

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 000-21846

AETHLON MEDICAL, INC.

(Exact name of registrant as specified in its charter)

NEVADA

13-3632859

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

8910 UNIVERSITY CENTER LANE, SUITE 255, SAN DIEGO, CA 92122

(Address of principal executive offices) (Zip Code)

(858) 459-7800

(Registrant's telephone number, including area code)

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 NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (ss.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

As of November 13, 2009, the registrant had outstanding 58,518,169 shares of common stock, \$.001 par value.

PART I. FINANCIAL INFORMATION

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(UNAUDITED) AND MARCH 31, 2009

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THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND
2008 AND FOR THE PERIOD JANUARY 31, 1984 (INCEPTION) THROUGH
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PART I. FINANCIAL INFORMATION
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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AETHLON MEDICAL, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2009 ----- (Unaudited)	March 31, 2009 -----
ASSETS		
Current assets		
Cash	\$ 92,429	\$ 6,157
Deferred financing costs	47,531	--
Prepaid expenses and other current assets	10,539	37,011
	-----	-----
Total current assets	150,499	43,168
Property and equipment, net	1,071	2,603
Patents and patents pending, net	143,548	138,417
Deposits	7,168	13,200
	-----	-----
Total assets	\$ 302,286 =====	\$ 197,388 =====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	\$ 370,237	\$ 460,074
Due to related parties	619,331	634,896
Notes payable	310,501	302,500
Convertible notes payable, net of discounts	1,826,708	2,069,720
Derivative liabilities	510,201	--
Other current liabilities	777,282	679,498
	-----	-----
Total current liabilities	4,414,260	4,146,688
Commitments and Contingencies		
Stockholders' Deficit		
Common stock, par value \$0.001 per share; 250,000,000 and 100,000,000 shares authorized as of September 30, 2009		

and March 31, 2009; 55,369,404 and 49,454,131 shares issued and outstanding as of September 30, 2009 and March 31, 2009, respectively

Additional paid-in capital	55,370	49,455
Deficit accumulated during development stage	35,924,072	34,312,659
	(40,091,416)	(38,311,414)
	-----	-----
	(4,111,974)	(3,949,300)
	-----	-----
Total liabilities and stockholders' deficit	\$ 302,286	\$ 197,388
	=====	=====

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

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AETHLON MEDICAL, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months and Six Months Ended
September 30, 2009 and 2008 and For the Period January
31, 1984 (Inception) Through September 30, 2009
(Unaudited)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Six Months Ended September 30, 2009	Six Months Ended September 30, 2008	January 31, 1984 (Inception) through September 30, 2009
	-----	-----	-----	-----	-----
REVENUES					
Grant income	\$ --	\$ --	\$ --	\$ --	\$ 1,424,012
Subcontract income	--	--	--	--	73,746
Sale of research and development	--	--	--	--	35,810
	-----	-----	-----	-----	-----
	--	--	--	--	1,533,568
EXPENSES					
Professional fees	327,172	282,325	563,025	442,600	8,355,484
Payroll and related	346,051	302,814	673,125	655,577	11,798,851
General and administrative	124,654	147,520	203,682	258,141	6,101,764
Impairment	--	--	--	--	1,313,253
	-----	-----	-----	-----	-----
	797,877	732,659	1,439,832	1,356,318	27,569,352
	-----	-----	-----	-----	-----
OPERATING LOSS	(797,877)	(732,659)	(1,439,832)	1,356,318	(26,035,784)
	-----	-----	-----	-----	-----
OTHER EXPENSE (INCOME)					
Loss on extinguishment of debt	--	--	--	--	2,760,674
Loss on settlement of accrued interest and damages	--	607,908	--	607,908	607,908
Change in fair value of derivative liability	(282,096)	(76,275)	(244,762)	(263,967)	1,376,856
Interest and other debt expenses	176,055	551,042	492,712	1,113,890	8,847,482
Interest income	(504)	(2,514)	(711)	(2,514)	(20,897)
Other	34,368	--	34,368	--	425,046
	-----	-----	-----	-----	-----
	(72,177)	1,080,161	281,607	1,455,317	13,997,069
	-----	-----	-----	-----	-----
NET LOSS	\$ (725,700)	\$ (1,812,820)	\$ (1,721,439)	\$ (2,811,635)	\$ (40,032,853)
	=====	=====	=====	=====	=====
BASIC AND DILUTED LOSS PER COMMON SHARE					
	\$ (0.01)	\$ (0.04)	\$ (0.03)	\$ (0.07)	
	=====	=====	=====	=====	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING					
	55,150,050	41,318,195	53,939,331	40,476,073	
	=====	=====	=====	=====	

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

AETHLON MEDICAL, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 AND
FOR THE PERIOD JANUARY 31, 1984 (INCEPTION) THROUGH SEPTEMBER 30, 2009
(Unaudited)

	Six Months Ended September 30, 2009 -----	Six Months Ended September 30, 2008 -----	January 31, 1984 (Inception) Through September 30, 2009 -----
Cash flows from operating activities:			
Net loss	\$ (1,721,439)	\$ (2,811,635)	\$ (40,032,853)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	6,114	8,820	1,051,338
Amortization of deferred consulting fees	--	--	109,000
Loss on issuance of units for accrued interest and penalties	--	607,908	627,264
Gain on sale of property and equipment	--	--	(13,065)
Gain on settlement of debt	--	--	(131,175)
Loss on settlement of accrued legal liabilities	--	--	142,245
Stock based compensation	298,747	134,192	1,981,523
Loss on debt extinguishment	--	--	2,741,318
Fair market value of warrants issued in connection with accounts payable and debt	--	--	2,715,736
Fair market value of common stock, warrants and options issued for services	303,584	90,072	4,450,527
Change in fair value of derivative liability	(244,762)	(263,967)	1,376,856
Amortization of debt discount and deferred financing costs	328,905	949,352	4,327,687
Impairment of patents and patents pending	--	--	416,026
Impairment of goodwill	--	--	897,227
Deferred compensation forgiven	--	--	217,223
Changes in operating assets and liabilities:			
Prepaid expenses	26,472	--	180,957
Deposits	6,032	--	(7,168)
Accounts payable and other current liabilities	80,277	138,260	2,579,443
Due to related parties	(15,565)	(28,000)	1,270,142
Net cash used in operating activities	(931,635)	(1,174,998)	(15,099,749)
Cash flows from investing activities:			
Purchases of property and equipment	--	--	(272,850)
Additions to patents and patents pending	(9,713)	(9,693)	(397,056)
Proceeds from the sale of property and equipment	--	--	17,065
Cash of acquired company	--	--	10,728
Net cash used in investing activities	(9,713)	(9,693)	(642,113)
Cash flows from financing activities:			
Proceeds from the issuance of notes payable	--	--	2,350,000
Principal repayments of notes payable	(16,000)	--	(368,500)
Net proceeds from the issuance of convertible notes payable	928,420	430,000	3,496,420
Proceeds from the issuance of common stock	115,200	500,000	10,433,102
Professional fees related to registration statement	--	--	(76,731)
Net cash provided by financing activities	1,027,620	930,000	15,834,291
Net (decrease) increase in cash	86,272	(254,691)	92,429
Cash at beginning of period	6,157	254,691	--
Cash at end of period	\$ 92,429	\$ --	\$ 92,429

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

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AETHLON MEDICAL, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 AND
FOR THE PERIOD JANUARY 31, 1984 (INCEPTION) THROUGH SEPTEMBER 30, 2009
(Unaudited)

	Six Months Ended September 30, 2009	Six Months Ended September 30, 2008	January 31, 1984 (Inception) Through September 30, 2009
	-----	-----	-----
Supplemental disclosures of non-cash investing and financing information:			
Reclassification of accounts payable to notes payable	\$ 24,001	--	\$ 24,001
	=====	=====	=====
Debt and accrued interest converted to common stock	\$ 646,812	\$ 232,675	\$ 4,166,004
	=====	=====	=====
Stock option exercise by director for accrued expenses	--	--	95,000
	=====	=====	=====
Debt discount on convertible notes payable associated with conversion feature and warrants	988,698	--	2,293,653
	=====	=====	=====
Conversion of accrued debt to common stock by officers and directors	--	332,279	332,279
	=====	=====	=====
Debt discount on notes payable associated with detachable warrants	--	--	1,154,860
	=====	=====	=====
Issuance of common stock, warrants and options in settlement of accrued expenses and due to related parties	--	--	1,003,273
	=====	=====	=====
Issuance of common stock in connection with license agreements	--	--	18,000
	=====	=====	=====
Net assets of entities acquired in exchange for equity securities	--	--	1,597,867
	=====	=====	=====
Debt placement fees paid by issuance of warrants	--	--	856,845
	=====	=====	=====
Patent pending acquired for 12,500 shares of common stock	--	--	100,000
	=====	=====	=====
Common stock issued for prepaid expenses	--	--	161,537
	=====	=====	=====

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

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AETHLON MEDICAL, INC.
(A Development Stage Company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
September 30, 2009

NOTE 1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Aethlon Medical, Inc. ("Aethlon", "We" or the "Company") is a development stage medical device company focused on expanding the applications of our Hemopurifier (R) platform technology, which is designed to rapidly reduce the presence of infectious viruses and other toxins from human blood. In this regard, our core focus is the development of therapeutic devices that treat acute viral conditions, chronic viral diseases and pathogens targeted as potential biological warfare agents. The Hemopurifier (R) combines the established

scientific principles of affinity chromatography and hemodialysis as a means to mimic the immune system's response of clearing viruses and toxins from the blood before cell and organ infection can occur. The Hemopurifier(R) cannot cure viral conditions but can prevent viruses and toxins from infecting unaffected tissues and cells. We have completed pre-clinical blood testing of the Hemopurifier(R) to treat HIV and Hepatitis-C, and have completed human safety trials on Hepatitis-C infected patients in India and are in the process of obtaining regulatory approval from the U.S. Food and Drug Administration ("FDA") to initiate clinical trials in the United States.

