arising from a purchase order or supply contract. This Lease cannot be canceled or terminated by Lessee except as expressly provided herein.

3. TAXES AND OTHER CHARGES

Lessee shall pay when due, and defend and indemnify Lessor against liability for, all fees, charges, assessments, and taxes of any kind whatsoever (including any related interest or penalties) now or hereafter imposed by any governmental entity upon the Lease of the Equipment, or with respect to the manufacturing, ordering, shipment, purchase, sale, ownership, delivery, leasing, operation, possession, use, return, or other disposition thereof or the rentals hereunder (other than taxes on or measured solely by the net income of Lessor).

If a Fair Market Value purchase option is indicated on the face hereof, Lessor shall be entitled to claim the Tax Benefits (hereinafter defined), then, in the event Lessor shall not be entitled, for any reason, to all or any portion of the Tax Benefits ("Loss"), and after 30 days written notice from Lessor that a Loss has occurred, Lessee shall pay to Lessor a lump sum amount as stated in the notice which, in Lessor's reasonable opinion, will cause Lessor's after-tax economic yield and overall net after tax cash flows to be maintained at the same level as though the Loss had not occurred. As used in this Section, "Tax Benefits" means any deductions under Section 168 of the Internal Revenue Code of 1986 and interest deductions with respect to any indebtedness incurred by Lessor with respect to acquisition of the Equipment by Lessor, and assuming an effective corporate tax rate on Lessor of 40.5%.

4. INDEMNITY

Lessee shall bear all risk of loss with respect to the Equipment and indemnify and hold harmless, and defend Lessor against (a) any liabilities and expenses whatsoever (including legal expenses of every kind and nature) arising out of the manufacture, ordering, purchase, shipment, acceptance or rejection, ownership, titling, registration, leasing, possession, operation, use, return or other disposition of the Equipment, including patent or latent defects, any claims based on absolute tort liability, warranty or patent, trademark or copyright infringement; and (b) any obligation or liability to the Manufacturer of the Equipment arising under any purchase orders issued by or assigned to Lessor.

The covenants and indemnities contained in this Section 4 and Section 3 shall survive the termination of this Lease and shall be payable by Lessee within 7 days of Lessor's written demand thereof.

5. POSSESSION; INSPECTION; PERSONAL PROPERTY

Provided no Event of Default has occurred, Lessee shall have quiet possession of the Equipment during the Lease Term. Lessor may require Lessee, at Lessee's expense, to affix plates or markings on the Equipment indicating Lessor is the owner. Lessor may enter the Equipment location at reasonable times upon reasonable notice to inspect the Equipment or show it to prospective purchasers or lessees. The Equipment shall remain personal property even though attached or affixed to real property.

6. DISCLAIMER OF WARRANTIES; LIMITATION OF LIABILITY

LESSOR MAKES NO EXPRESS OR IMPLIED WARRANTIES WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE EQUIPMENT'S MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN, CONDITION, CAPACITY, DURABILITY, QUALITY, OF MATERIAL OR WORKMANSHIP, CONFORMITY OF ANY DESCRIPTION OR PATENT INFRINGEMENT, AND HEREBY DISCLAIMS ANY SUCH WARRANTY. LESSOR IS NOT RESPONSIBLE FOR ANY REPAIRS OR SERVICE TO THE EQUIPMENT, DEFECTS THEREIN OR FAILURES IN THE OPERATION THEREON OR FOR ANY INDIRECT SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES. LESSEE HAS MADE THE SELECTION OF EACH ITEM OF EQUIPMENT BASED ON ITS OWN JUDGEMENT AND EXPRESSLY DISCLAIMS ANY RELIANCE UPON ANY STATEMENTS OR REPRESENTATIONS MADE BY LESSOR. LESSEE LEASES THE EQUIPMENT "AS IS. LESSOR HEREBY ASSIGNS TO LESSEE TO THE EXTENT ASSIGNABLE, ANY REPRESENTATIONS, COVENANTS, AND WARRANTIES OF THE VENDOR, SUPPLIER, AND MANUFACTURER OF THE EQUIPMENT, BUT ANY ACTION TAKEN BY LESSEE BY REASON OF SUCH ASSIGNMENT SHALL BE AT LESSEE'S SOLE EXPENSE AND SHALL BE CONSISTENT WITH LESSEE'S OBLIGATIONS UNDER PARAGRAPH 17 OF THIS LEASE.