The commercialization of the Hemopurifier(R) will require the completion of human efficacy and safety-related clinical trials. The approval of any application of the Hemopurifier(R) in the United States will necessitate the approval of the FDA to initiate human studies. Such studies could take years to demonstrate safety and effectiveness in humans and there is no assurance that the Hemopurifier(R) will be cleared by the FDA as a device we can market to the medical community. We also expect to face similar regulatory challenges from foreign regulatory agencies should we attempt to commercialize and market the Hemopurifier(R) outside of the United States. As a result, we have not generated revenues from the sale of any Hemopurifier(R) application. Additionally, there have been no independent validation studies of our Hemopurifiers(R) to treat infectious disease. We manufacture our products on a small scale for testing purposes but have yet to manufacture our products on a large scale for commercial purposes. All of our pre-clinical human blood studies have been conducted in our laboratories under the direction of Dr. Richard Tullis, our Chief Science Officer.

We are classified as a development stage enterprise under accounting principles generally accepted in the United States of America ("GAAP"), and have not generated revenues from our principal operations.

Our common stock is quoted on the Over-the-Counter Bulletin Board administered by the Financial Industry Regulatory Authority ("OTCBB") under the symbol "AEMD.OB".

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary to make the financial statements not misleading have been included. We have evaluated subsequent events through November 13, 2009, the last business day before our condensed consolidated financial statements were issued. The condensed consolidated balance sheet as of March 31, 2009 was derived from our audited financial statements. Operating results for the three and six month periods ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending March 31, 2010. For further information, refer to our Annual Report on Form 10-K for the year ended March 31, 2009, which includes audited financial statements and footnotes as of March 31, 2009 and for the years ended March 31, 2009 and 2008 and the period January 31, 1984 (Inception) through March 31, 2009.

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NOTE 2. GOING CONCERN AND LIQUIDITY CONSIDERATIONS

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the ordinary course of business. We have experienced continuing losses from operations, are in default on certain debt, have negative working capital of approximately (\$4,264,000) recurring losses from operations and a deficit accumulated during the development stage of approximately (\$40,092,000) at September 30, 2009, which among other matters, raises significant doubt about our ability to continue as a going concern. We have not generated significant revenue or any profit from operations since inception. A significant amount of additional capital will be necessary to advance the development of our products to the point at which they may become commercially viable. Our current financial resources are insufficient to fund our capital expenditures, working capital and other cash requirements (consisting of accounts payable, accrued liabilities, amounts due to related parties and amounts due under various notes payable) for the fiscal year ending March 31, 2010 ("fiscal 2010"). Therefore we will be required to seek additional funds through debt and/or equity financing arrangements to finance our current and long-term operations.

We are currently addressing our liquidity issue by exploring investment capital opportunities through the private placement of common stock or issuance of additional debt. We believe that our access to additional capital, together with existing cash resources, will be sufficient to meet our liquidity needs for fiscal 2010. However, no assurance can be given that we will receive any funds in connection with our capital raising efforts.

The unaudited consolidated financial statements do not include any adjustments relating to the recoverability of assets that might be necessary should we be unable to continue as a going concern.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of our significant accounting policies presented below is designed to assist the reader in understanding our consolidated financial statements. Such financial statements and related notes are the representations of our management, who are responsible for their integrity and objectivity. These accounting policies conform to GAAP in all material respects, and have been consistently applied in preparing the accompanying consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

The accompanying condensed consolidated financial statements include the accounts of Aethlon Medical, Inc. and its wholly-owned subsidiaries Aethlon, Inc., Hemex, Inc., Syngen Research, Inc. and Cell Activation, Inc. (collectively hereinafter referred to as the "Company" or "Aethlon"). These subsidiaries are dormant and there exist no material intercompany transactions or balances.

LOSS PER COMMON SHARE

Basic loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares assumed to be outstanding during the period of computation. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued, and if the additional common shares were dilutive. As the Company had net losses for all periods presented, basic and diluted loss per share are the same, and additional common stock equivalents have been excluded as their effect would be antidilutive.

The potentially dilutive common shares outstanding for the quarters ended September 30, 2009 and 2008, which include shares underlying outstanding stock options, warrants and convertible debentures were 50,868,288 and 32,057,784, respectively.

PATENTS

We capitalize the cost of patents, some of which were acquired, and amortize such costs over the shorter of the remaining legal life or their estimated economic life, upon issuance of the patent.

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RESEARCH AND DEVELOPMENT EXPENSES

We incurred research and development expenses during the three and six month periods ended September 30, 2009 and 2008, which are included in various operating expense line items in the accompanying consolidated statements of operations. Our research and development expenses in those periods were as follows:

	September 30, 2009	September 30, 2008
Three months ended	\$ 168,648	\$ 220,259
Six months ended	\$ 245,937	\$ 382,777

EQUITY INSTRUMENTS FOR SERVICES PROVIDED BY OTHER THAN EMPLOYEES

We account for transactions involving goods and services provided by third parties where we issue equity instruments as part of the total consideration using the fair value of the consideration received (i.e. the value of the goods or services) or the fair value of the equity instruments issued, whichever is more reliably measurable.

In transactions, when the value of the goods and/or services are not readily determinable and (1) the fair value of the equity instruments is more reliably measurable and (2) the counterparty receives equity instruments in full or partial settlement of the transactions, we use the following methodology:

- (a) For transactions where goods have already been delivered or services rendered, the equity instruments are issued on or about the date the performance is complete (and valued on the date of issuance).
- (b) For transactions where the instruments are issued on a fully vested, non-forfeitable basis, the equity instruments are valued on or about the date of the contract.

- (c) For any transactions not meeting the criteria in (a) or (b) above, we re-measure the consideration at each reporting date based on its then current stock value.

IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset (excluding interest), an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. We believe that no impairment existed at or during the three months ended September 30, 2009.

BENEFICIAL CONVERSION FEATURE OF CONVERTIBLE NOTES PAYABLE

The convertible feature of certain notes payable provides for a rate of conversion that is below the market value of our common stock. Such feature is normally characterized as a "Beneficial Conversion Feature" ("BCF"). We record the estimated fair value of the BCF, when applicable, in the consolidated financial statements as a discount from the face amount of the notes. Such discounts are accreted to interest expense over the term of the notes using the effective interest method.

DERIVATIVE LIABILITIES AND CLASSIFICATION

We evaluate free-standing derivative instruments (or embedded derivatives) to properly classify such instruments within equity or as liabilities in our financial statements. Our policy is to settle instruments indexed to our common shares on a first-in-first-out basis.

The classification of an instrument, which is carried as a liability, is reassessed at each balance sheet date. If the classification changes as a result of events during a reporting period, the instrument is reclassified as of the date of the event that caused the reclassification. There is no limit on the number of times a contract may be reclassified.

On April 1, 2009 we adopted new Financial Accounting Standards Board ("FASB") guidance that requires us to apply a two-step model in determining whether a financial instrument or an embedded feature is indexed to our own stock and thus enable it to qualify for equity classification. We have identified several convertible debt agreements in which the embedded conversion feature contains certain provisions that may result in an adjustment of the conversion price, which results in the failure of the embedded conversion feature to be considered to be indexed to our stock. Accordingly, under this guidance, we are required to record the estimated fair value of the embedded conversion feature as a derivative liability. As a result of the adoption of this guidance, the estimated fair value of the embedded conversion feature (See SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS below) was recorded as a derivative liability (at the date of issuance), and a cumulative effect adjustment was recorded to our accumulated deficit. In addition, we have re-measured such derivative liability at estimated fair value as of September 30, 2009 and have recorded the change in the fair value for the three and six months ended September 30, 2009 in other expense (income) in the accompanying Condensed Consolidated Statement of Operations.

REGISTRATION PAYMENT ARRANGEMENTS

We account for contingent obligations to make future payments or otherwise transfer consideration under a registration payment arrangement separately from any related financing transaction agreements, and any such contingent obligations are recognized only when it is determined that it is probable that the Company will become obligated for future payments and the amount, or range of amounts, of such future payments can be reasonably estimated. On October 7, 2008, the SEC declared effective a registration statement that covered all of the shares and warrants that had previously been generating liquidated damages pursuant to registration rights agreements and as a result, we ceased recording such liquidated damages at that time.

As of September 30, 2009, we did not owe any liquidated damages and there are no future payments for liquidated damages that we have determined to be probable.

STOCK BASED COMPENSATION

Employee stock options and rights to purchase shares under stock participation plans are accounted for under the fair value method. Accordingly, share-based compensation is measured when all granting activities have been completed, generally the grant date, based on the fair value of the award. The exercise price of options is generally equal to the market price of the Company's common

stock (defined as the closing price as quoted on the Over-the-Counter Bulletin Board) on the date of grant. Compensation cost recognized by the Company includes (a) compensation cost for all equity incentive awards granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of the then current accounting standards, and (b) compensation cost for all equity incentive awards granted subsequent to April 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of subsequent accounting standards. We use a Binomial Lattice option pricing model for estimating fair value of options granted.

In June 2009, our Chief Executive Officer agreed to suspend the exercise of up to 9,588,243 of his stock options, which allowed us to utilize the shares underlying those stock options in capital raising activities while we presented our stockholders with a proposal to increase the number of authorized shares from 100,000,000 to 250,000,000. That proposal was approved by our stockholders at our Annual Meeting on September 16, 2009 (see Item 4 of this report). Following that approval we extended the Chief Executive Officer's stock options by the 100 days that he had unreserved his shares. We valued the change in fair value of his stock options due to this extension, and based on the change in fair value, recorded an increase to our stock based compensation expense in the quarter ended September 30, 2009 of \$64,678 for his vested options. For his unvested options, we recorded an increase to fair value of \$15,308 which will be expensed over the remaining vesting period of those options.

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The following table summarizes share-based compensation expenses relating to shares and options granted and the effect on basic and diluted loss per common share during the three and six months ended September 30, 2009:

<S>	<C>	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Six Months Ended September 30, 2009	Six Months September 30,
Ended		-----	-----	-----	-----
Payroll and related		\$ 164,888	\$ 64,696	\$ 298,747	\$ 134,192
=====					
Net share-based compensation effect in net loss from continuing operations		\$ 164,888	\$ 64,696	\$ 298,747	\$ 134,192
=====					
Basic and diluted loss per common share (0.00)		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$
=====					

We account for transactions involving services provided by third parties where we issue equity instruments as part of the total consideration using the fair value of the consideration received (i.e. the value of the goods or services) or the fair value of the equity instruments issued, whichever is more reliably measurable. In transactions, when the value of the goods and/or services are not readily determinable and (1) the fair value of the equity instruments is more reliably measurable and (2) the counterparty receives equity instruments in full or partial settlement of the transactions, we use the following methodology:

- a) For transactions where goods have already been delivered or services rendered, the equity instruments are issued on or about the date the performance is complete (and valued on the date of issuance).
- b) For transactions where the instruments are issued on a fully vested, non-forfeitable basis, the equity instruments are valued on or about the date of the contract.
- c) For any transactions not meeting the criteria in (a) or (b) above, the Company re-measures the consideration at each reporting date based on its then current stock value.

We review share-based compensation on a quarterly basis for changes to the estimate of expected award forfeitures based on actual forfeiture experience. The cumulative effect of adjusting the forfeiture rate for all expense amortization is recognized in the period the forfeiture estimate is changed. The effect of forfeiture adjustments for the three and six months ended September 30, 2009 was insignificant.

The expected volatility is based on the historic volatility. The expected life of options granted is based on the "simplified method" as described in the SEC's guidance due to changes in the vesting terms and contractual life of current option grants compared to our historical grants.

We did not issue any stock option grants in either the six months ended September 30, 2009 or in the six months ended September 30, 2008.

Options outstanding that have vested and are expected to vest as of September 30, 2009 are as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Vested	12,289,060	\$ 0.38	5.11
Expected to vest	2,200,000	0.36	6.50
Total	14,489,060		

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Additional information with respect to stock option activity is as follows:

	Outstanding Options	
	Number of Shares	Weighted Average Exercise Price
March 31, 2009	14,489,060	\$ 0.37
Grants	--	--
Exercises	--	--
Cancellations	--	--
September 30, 2009	14,489,060	\$ 0.37
Options exercisable at:		
September 30, 2009	12,289,060	\$ 0.38

At September 30, 2009, there was approximately \$459,000 of unrecognized compensation cost related to share-based payments which is expected to be recognized over a weighted average period of 1.11 years.

On September 30, 2009, our stock options had a negative intrinsic value since the closing price on that date of \$0.28 per share was below the weighted average exercise price of our stock options.

INCOME TAXES

Under FASB authoritative guidance for accounting for income taxes, deferred tax assets and liabilities are recognized for the future tax consequences attributable to the difference between the consolidated financial statements and their respective tax basis. Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for income tax purposes, and (b) tax credit carryforwards. We record a valuation allowance for deferred tax assets when, based on our best estimate of taxable income (if any) in the foreseeable future, it is more likely than not that some portion of the deferred tax assets may not be realized.

SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued an amendment to an existing accounting standard which provides guidance related to business combinations. The amendment retains its fundamental requirements that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. This amendment also establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This amendment will apply prospectively to business combinations

for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. Our adoption of this amendment effective April 1, 2009 did not have a significant impact on our statements of operations or financial position.

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In May 2009, the FASB issued a new accounting standard related to subsequent events, which provides guidance on events that occur after the balance sheet date but prior to the issuance of the financial statements. The new accounting standard distinguishes events requiring recognition in the financial statements and those that may require disclosure in the financial statements. Furthermore, the new accounting standard requires disclosure of the date through which subsequent events were evaluated. The new accounting standard is effective for interim and annual periods after June 15, 2009. We adopted the new accounting standard for the quarter ended June 30, 2009, and have evaluated subsequent events through November 13, 2009.

In June 2009, the FASB issued a new accounting standard which provides guidance related to the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a replacement of a previously issued standard. The new accounting standard stipulates the FASB Accounting Standards Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The new accounting standard is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard during the quarter ended September 30, 2009 did not have a material impact on our statements of operations or financial position.

In December 2006, the FASB issued a new accounting standard which provides guidance related to fair value measurements. That standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard applies to derivatives and other financial instruments measured at estimated fair value and is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. This standard applies to certain assets and liabilities that are being measured and reported on a fair value basis. It defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosure about fair value measurements. This standard enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. We adopted this standard on April 1, 2008 without material impact to our financial statements.

The standard requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In May 2008, the FASB issued a new accounting standard which provides guidance relating to accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement). This new standard requires recognition of both the liability and equity components of convertible debt instruments with cash settlement features. The debt component is required to be recognized at the fair value of a similar instrument that does not have an associated equity component. The equity component is recognized as the difference between the proceeds from the issuance of the note and the fair value of the liability. The standard also requires an accretion of the resulting debt discount over the expected life of the debt. Retrospective application to all periods presented is required and a cumulative-effect adjustment is recognized as of the beginning of the first period presented. This standard was effective for us in the first quarter of fiscal year 2010. The adoption of this standard did not have a material impact on our financial statements.

In June 2008, the FASB issued a new accounting standard which provides guidance relating to determining whether an instrument (or embedded feature) is indexed to an entity's own stock and is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. This standard specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to our own stock and (b) classified in stockholders' equity in the statement of financial position would not be considered a derivative financial instrument. The standard provides a new two-step model to be applied in determining whether a financial instrument or an

pronouncement during the quarter ended June 30, 2009 without material impact to our financial statements.

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In April 2009, the FASB issued amendments to an existing standard which provides guidance relating to other-than-temporary impairment ("OTTI") recognition for debt securities classified as available-for-sale and held-to-maturity. The standard requires the entity to consider (i) whether the entire amortized cost basis of the security will be recovered (based on the present value of expected cash flows), and (ii) its intent to sell the security. Based on the factors described in the preceding sentence, this pronouncement also explains the process for determining the OTTI to be recognized in "other comprehensive income" (generally, the impairment charge for other than a credit loss) and in earnings. This standard does not change existing recognition or measurement guidance related to OTTI of equity securities. This pronouncement is effective for interim and annual reporting periods ending after June 15, 2009. Certain transition rules apply to debt securities held at the beginning of the interim period of adoption when an OTTI was previously recognized. We adopted this pronouncement during the quarter ended June 30, 2009 without material impact to our financial statements.

In November 2007, the Emerging Industries Task Force ("EITF") issued a new accounting standard which provides guidance relating to accounting for collaborative arrangements. The standard provides guidance on how to determine whether an arrangement constitutes a collaborative arrangement, how costs incurred and revenue generated on sales to third parties should be reported by the partners to a collaborative arrangement in each of their respective income statements, how payments made to or received by a partner pursuant to a collaborative arrangement should be presented in the income statement, and what participants should disclose in the notes to the financial statements about a collaborative arrangement. This issue is effective for annual periods beginning after December 15, 2008. Entities should report the effects of applying this standard as a change in accounting principle through retrospective application to all periods to the extent practicable. Upon application of this standard, the following should be disclosed: a) a description of the prior-period information that has been retrospectively adjusted, if any, and b) the effect of the change on revenue and operating expenses (or other appropriate captions of changes in the applicable net assets or performance indicator) and on any other affected financial statement line item. We adopted this pronouncement, effective April 1, 2009, without material impact to our financial statements.