7. REPRESENTATIONS, WARRANTIES AND COVENANTS

Lessee represents, warrants and covenants with Lessor that: (a) Lessee has the form of business organization indicated on the face hereof, and is duly organized, existing, in good standing and qualified to do business wherever necessary to carry on its present business and operations and to own its property; (b) this Lease has been duly executed and authorized, requires no further shareholder or partner approval of, or the giving notice to, any governmental authority and does not contravene any law, regulation or other governmental order, any certificate or articles of incorporation or by-laws or partnership certificate or agreement, or any agreement, indenture, or other instrument to which Lessee is a party or by which it may be bound and constitutes a legal, valid and binding obligation of Lessee enforceable in accordance with its terms; (c) Lessee shall not allow any lien, encumbrance or security interest on or with respect to the Equipment or this Lease (except by, through or under Lessor) and shall not assign, sell, sublease or otherwise dispose of any right or interest in this Lease or the Equipment without the prior written consent of Lessor; (d) the Equipment will be used solely in the conduct of Lessee's business and will remain in the location shown on the face hereof. If Lessee is a corporation, a Secretary or Assistant Secretary, by attesting to the execution by the Lessee on the face hereof, certifies that the officer signing on behalf of the Lessee has been duly authorized and empowered to execute this Lease on behalf of the Lessee by appropriate vote of Lessee's Board of Directors or under Lessee's by-laws, that such officer did so execute this Lease, and that this Lease has been duly authorized and approved by or under such vote or by-laws.

8. DEFAULT

Lessee shall be in default of this Lease upon (a) failure to pay rent within 10 days of the due date thereof; or (b) failure to perform or observe any covenant, condition or agreement of this Lease where such failure continues for 10 business days after notice thereof to Lessee, or default under any note, security agreement, equipment lease or title retention or conditional sales agreement beyond any period of grace provided with respect thereto whether with Lessor or any third party if the effect of such default is to cause or permit the holder of such indebtedness to cause such indebtedness to become due prior to its stated maturity; or (c) any representation or warranty made by Lessee to Lessor shall prove to be incorrect or the condition of Lessee's affairs shall change so as in the opinion of Lessor to impair materially Lessor's interest or increase materially Lessor's credit risk; or (d) Lessee shall generally not pay its debts as they become due; file or have filed against it a petition under any bankruptcy or insolvency law of any jurisdiction; make an assignment for the benefit of its creditors; consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or any substantial part of its property; be adjudicated insolvent or be liquidated; or take any action for the purpose of the foregoing; or (e) Lessee or any Guarantor of Lessee is declared legally deceased (if sole proprietor or general partner) or if Lessee shall terminate its existence by merger, consolidation, sale of substantially all of its assets or otherwise.

9. REMEDIES

Upon default, Lessor may exercise any of the following remedies with respect to any or all Equipment (which for purposes of this Section 9 includes all other personal property Lessee at any time leases or has leased from Lessor or that secures or has secured any indebtedness of Lessee to Lessor): (a) enter the Equipment location and take immediate possession of and remove the same by summary proceedings or otherwise, all without liability to Lessor for or by reason of damage to property or such entry or taking possession; (b) sell any or all of the Equipment at public or private sale, re-lease, or otherwise dispose of the Equipment; (c) remedy such default for the account of and at the expense of Lessee; (d) terminate this Lease immediately by written notice to Lessee, whereupon Lessee shall without further demand but at Lessor's option, as liquidated damages for loss of a gain and not as a penalty, forthwith pay Lessor an amount equal to all accrued and unpaid Rentals plus the Present Value of all future Rentals discounted using a rate of six (6%) per annum plus all other amounts then payable to Lessor hereunder; and (e) exercise any other right or remedy at law, or in equity or bankruptcy, including specific performance or damages for the breach hereof, including reasonable attorney's fees and court costs.