The Sarbanes-Oxley Act of 2002 ("the Act") introduced new requirements regarding corporate governance and financial reporting. Among the many requirements of the Act is for management to annually assess and report on the effectiveness of its internal control over financial reporting under Section 404(a) and for its registered public accountant to attest to this report under Section 404(b). The SEC has modified the effective date and adoption requirements of Section 404(a) and Section 404(b) implementation for non-accelerated filers multiple times, such that we were required to issue our management report on internal control over financial reporting in our annual report on Form 10-K for the fiscal year ended March 31, 2009. Based on current SEC requirements, we will be required to have our independent registered public accounting firm attest to the effectiveness of internal controls over financial reporting for our fiscal year ending March 31, 2011.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

NOTE 4. NOTES PAYABLE

Notes payable consist of the following at September 30, 2009:

	Principal

12% Notes payable, all past due	\$ 297,500
10% Note payable, past due	5,000
Note payable to law firm	8,001

Total Notes Payable	\$ 310,501
	=====

Notes payable consisted of the following at March 31, 2009:

	Principal

12% Notes payable, all past due	\$ 297,500
10% Note payable, past due	5,000

Total Notes Payable \$ 302,500
 =====

NOTE PAYABLE TO LAW FIRM

On May 20 2009, we entered into a Promissory Note with our intellectual property law firm for the amount of \$24,001, which represented the amount we owed to that firm. The Promissory Note calls for monthly payments of \$4,000 from June 2009 through November 2009. Our monthly payments have reduced the balance on the note payable to \$8,001 at September 30, 2009. The note bears interest at 10% per annum. At September 30, 2009, interest payable on this note totaled \$200.

12% NOTES

From August 1999 through May 2005, we entered into various borrowing arrangements for the issuance of notes payable from private placement offerings (the "12% Notes"). On January 26, 2009, a holder of \$50,000 of the 12% Notes converted his principal balance and \$56,723 of accrued interest to common stock at the then current market price of \$0.17 per share. At September 30, 2009, 12% Notes with a principal balance of \$297,500 are outstanding, all of which are past due, in default, and bearing interest at the default rate of 15%. At September 30, 2009, interest payable on the 12% Notes totaled \$307,906.

10% NOTES

From time to time, we issued notes payable ("10% Notes") to various investors, bearing interest at 10% per annum, with principal and interest due six months from the date of issuance. The 10% Notes required no payment of principal or interest during the term. The total amount of the original notes issued was \$275,000. One 10% Note in the amount of \$5,000, which is past due and in default, remains outstanding at September 30, 2009. At September 30, 2009, interest payable on this note totaled \$4,125.

Management's plans to satisfy the remaining outstanding balance on these 12% and 10% Notes include converting the notes to common stock at market value or repayment with available funds. During the fiscal year ended March 31, 2009, we restructured our 8% and 9% Notes and for accounting purposes, we recorded an extinguishment loss of approximately \$977,000 (See Note 5 for further description).

NOTE 5. CONVERTIBLE NOTES PAYABLE

Convertible Notes Payable consist of the following at September 30, 2009:

<TABLE>
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	Principal	Discount	Net Amount
	-----	-----	-----
Amended Series A 10% Convertible Notes, past due	\$ 900,000	\$ --	\$ 900,000
2008 10% Convertible Notes	45,000	(4,852)	40,148
December 2006 10% Convertible Notes, past due	17,000	--	17,000
Restructured December 2008 10% Convertible Notes and Related Convertible Notes	469,591	--	469,591
May & June 2009 10% Convertible Notes	350,000	(198,442)	151,558
July & August 2009 10% Convertible Notes	668,250	(419,839)	248,411
	-----	-----	-----
Total - Convertible Notes	\$2,449,841	\$ (623,133)	\$1,826,708
	=====	=====	=====

Convertible Notes Payable consisted of the following at March 31, 2009:

	Principal	Discount	Amount
	-----	-----	-----
Amended Series A 10% Convertible Notes, past due	\$ 900,000	\$ --	\$ 900,000
2008 10% Convertible Notes	45,000	(8,683)	36,317
December 2006 10% Convertible Notes, past due	17,000	--	17,000
Restructured December 2008 10% Convertible Notes and Related Convertible Notes	1,116,403	--	1,116,403
	-----	-----	-----
Total - Convertible Notes	\$2,078,403	\$ (8,683)	\$2,069,720
	=====	=====	=====

</TABLE>

AMENDED SERIES A 10% CONVERTIBLE NOTES

At September 30, 2009, \$900,000 of the Amended Series A 10% Convertible Notes remained outstanding and in default. At September 30, 2009, interest payable on those notes totaled \$101,250.

2008 10% CONVERTIBLE NOTES

2008 10% Convertible Notes in the aggregate amount of \$45,000 remain outstanding at September 30, 2009. At September 30, 2009, interest payable on those notes totaled \$5,228. The notes mature in January and February 2010.

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DECEMBER 2006 10% CONVERTIBLE NOTES

At September 30, 2009, \$17,000 of the December 2006 10% Notes remained outstanding and in default. At September 30, 2009, interest payable on those notes totaled \$6,871.

RESTRUCTURED DECEMBER 2008 10% CONVERTIBLE NOTES AND RELATED CONVERTIBLE NOTES

Restructured December 2008 10% Convertible Notes and Related Convertible Notes in the aggregate amount of \$469,591 remain outstanding at September 30, 2009. At September 30, 2009, interest payable on those notes totaled \$11,740.

In June 2009, the holders of the Restructured December 2008 10% Convertible Notes and Related Convertible Notes informally agreed to extend the expiration date of the notes by three months from July 1, 2009 to October 1, 2009.

MAY & JUNE 2009 10% CONVERTIBLE NOTES

In May and June 2009, we raised an aggregate amount of \$350,000 from the sale to accredited investors of 10% convertible notes ("May & June 2009 10% Convertible Notes"). The May & June 2009 10% Convertible Notes mature at various dates between November 2010 through December 2010 and are convertible into our common stock at a fixed conversion price of \$0.20 per share prior to maturity. If the investors opt to convert their convertible debt to our common stock, then they will receive a matching three year warrant to purchase unregistered shares of our common stock at a price of \$0.20 per share. We have measured the warrants but have not recorded them given their contingent terms.

After consideration of the warrants, we recorded a discount associated with the beneficial conversion feature of \$233,735 related to the May & June 2009 10% Convertible Notes and we are amortizing that discount over the terms of the May & June 2009 10% Convertible Notes using the effective interest method.

At September 30, 2009, interest payable on those notes totaled \$10,097.

JULY & AUGUST 2009 10% CONVERTIBLE NOTES

In July and August 2009, we raised an aggregate amount of \$668,250 from the sale to three investment funds of 10% convertible notes ("July & August 2009 10% Convertible Notes"). Each note carries a one-year term and is convertible into our common stock at 80% of market with a floor of \$0.15 cents and a ceiling of \$0.25 cents per share. As additional consideration, the investors also received 1,336,500 three year warrants to purchase our common stock at \$0.50 per share, although that exercise price is subject to change based on certain conditions. The conversion feature may additionally be adjusted in the event of future financing by the Company. Because the conversion feature and warrant exercise price each can be reset based on future events, they are considered derivatives.

We commissioned a valuation study on this transaction from a third party valuation firm and based on the results of that study, we recorded a discount associated with the derivative liability of \$475,762 associated with the conversion feature.

At September 30, 2009, interest payable on those notes totaled \$10,724.

We are amortizing the discount associated with the July & August 2009 10% Convertible Notes and associated warrants using the effective interest method. Deferred financing costs incurred in connection with this financing totaled \$60,750 were capitalized and are being amortized using the effective interest method.

NOTE 6. EQUITY TRANSACTIONS

In April 2009, we issued 71,519 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.17 per share in payment for financial consulting services and research services valued at \$12,158 based on the value of the services.

In April 2009, we issued 1,688,211 shares of common stock as a result of

conversions of \$263,478 of convertible notes payable and related accrued interest. The shares were issued to accredited investors.

In April 2009, an accredited investor exercised a warrant to purchase 555,556 shares of our common stock at the agreed strike price of \$0.18 per share for cash proceeds of \$100,000. We issued that investor a five year warrant to purchase 555,556 shares at \$0.18 per share and a conditional warrant to purchase a like number of shares at the same strike price if that warrant is exercised.

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In April 2009, we issued 490,000 shares of restricted common stock valued at the closing price in payment for investor relations services.

In April 2009, we issued 25,000 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.22 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In April 2009, we issued 32,935 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.23 per share in payment for internal controls consulting services valued at \$7,575 based on the value of the services provided.

In April 2009, we issued 12,372 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.22 per share in payment for regulatory affairs consulting services valued at \$2,660 based on the value of the services provided.

In April 2009, we issued 80,000 shares of restricted common stock and warrants to purchase 80,000 shares of common stock in exchange for \$15,200. The shares were issued to an accredited investor.

In April 2009, we issued 43,021 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.17 per share in payment for financial consulting services valued at \$7,744 based on the value of the services provided.

In April 2009, we issued 70,870 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.20 per share in payment for legal services valued at \$14,500 based on the value of the services provided.

In April 2009, we issued 22,817 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.24 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In May 2009, holders of certain convertible notes converted \$139,256 of principal and accrued interest into 878,059 shares of our common stock pursuant to the terms of the notes at an average conversion rate of approximately \$0.16 per share.

In May 2009, we issued 13,043 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.23 per share in payment for regulatory affairs consulting services valued at \$3,000 based on the value of the services provided.

In May 2009, we issued 10,714 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.28 per share in payment for regulatory affairs consulting services valued at \$3,000 based on the value of the services provided.

In May 2009, we issued 51,118 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.19 per share in payment for financial consulting services valued at \$9,713 based on the value of the services provided.

In May 2009, we issued 22,000 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.25 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In May 2009, we issued 34,602 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.22 per share in payment for financial consulting services valued at \$7,613 based on the value of the services provided.

In May 2009, we issued 40,104 shares of restricted common stock at \$0.24 in payment for financial advisory services valued at \$9,625 based on the value of the services provided.

In May 2009, we issued 22,917 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.24 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

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In June 2009, we issued 20,500 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.24 per share in payment for regulatory affairs consulting services valued at \$4,920 based on the value of the services provided.

In June 2009, we issued 57,055 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.22 per share in payment for scientific and financial consulting services valued at \$12,552 based on the value of the services provided.

In June 2009, we issued 22,917 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.24 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In June 2009, we issued 23,000 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.23 per share in payment for regulatory affairs consulting services valued at \$5,290 based on the value of the services provided.

In June 2009, we issued 48,106 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.22 per share in payment for scientific and financial consulting services valued at \$10,583 based on the value of the services provided.

In June 2009, we issued 779,956 shares of common stock as a result of conversions of \$143,512 of convertible notes payable and related accrued interest. The shares were issued to accredited investors.

In June 2009, we issued 16,176 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.34 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

On June 29, 2009, Mr. Joyce, our Chief Executive Officer entered into an Option Suspension Agreement, whereby Mr. Joyce agreed to not exercise his stock options pending the filing of amended articles of incorporation of the Company increasing the Company's authorized capital. Accordingly of Mr. Joyce's total options, 2,857,143 could not be exercised until the amended articles of incorporation were filed, and 6,731,090 could not be exercised until the later of June 9, 2010 or the filing of the amended articles of incorporation. We filed the amendment to our articles of incorporation on September 21, 2009. The Agreement also provided Mr. Joyce certain protections in the event the Company shall undergo a change of control transaction while his options are suspended. Such protections include the right to receive, in the form of cash payments, the positive value of his options (which remain subject to suspension) at the time of such transaction.

In addition, we committed to issue 4,000,000 shares of restricted common stock, to Mr. Joyce at a price per share of \$0.24, which shall vest in equal installments over a thirty six month period commencing June 9, 2010.

In July 2009, we registered 1,000,000 additional shares under our 2003 Consultant Stock Plan through the filing of a Form S-8 Registration Statement.

In July 2009, we issued 518,649 shares of common stock as a result of conversions of \$100,566 of convertible notes payable and related accrued interest. The shares were issued to accredited investors.

In July 2009, we issued 18,333 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.30 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In July 2009, we issued 51,971 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.28 per share in payment for legal services valued at \$14,500 based on the value of the services provided.

In July 2009, we issued 11,647 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.34 per share in payment for regulatory affairs consulting services valued at \$3,960 based on the value of the services provided.

In July 2009, we issued 19,643 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.28 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

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In July 2009, we issued a convertible promissory note in the principal amount of \$330,000 to an accredited investor. The note is convertible into shares of our common stock at a price per share that is equal to the lesser of (i) \$0.25, or (ii) the average of the closing bid prices of the common stock for the three days immediately preceding the conversion date, subject in any case to a floor of \$0.15 per share. The investor also received warrants to purchase 660,000 shares of our common stock at an exercise price of \$0.50 per share. See JULY & AUGUST 2009 10% CONVERTIBLE NOTES in note 5.

In August 2009, we issued two convertible promissory note in the principal amount of \$338,250 to two accredited investors. These notes are convertible into shares of our common stock at a price per share that is equal to the lesser of (i) \$0.25, or (ii) the average of the closing bid prices of the common stock for the three days immediately preceding the conversion date, subject in any case to a floor of \$0.15 per share. The investors also received warrants to purchase 676,500 shares of our common stock at an exercise price of \$0.50 per share. See JULY & AUGUST 2009 10% CONVERTIBLE NOTES in note 5.

In August 2009, we issued 21,154 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.26 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In August 2009, we issued 14,143 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.28 per share in payment for regulatory affairs consulting services valued at \$3,960 based on the value of the services provided.

In August 2009, we issued 22,917 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.24 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In September 2009, we issued 36,094 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.22 per share in payment for financial consulting services valued at \$7,941 based on the value of the services provided.

In September 2009, we issued 20,370 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.27 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In September 2009, we issued 16,000 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.24 per share in payment for regulatory affairs consulting services valued at \$3,840 based on the value of the services provided.

In September 2009, we issued 19,784 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.28 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In September 2009, we issued 12,000 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.25 per share in payment for regulatory affairs consulting services valued at \$3,000 based on the value of the services provided.

NOTE 7. OTHER CURRENT LIABILITIES

At September 30, 2009 and March 31, 2009, our other current liabilities were comprised of the following items:

	September 30, 2009	March 31, 2009
Accrued interest	\$ 478,553	\$ 352,204
Accrued legal fees	211,865	211,865
Other	86,864	115,429
	-----	-----
Total other current liabilities	\$ 777,282	\$ 679,498
	=====	=====

As of the date of this report, various promissory and convertible notes payable in the aggregate principal amount of \$1,219,500 (as identified in Notes 4 and 5 above) have reached maturity and are past due. We are continually reviewing other financing arrangements to retire all past due notes. At September 30, 2009, we had accrued interest in the amount of \$419,152 associated with these notes in accrued liabilities payable (see Notes 4 and 5).

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NOTE 8. COMMITMENTS AND CONTINGENCIES

LEGAL MATTERS

From time to time, claims are made against us in the ordinary course of business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties or injunctions prohibiting us from selling one or more products or engaging in other activities. In connection with our termination of our lease at our former headquarters, our former landlord, BMR 3030 Bunker Hill Street LLC, commenced an action in the Superior Court of California, County of San Diego, against us on September 14, 2009 seeking damages of approximately \$25,000 for alleged unpaid rent and for surrender of the premises. All amounts were timely paid and the premises were timely surrendered. The former landlord has agreed to dismiss the action promptly.

The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on our results of operations for that period or future periods. Other than as mentioned here, we are not presently a party to any pending or threatened legal proceedings.

LEASES

In September 2009, we gave notice that we were terminating the month-to-month rental arrangement for our offices and laboratory effective October 3, 2009 and we entered into two new leases for office and laboratory space. The terms of the new leases are three years and two years, respectively, and the initial base lease payments are \$4,746.15 per month and \$1,667.00 per month, respectively. We expect that the cost of our new facilities will be less than the cost of our old facilities, which was \$10,075 per month for rent and common area maintenance charges.

NOTE 9. SUBSEQUENT EVENTS

In October 2009, we issued 100,000 shares of restricted common stock as a donation to a scientific research foundation valued at \$25,000 based on the closing price of \$0.25.

In October 2009, we issued 319,033 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.22 per share in payment for financial consulting services valued at \$70,187 based on the value of the services provided.

In October 2009, we issued 22,088 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.25 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In October 2009, we issued 37,585 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.22 per share in payment for financial consulting services valued at \$8,269 based on the value of the services provided.

In October 2009, we issued 2,511,264 shares of common stock as a result of conversions of \$481,297 of convertible notes payable and related accrued interest. The shares were issued to accredited investors.

In October 2009, we issued 15,231 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.26 per share in payment for regulatory affairs consulting services valued at \$3,840 based on the value of the services provided.

In October 2009, we issued 11,702 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.47 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

In October and to date in November 2009, we have raised \$430,000 through the issuance of 10% convertible notes to accredited investors. The notes are convertible into our common stock at a fixed conversion price of \$0.25 per share. The investors also received 1,720,000 three year warrants to purchase shares of our common stock at \$0.25 per share.

In November 2009, we issued 117,759 shares of common stock as a result of conversions of \$38,595 of notes payable (\$15,200 in a 12% Note Payable, see Note 4, and \$10,000 in a May & June 2009 10% Convertible Note, see Note 5) and related accrued interest. The shares were issued to accredited investors.

In November 2009, we issued 14,103 shares of common stock pursuant to our S-8 registration statement covering our 2003 Consultant Stock Plan at \$0.39 per share in payment for business development consulting services valued at \$5,500 based on the value of the services provided.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS.

The following discussion of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and notes thereto included in Item 1 in this Quarterly Report on Form 10-Q. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements.

FORWARD LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this Form 10-Q are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended ("the Securities Act"), and Section 21E of the Exchange Act. Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of Aethlon Medical, Inc. ("we", "us" or "the Company") to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements contained in this Form 10-Q. Such potential risks and uncertainties include, without limitation, completion of our capital-raising activities, FDA approval of our products, other regulations, patent protection of our proprietary technology, product liability exposure, uncertainty of market acceptance, competition, technological change, and other risk factors detailed herein and in other of our filings with the Securities and Exchange Commission. The forward-looking statements are made as of the date of this Form 10-Q, and we assume no obligation to update the forward-looking statements, or to update the reasons actual results could differ from those projected in such forward-looking statements.