Each remedy shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity. No express or implied waiver of any default shall constitute a waiver of any of Lessor's other rights.

10. ADDITIONAL SECURITY

In order to more fully secure its obligations to Lessor hereunder, Lessee hereby grants to Lessor a security interest in any and all such personal property as Lessee from time to time leases from Lessor or that secures any indebtedness of Lessee to Lessor. Lessor may apply at any time Lessee's Security Deposit to Lessee's obligations hereunder whereupon Lessee shall immediately reimburse Lessor for the amount of the Security Deposit so applied.

11. NOTICES

Any notices and demands required or permitted under this Lease shall be in writing by registered or certified mail, return receipt requested, and shall become effective when deposited in the United States mail with postage prepaid at the address hereinabove set forth, or to such other address as the party to receive notice hereafter designated by such written notice.

12. USE; REPAIRS; LOSS AND DAMAGE

Lessee will operate the Equipment in accordance with any applicable Manufacturer's manuals by competent and duly qualified personnel only, in accordance with applicable requirements of law, if any, and for business purposes only. Lessee, at its own cost and expense, shall keep the Equipment in good repair, condition and working order. If any item of Equipment shall become lost, stolen, destroyed, damaged beyond repair or rendered permanently unfit for use for any reason, or in the event of any condemnation, confiscation, theft or seizure or requisition of title to or use of such item, Lessee shall promptly pay Lessor an amount equal to the greater of (i) the full replacement value of such item or (ii) the aggregate of all rental payments then remaining unpaid plus the amount of any purchase option or obligation with respect to such item.

13. INSURANCE

Lessee shall procure and maintain during the entire term of this Lease, at Lessee's expense, such insurance coverages in such amounts and with responsible insurers, all as satisfactory to Lessor including (a) Comprehensive General Liability Insurance with minimum limits of \$1,000,000 each occurrence with Lessor named as additional insured; and (b) all Risk Physical Damage Insurance in an amount not less than the greater of (i) the full replacement value of such item or (ii) the aggregate of all rental payments then remaining plus the amount of any purchase option or obligation with respect to such item. Lessor will be named as loss payee. Lessee shall waive Lessee's rights and its insurance carrier's right of subrogation against Lessor for any and all loss or damage. All policies shall contain a clause requiring the insurer to furnish Lessor with at least 30 days prior written notice of any material change, cancellation or non-renewal of coverage. Upon request by Lessor, Lessee shall furnish Lessor with a certificate of insurance or other evidence satisfactory to Lessor that such insurance coverages are in effect.

14. GUARANTY

In order to induce Lessor to enter into this Lease, each guarantor executing on the face hereof hereby unconditionally and absolutely guarantees payment to Lessor of all liabilities of Lessee to Lessor of whatever nature, whether now existing or hereinafter incurred, including reasonable attorney's fees and costs of collection with respect to the enforcement of any such liabilities or this guaranty. This is a guaranty of payment and not of collection and the liability of each guarantor shall not be affected by any invalidity in or unenforceability of such liabilities, or any change, alteration, renewal, extension, continuation, compromise, waiver or other modification of such liabilities. Each guarantor waives notice of acceptance of this guaranty and of extensions of credit by Lessor to Lessee, presentment and demand for payment of any of the liabilities of the Lessee, protest and notice of dishonor of default to such guarantor of any other party with respect to such liabilities and all other notices, demands, set-offs, counterclaims and defenses of any nature whatsoever. This guaranty may be enforced by Lessor without first proceeding against the Lessee or any other party or against any security which may be available with respect to the Lessee's liabilities. In the event of any default by the Lessee on any obligation owed to the Lessor, whether under this Lease or otherwise, each guarantor agrees not to demand, take steps for the collection of, or assign, transfer or otherwise dispose of any indebtedness owed by the Lessee to such guarantor. Lessor shall have the sole right to demand, receive, sue for, collect, receipt for and give full discharge for such indebtedness until all of the liabilities of the Lessee to the Lessor have been satisfied in full. If guarantor is a corporation, guarantor certifies that the officer signing on behalf of the guarantor has been duly authorized and empowered to execute and deliver to Lessor this guaranty and that the guaranty has been duly authorized and approved by and under appropriate vote of the guarantor's Board of Directors or its by-laws.