THE COMPANY

We are a developmental stage medical device company focused on expanding the applications of our Hemopurifier(R) platform technology which is designed to rapidly reduce the presence of infectious viruses and other toxins from human blood. As such, we focus on developing therapeutic devices to treat acute viral conditions brought on by pathogens targeted as potential biological warfare agents and chronic viral conditions including HIV/AIDS and Hepatitis-C. The Hemopurifier(R) combines the established scientific technologies of hemodialysis and affinity chromatography as a means to mimic the immune system's response of clearing viruses and toxins from the blood before cell and organ infection can occur. The Hemopurifier(R) cannot cure these afflictions but can lower viral loads and allow compromised immune systems to overcome otherwise serious or fatal medical conditions.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act and must file reports, proxy statements and other information with the SEC. The reports, information statements and other information we file with the Commission can be inspected and copied at the Commission Public Reference Room, 450 Fifth Street, N.W. Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The Commission also maintains a Web site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants, like us, which file electronically with the Commission. Our headquarters are located at 8910 University Center Lane, Suite 255, San Diego, CA 92122. Our phone number at that address is (858) 459-7800. Our Web site is <http://www.aethlonmedical.com>.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2009 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2008

Operating Expenses

Consolidated operating expenses for the three months ended September 30, 2009 were \$797,877 in comparison with \$732,659 for the comparable quarter a year ago. This increase of \$65,218, or 9%, was due to an increase in professional fees of \$44,847 and an increase in payroll and related expenses of \$43,237, which was partially offset by a decrease in general and administrative expenses of \$22,866.

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The \$44,847 increase in our professional fees was primarily due to a \$64,769 charge by a contract manufacturer for establishing the systems to manufacture our product under the FDA's good manufacturing practices and also to produce both a trial product manufacturing run and to produce our first commercial batch of products. We also had a \$39,850 increase in the fees paid for investor relations services and a \$7,454 increase in expenses related to business development work. These increases were partially offset by a \$25,377 reduction in our accounting fees, a \$22,785 reduction in our legal fees and a \$21,728 decrease in our fees paid for scientific consulting services. \$84,500 of the professional fees for the three months ended September 30, 2009 were paid for through issuances of our common stock.

The \$43,237 increase in payroll and related expenses was due to a \$100,191 increase in non-cash stock-based compensation expense, which was partially offset by a \$56,954 decrease in cash-based compensation.

The \$22,866 decrease in general and administrative expenses was due primarily to a \$56,763 decrease in lab supplies. That decrease was partially offset by increases in rent of \$18,025 related to our move to new locations and to an \$18,715 increase in travel and entertainment largely related to attending investor conferences.

Other Expenses (Income)

Other expenses (income) consist primarily of the change in the fair value of our derivative liability, interest expense and other expense. Other expenses (income) for the three months ended September 30, 2009 were \$(72,277) in comparison with \$1,080,161 for the comparable quarter a year ago.

The three month period ended September 30, 2008 included a \$607,908 charge for a loss on the issuance of common stock and warrants in payment of accrued interest and penalties to certain convertible noteholders. There was no comparable charge in the three month period ended September 30, 2009.

Both periods include changes in the fair value of derivative liability. For the three months ended September 30, 2009, the change in the estimated fair value of derivative liability was a gain of \$282,096 and for the three months ended September 30, 2008, the change in estimated fair value was a gain of \$76,275.

Interest expense was \$176,055 for the three months ended September 30, 2009 compared to \$551,042 in the corresponding prior period, a decrease of \$374,987. The various components of our interest expense are shown in the following table:

	Quarter Ended 9/30/09	Quarter Ended 9/30/08	Change
Actual Interest Expense	\$ 76,683	\$ 66,148	\$ 10,535
Amortization of Deferred Financing Costs	13,219	43,073	(29,854)
Amortization of Note Discounts	82,686	434,942	(352,256)
Finance Charges from Vendors	3,467	6,879	(3,412)
Total Interest Expense	\$ 176,055	\$ 551,042	\$ (374,987)

</TABLE>

As noted in the above table, the primary factor in the \$374,987 reduction in interest expense was the \$352,256 reduction in amortization of note discounts. This occurred because a significant portion of our note discounts were fully amortized as of September 30, 2009.

Net Loss

As a result of the increased expenses noted above, we recorded a consolidated net loss of approximately \$726,000 and \$1,813,000 for the quarters ended September 30, 2009 and 2008, respectively.

Basic and diluted loss per common share were (\$0.01) for the three month period ended September 30, 2009 compared to (\$0.04) for the period ended September 30,

SIX MONTHS ENDED SEPTEMBER 30, 2009 COMPARED TO THE SIX MONTHS ENDED SEPTEMBER 30, 2008

Operating Expenses

Consolidated operating expenses for the six months ended September 30, 2009 were \$1,439,832 in comparison with \$1,356,318 for the comparable period a year ago. This increase of \$83,514, or 6%, was due to an increase in professional fees of \$120,425 and an increase in payroll and related expenses of \$17,548, which was partially offset by a decrease in general and administrative expenses of \$54,459.

The \$120,425 increase in our professional fees was primarily due to a \$108,295 increase in the fees paid for investor relations services and a \$64,769 charge by a contract manufacturer for establishing the systems to manufacture our product under the FDA's good manufacturing practices and also to produce both a trial product manufacturing run and to produce our first commercial batch of products. Those increases were partially offset by a \$40,821 reduction in our accounting fees, a \$13,443 reduction in our legal fees and a \$43,518 decrease in our fees paid for scientific consulting services. \$223,200 of the professional fees for the six months ended September 30, 2009 were paid for through issuances of our common stock.

The \$17,548 increase in payroll and related expenses was due to a \$164,555 increase in non-cash stock-based compensation expense, which was partially offset by a \$147,007 decrease in cash-based compensation due to headcount reductions.

The \$54,459 decrease in general and administrative expenses was due primarily to a \$64,604 decrease in lab supplies and a \$14,929 decrease in insurance expense due to headcount reductions. That decrease was partially offset by increases in rent of \$23,471 related to our move to new locations and to a \$14,864 increase in travel and entertainment largely related to attending investor conferences.

Other Expenses (Income)

Other expenses (income) consist primarily of the change in the fair value of our derivative liability, interest expense and other expense. Other expenses (income) for the six months ended September 30, 2009 were \$281,707 in comparison with \$1,455,317 for the comparable period a year ago.

The six month period ended September 30, 2008 included a \$607,908 charge for a loss on the issuance of common stock and warrants in payment of accrued interest and penalties to certain convertible noteholders. There was no comparable charge in the six month period ended September 30, 2009.

Both periods include changes in the fair value of derivative liability. For the six months ended September 30, 2009, the change in the estimated fair value of derivative liability was a gain of \$244,762 and for the six months ended September 30, 2008, the change in estimated fair value was a gain of \$263,967.

Interest expense was \$492,712 for the six months ended September 30, 2009 compared to \$1,113,890 in the corresponding prior period, a decrease of \$621,178. The various components of our interest expense are shown in the following table:

<TABLE>

	Six Months Ended 9/30/09	Six Months Ended 9/30/08	Change
Actual Interest Expense	\$ 156,307	\$ 128,955	\$ 27,352
Amortization of Deferred Financing Costs	13,219	81,323	(68,104)
Amortization of Note Discounts	315,685	898,129	(582,444)
Finance Charges from Vendors	7,501	5,483	2,018
Total Interest Expense	\$ 492,712	\$1,113,890	\$(621,178)

</TABLE>

As noted in the above table, the primary factor in the \$621,178 reduction in interest expense was the \$582,444 reduction in amortization of note discounts. This occurred because a significant portion of our note discounts were fully amortized as of September 30, 2009.

Net Loss

As a result of the increased expenses noted above, we recorded a consolidated net loss of approximately \$1,722,000 and \$2,812,000 for the six month periods ended September 30, 2009 and 2008, respectively.

Basic and diluted loss per common share were (\$0.03) for the six month period ended September 30, 2009 compared to (\$0.07) for the period ended September 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have funded our capital requirements for the current operations from net funds received from the public and private sale of debt and equity securities, as well as from the issuance of common stock in exchange for services. Our cash position at September 30, 2009 was approximately \$92,000 compared to approximately \$6,000, at March 31, 2009, representing an increase of approximately \$86,000. During the six months ended September 30, 2009, operating activities used net cash of approximately \$932,000, while we received approximately \$1,028,000 from financing activities from the issuance of common stock and convertible notes. In addition, during this period we used \$10,000 in investing activities related to expenditures related to additions to patents and patents pending.

During the six month period ended September 30, 2009, net cash used in operating activities resulted primarily from the approximate net loss of \$1,722,000 and the non-cash gain of approximately \$245,000 relating to the change in the estimated fair value of derivative liability offset by the amortization of note discounts of approximately \$329,000, fair market value of common stock of approximately \$304,000 issued in payment for services and approximately \$299,000 in stock-based compensation.

A decrease in working capital during the six months ended September 30, 2009 in the amount of approximately \$160,000 changed our negative working capital position to approximately (\$4,264,000) at September 30, 2009 from a negative working capital of approximately (\$4,104,000) at March 31, 2009.

Our current deficit in working capital requires us to obtain funds in the short-term to be able to continue in business, and in the longer term to fund research and development on products not yet ready for market. Subsequent to September 30, 2009, we raised an additional \$430,000 through the sale to accredited investors of convertible notes and common stock purchase warrants, however, we continue to seek additional financing.

We are a development stage medical device company that has not yet engaged in significant commercial activities. The primary focus of our resources is the advancement of our proprietary Hemopurifier(R) platform treatment technology, which is designed to rapidly reduce the presence of infectious viruses and toxins in human blood. Our focus is to prepare our Hemopurifier(R) to treat chronic viral conditions, acute viral conditions and viral-based bioterror threats in human clinical trials.

We plan to continue research and development activities related to our Hemopurifier(R) platform technology, with particular emphasis on the advancement of our treatment for "Category A" pathogens as defined by the Federal Government under Project Bioshield and the All Hazards Preparedness Act of 2006. The Company has filed an Investigational Device Exemption ("IDE") with the FDA in order to proceed with human safety studies of the Hemopurifier(R). Such studies, complemented by planned IN VIVO and appropriate animal IN VITRO studies, should allow us to proceed to the Premarket Approval ("PMA") process. The PMA process is the last major FDA hurdle in determining the safety and effectiveness of Class III medical devices (of which the Hemopurifier(R) is one).

Subject to the availability of working capital, we anticipate continuing to increase spending on research and development over the next 12 months. Additionally, associated with our anticipated increase in research and development expenditures, we anticipate purchasing additional amounts of equipment during this period to support our laboratory and testing operations. Operations to date have consumed substantial capital without generating revenues, and will continue to require substantial and increasing capital funds to conduct necessary research and development and pre-clinical and clinical testing of our Hemopurifier(R) products, as well as market any of those products that receive regulatory approval. We do not expect to generate revenue from operations for the foreseeable future, and our ability to meet our cash obligations as they become due and payable is dependent for at least the next several years on our ability to sell securities, borrow funds or a combination thereof. Future capital requirements will depend upon many factors, including progress with pre-clinical testing and clinical trials, the number and breadth of our clinical programs, the time and costs involved in preparing, filing,

prosecuting, maintaining and enforcing patent claims and other proprietary rights, the time and costs involved in obtaining regulatory approvals, competing technological and market developments, as well as our ability to establish collaborative arrangements, effective commercialization, marketing activities and other arrangements. We expect to continue to incur increasing negative cash flows and net losses for the foreseeable future, and presently require a minimum of \$150,000 per month to sustain operations.

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We do not believe that inflation has had or is likely to have any material impact on our limited operations.

At the date of this filing, we plan to purchase significant amounts of equipment and hire significant numbers of employees subject to successfully raising additional capital.

In September 2009, we terminated our month-to-month rental arrangement for our offices and laboratory and we entered into two new leases for office and laboratory space. The terms of the new leases are three years and two years, respectively, and the initial base lease payments are \$4,746.15 per month and \$1,667.00 per month, respectively. We expect that the cost of our new facilities will be less than the cost of our old facilities.

CRITICAL ACCOUNTING POLICIES

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of expenses during the reporting period. On an ongoing basis, we evaluate estimates and assumptions based upon historical experience and various other factors and circumstances. We believe our estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates under different future conditions.

We believe that the estimates and assumptions that are most important to the portrayal of our financial condition and results of operations, in that they require the most difficult, subjective or complex judgments, form the basis for the accounting policies deemed to be most critical to us. These critical accounting policies relate to measurement of stock purchase warrants issued with notes payable, beneficial conversion feature of convertible notes payable, impairment of intangible assets and long lived assets, stock compensation, and the classification of warrant obligations, and evaluation of contingencies. We believe estimates and assumptions related to these critical accounting policies are appropriate under the circumstances; however, should future events or occurrences result in unanticipated consequences, there could be a material impact on our future financial condition or results of operations.

There have been no changes to our critical accounting policies as disclosed in our Form 10-K for the year ended March 31, 2009.

OFF-BALANCE SHEET ARRANGEMENTS

We have no obligations required to be disclosed herein as off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4T. CONTROLS AND PROCEDURES.

DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer, who is also our acting Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report.

Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer,

as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, claims are made against us in the ordinary course of business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties or injunctions prohibiting us from selling one or more products or engaging in other activities. In connection with our termination of our lease at our former headquarters, our former landlord, BMR 3030 Bunker Hill Street LLC, commenced an action in the Superior Court of California, County of San Diego, against us on September 14, 2009 seeking damages of approximately \$25,000 for alleged unpaid rent and for surrender of the premises. All amounts were timely paid and the premises were timely surrendered. The former landlord has agreed to dismiss the action promptly.

The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on our results of operations for that period or future periods. Other than as set forth here, we are not presently a party to any pending or threatened legal proceedings.

ITEM 1A. RISK FACTORS.

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the quarter ended September 30, 2009, we issued the following securities which were not registered under the Securities Act of 1933, as amended, and have not been included previously in a Current Report on Form 8-K. We did not employ any form of general solicitation or advertising in connection with the offer and sale of the securities described below. In addition, we believe the purchasers of the securities are "ACCREDITED INVESTORS" for the purpose of Rule 501 of the Securities Act. For these reasons, among others, the offer and sale of the following securities were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act or Regulation D promulgated by the SEC under the Securities Act:

In July 2009, we issued 518,649 shares of common stock as a result of conversions of \$100,566 of convertible notes payable and related accrued interest. The shares were issued to accredited investors.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

As of the date of this report, various promissory and convertible notes payable in the aggregate principal amount of \$1,219,500 have reached maturity and are past due. We are continually reviewing other financing arrangements to retire all past due notes. Additionally, on July 30, 2008, the holders of the Amended Series A Convertible Notes notified us that we were in default on the notes due to our failure to register the warrants by March 31, 2008 and for failing to make required interest payments. At September 30, 2009, we had accrued interest in the amount of \$419,152 associated with these notes and accrued liabilities payable.

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

On September 16, 2009, we held our Annual Meeting of Stockholders (the "Annual Meeting"). At the Annual Meeting, our four incumbent directors, James A. Joyce, Richard H. Tullis, Franklyn S. Barry, Jr. and Edward G. Broenniman, were reelected as members of our board of directors. The voting with respect to each of the nominees was as follows:

Nominee	Votes For	Votes Withheld
-----	-----	-----
James A. Joyce	43,120,294	362,344
Richard H. Tullis	43,304,615	178,023
Franklyn S. Barry, Jr.	43,130,815	351,823
Edward G. Broenniman	43,136,798	345,840

Stockholders also voted to ratify the appointment of Squar, Milner, Peterson,

Miranda & Williamson, LLP as the Company's independent auditors for the fiscal year ending March 31, 2010 and to approve an amendment to our articles of incorporation to increase the number of authorized shares of our common stock from 100,000,000 to 250,000,000. Voting with respect to those two proposals was as follows:

Proposal	Votes For	Votes Against	Abstentions	Broker Non-Votes
Ratification of auditors	43,219,670	218,889	44,079	0
Amendment of articles of incorporation	40,316,985	3,052,337	113,316	0

ITEM 5. OTHER INFORMATION.

In September 2009, we gave notice that we were terminating the month-to-month rental arrangement for our offices and laboratory effective October 3, 2009 and we entered into two new leases for office and laboratory space. The terms of the new leases are three years and two years, respectively, and the initial base lease payments are \$4,746.15 per month and \$1,667.00 per month, respectively. We expect that the cost of our new facilities will be less than the cost of our old facilities, which was \$10,075 per month for rent and common area maintenance charges.

In October and to date in November 2009, we have raised \$430,000 through the issuance in a private placement of 10% convertible notes to accredited investors. The notes are convertible into 1,720,000 shares of our common stock at a fixed conversion price of \$0.25 per share. The investors also received 1,720,000 three year warrants to purchase shares of our common stock at \$0.25 per share.

ITEM 6. EXHIBITS.

(a) Exhibits. The following documents are filed as part of this report:

- 3.1 Articles of Incorporation of Aethlon Medical, Inc., as amended*
- 3.2 Bylaws of Aethlon Medical, Inc.*
- 10.1 Form of Convertible Promissory Note (1)
- 10.2 Form of Common Stock Purchase Warrant (1)
- 10.3 Form of Common Stock Purchase Warrant (2)
- 10.4 Form of Subscription Agreement (3)
- 10.5 Form of Convertible Promissory Note (4)
- 10.6 Office Lease, dated as of September 16, 2009, between Glenborough Aventine, LLC and Aethlon Medical, Inc.*
- 10.7 Standard Industrial Net Lease, dated as of September 28, 2009, between Sorrento Business Complex and Aethlon Medical, Inc.*
- 31.1 Certification of Principal Executive Officer and Principal Financial Officer pursuant to Securities Exchange Act rules 13a-15 and 15d-15(c) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.*
- 32.1 Certification of James A. Joyce, Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith.

(1) Incorporated by reference to the exhibit of the same number to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2009.

(2) Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 25, 2009.

(3) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 25, 2009.

(4) Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated August 25, 2009.

SIGNATURES

Pursuant to the requirements 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.

AETHLON MEDICAL, INC.

Date: NOVEMBER 16, 2009

BY: /S/ JAMES A. JOYCE

JAMES A. JOYCE
CHAIRMAN, PRESIDENT, CHIEF
ACCOUNTING OFFICER AND
CHIEF EXECUTIVE OFFICER

ARTICLES OF INCORPORATION

OF

BISHOP EQUITIES, INC.

Article I - The Corporation

The name of the corporation is Bishop Equities, Inc. (the "Corporation") and it is hereby incorporated pursuant to the laws of the State of Nevada.

Article II - Duration of Existence

The Corporation shall have perpetual existence.

Article IV - Purposes and Powers of Corporation

The Corporation shall have unlimited power to engage in and do any lawful act concerning any or all lawful business for which corporations may be organized under the corporation statutes and codes of the State of Nevada.