15. FURTHER ASSURANCES

Lessee shall promptly execute and deliver to Lessor such further documents and take such further actions Lessor may require in order to more effectively carry out the intent and purpose of this Lease. Lessee shall provide to Lessor within 120 days after the close of each of Lessee's fiscal years, and upon Lessor's request, within 45 days of the end of each quarter of Lessee's fiscal year, a copy of its financial statements prepared in accordance with generally accepted accounting principles, it being understood that all such material shall be held in confidence by Lessor. Lessee hereby appoints Lessor, with full power of substitution, as its agent and attorney-in-fact, which is irrevocable and coupled with an interest, to execute any such financing statements under the Uniform Commercial Code and any appropriate amendments thereto on Lessee's behalf which Lessor deems necessary to protect Lessor's interest in the Equipment. Lessor may file a duplicate or a photocopy of this Lease as a financing statement. In no event shall Lessee lease or otherwise finance upgrades or additions to Equipment with any party other than Lessor without prior written consent of Lessor.

16. ASSIGNMENT

This Lease and all rights of Lessor hereunder shall be assignable by Lessor absolutely or as security, without notice to Lessee, subject to the rights of Lessee hereunder. The term Lessor shall mean, as the case may be, any assignee of Lessor. Any such assignment shall not relieve Lessor of its obligations hereunder unless specifically assumed by assignee, and Lessee agrees it shall pay such assignee without any defense, rights of set-off or counterclaims and shall not hold or attempt to hold such assignee liable for any Lessor's obligations hereunder. LESSEE MAY NOT SUBLEASE NOR ASSIGN ITS RIGHTS OR OBLIGATIONS HEREUNDER WITHOUT LESSOR'S PRIOR WRITTEN CONSENT.

17. LESSEE'S OBLIGATIONS UNCONDITIONAL

This Lease is a net lease and Lessee shall not be entitled to any abatement of any other amounts payable hereunder and such payments will be made absolutely and unconditionally without set-off, counterclaim, recoupment, defense or other right which Lessee may have against any person for any reason whatsoever.

18. RETURN OF EQUIPMENT

Upon expiration of the Lease Term, Lessee, at its own expense, shall immediately return the equipment in the same condition as when delivered to Lessee, ordinary wear and tear excepted, to such location as Lessor shall designate, free and clear of all liens, encumbrances and rights of others pursuant to Manufacturer's deinstallation, packing and shipping specifications. Upon return of Equipment, Lessee shall provide Lessor with a certificate from the Manufacturer or qualified maintenance organization acceptable to Lessor stating that the Equipment has been inspected, tested, qualifies for their regular maintenance contract and is in the same condition as at the Acceptance Date (ordinary wear and tear resulting from proper use excepted). In the event that Lessee does not provide such a certificate, Lessor shall have the right to have the Equipment inspected and tested and Lessee shall pay Lessor the cost of such inspection and testing, and any repairs necessary for the Manufacturer or maintenance organization to accept the Equipment under a maintenance contract at its then standard rates. Lessee shall remain obligated to pay Rent on the unreturned and uncertified Equipment until Lessor has been provided with such certificate or such acceptance. The risk of loss of and obligation to insure the Equipment shall remain in the Lessee until the returned Equipment is accepted by Lessor. In the event Lessee shall not surrender and redeliver the Equipment to Lessor as herein required, the term of this Lease with respect to such Equipment shall continue on a month-to-month basis terminable by Lessor upon 30 days advance written notice at a rent per month equal to the highest monthly rent for the Equipment payable during the Lease Term.

19. MISCELLANEOUS

Any provision of this Lease which is unenforceable shall not affect the enforceability of the remaining provisions hereof. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. To the extent permitted by applicable law, Lessee hereby waives any and all rights and remedies conferred upon a Lessee by Section 2A of the UCC. This Lease shall in all respects be governed by and construed in accordance with the laws of the State of California, including all matters of construction, validity and performance.