Article V - Common Stock and Voting

The Corporation shall have the authority to issue an aggregate of twenty-five million (25,000,000) shares, with a par value of \$.001 per share. All shares will be of the same class, designated "common" shares, with the same rights. Shares may only be issued as fully-paid and non-assessable, and may be issued at such times, upon such terms and conditions and for such consideration as the Board of Directors shall determine. Each common share shall be entitled to one vote concerning all matters as to which the Corporation's shareholders shall be entitled to vote. The Corporation's common stock shall not be subject to assessment to pay any debts of the Corporation.

Article VI - Capitalization

The Corporation will commence its official business upon its receipt of consideration of at least \$1,000 for the issuance of shares.

Article VII - No Preemptive Rights

The Corporation's shareholders shall have no preemptive rights to acquire, purchase or subscribe for any unissued 'shares of the Corporation's securities.

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Article VIII - Registered Agent

The name of the Corporation's initial registered agent in the State of Nevada is Laughlin Associates, and the address of its initial registered office is c/o Laughlin Associates, 1000 East William, Carson City, Nevada 89701.

Article IX - Board of Directors

The Corporation's initial Board of Directors shall be composed of two members, who need not be shareholders of the Corporation nor residents of the State of Nevada.

Directors shall be elected by a vote of such majority of a quorum of the Corporation's shareholders present at any meeting held for the election of directors. Cumulative voting is not authorized and shall not be allowed.

The names and addresses of the persons who are to serve as the Corporation's directors until the first annual meeting of its shareholders and until their successors shall be elected and shall qualify, are as follows:

Deborah A. Salerno, 355 South End Ave., New York NY 10280

Maureen Abato, 19 Union Square West, New York NY 10003.

Article X - Powers of Board of Directors

The Corporation's Board of Directors shall have and may exercise all of the powers now or hereafter conferred upon the Board by its Articles of

Incorporation and By-Laws, and by Nevada law, and the following powers:

To make distributions to the Corporation's stockholders of assets or cash belonging to the Corporation, in partial liquidation of its assets, and to make distributions in cash or kind, out of the Corporation's capital surplus; to cause the Corporation to purchase, take, receive or otherwise acquire its own shares out of its capital surplus, subject to limitations contained in the Nevada corporate codes; and to sell or acquire the stock or assets of the Corporation without the approval of the stockholders.

Article XI - Common Directors; Corporate Transactions

No contract or other transaction between the Corporation and any one or more of its directors or any other entity in WHICH one or more of its directors or officers may be financially interested, shall be either void or voidable because of such relationship or interest, or because such director(s) may be present at a meeting of the Board of Directors which authorizes, approves or ratifies such contract or transaction, or because the vote of such director(s) was counted for such purpose, so long as:

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(a) the fact of such relationship or interest is disclosed or known to the Board of Directors which authorizes, approves or ratifies the contract or transaction by vote or consent sufficient for the purpose, without including the votes or consents of such interested director(s); OR

(b) the fact of such relationship or interest is disclosed or known to the stockholders entitled to vote on the transaction, and the stockholders grant their authorization. approval or ratification, by oral or written consent; OR

(c) the contract or transaction is deemed to be fair and reasonable to the Corporation.

Common or interested directors may be counted in determining the presence of a quorum at any meeting of the Board of Directors or committee thereof, which authorizes, approves or ratifies such contract or transaction.

Article XII - Indemnification

Without limiting the powers or authority now or hereafter conferred upon the Corporation by its Articles of Incorporation or By-Laws, or by Nevada law, the Corporation shall possess and may exercise all powers of indemnification of its officers, directors, employees, agents and other persons, and all powers and authority incidental thereto (including, without limitation, to advance expenses and to purchase and maintain insurance in that connection), without regard to whether or not such powers and authority are specifically provided for by Nevada corporation law. The Corporation's Board of Directors is hereby authorized and empowered on behalf of the Corporation and without shareholder action, to exercise all of the Corporation's powers of indemnification.

Article XIII - Change, Amendment

The Corporation reserves the right to amend, alter, change or repeal any provisions hereof, or to add any provision hereto, at any time and in any manner as may be now or hereafter prescribed or permitted by Nevada corporation codes. All of the rights and powers conferred upon the Corporation's directors and shareholders hereby are so granted subject to the reservation contained in this Article.

Article XIV - By-Laws

The Corporation's initial By-Laws shall be adopted by its Board of Directors. The Board may amend, alter or repeal the By-Laws, or replace them by the adoption of new By-Laws.

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Article XV - Incorporator

The Corporation's incorporator is:

Maureen Abato, 19 Union Square West, New York NY 10003

1. They are President and Secretary, respectively, of BISHOP EQUITIES, INC., a Nevada corporation.
2. Article FIRST of the Articles of Incorporation of this corporation is amended to read as follows:

"FIRST: The name of this corporation is:

AETHLON MEDICAL, INC."
3. The foregoing Amendment of Articles of Incorporation has been duly approved by the Board of Directors.
4. The foregoing Amendment of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with the Corporations Code. The total number of outstanding shares of the corporation is 2,660,000. The number of shares voting in favor of the Amendment equaled or exceeded the vote required. The percentage vote required was more than 50%.

We further declare under penalty of perjury under the laws of the State of Nevada that the matters set forth in this certificate are true and correct of our own knowledge.

Date: March 28, 2000.

/s/ Franklyn S. Barry

FRANKLYN S. BARRY, JR., President

/s/ James A. Joyce

JAMES A. JOYCE, Secretary

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Document Number
20050234786-67

Filing Date and Time
06/15/2005 8:56 AM

Entity Number
C3159-1991

Certificate of Amendment
(PURSUANT TO NRS 78.385 and 78.390)

Certificate of Amendment to Articles of Incorporation
For Nevada Profit Corporations

(Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)

1. Name of corporation:
Aethlon Medical, Inc.

2. The articles have been amended as follows (provide article numbers, if available):

Article V. Common Stock and Voting

The Corporation shall have the authority to issue an aggregate of fifty million (50,000,000) shares, with a par value of \$.001 per share. All shares will be of the same class, designated 'common' shares, with the same rights. Shares may only be issued as fully-paid and non-assessable, and may be issued at such times, upon such terms and conditions and for such consideration as the Board of Directors shall determine. Each common share shall be entitled to one vote concerning all matters as to which the Corporation's shareholders shall be entitled to vote. The Corporation's common stock shall not be subject to assessment to pay any debts of the Corporation."

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the * articles

of incorporation have voted in favor of the amendment is: 10,238,794

4. Effective date of filing (optional):

5. Officer Signature (required): /s/ James A. Joyce

* If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless of limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and submit the proper fees may cause this filing to be rejected.

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Filing Date and Time
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Entity Number
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Certificate of Amendment
(PURSUANT TO NRS 78.385 and 78.390)
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Certificate of Amendment to Articles of incorporation
For Nevada Profit Corporations

(Pursuant to NRS 78.385 and 78.390 - After issuance of Stock)

1. Name of corporation:
Aethlon Medical, Inc.

2. The articles have been amended as follows (provide article numbers, if available):

Article V. Common Stock and Voting. The Corporation shall have the authority to issue an aggregate of one hundred million (100,000,000) shares, with a par value of \$.001 per share. All shares will be of the same class, designated 'common' shares, with the same rights. Shares may only be issued as fully-paid and non-assessable, and may be issued at such times, upon such terms and conditions and for such consideration as the Board of Directors shall determine. Each common share shall be entitled to one vote concerning all matters as to which the Corporation's shareholders shall be entitled to vote. The Corporation's common stock shall not be subject to assessment to pay any debts of the Corporation."

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the * articles of incorporation have voted in favor of the amendment is: 8,628,045

4. Effective date of filing (optional):

5. Officer Signature (required): /s/ [signature]

* If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless of limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and submit the proper fees may cause this filing to be rejected.

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Document Number
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Filing Date and Time
09/21/2009 4:45 PM

Entity Number
C3159-1991

Certificate of Amendment
(PURSUANT TO NRS 78.385 and 78.390)

Certificate of Amendment to Articles of Incorporation
For Nevada Profit Corporations

(Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)

1. Name of corporation:
Aethlon Medical, Inc.

2. The articles have been amended as follows: (provide article numbers, if available)

"Article V. Common Stock and Voting.

The Corporation shall have the authority to issue an aggregate of two hundred fifty million (250,000,000) shares, with a par value of \$.001 per share. All shares will be of the same class, designated 'common' shares, with the same rights. Shares may only be issued as fully paid and non-assessable, and may be issued at such times, upon such terms and conditions and for such consideration as the Board of Directors shall determine. Each common share shall be entitled to one vote concerning all matters as to which the Corporation's stockholders shall be entitled to vote. The Corporation's common stock shall not be subject to assessment to pay any debts of the Corporation."

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation* have voted in favor of the amendment is: 41,840,130

4. Effective date of filing: (optional)

5. Signature: (required) /s/ James A. Joyce

* If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and submit the proper fees may cause this filing to be rejected.

BISHOP EQUITIES, INC.

BY-LAWS

ARTICLE I - MEETINGS OF STOCKHOLDERS

1. Stockholders' Meetings shall be held in the office of the corporation, at Carson City, NV, or at such other place or places as the Directors shall from time to time determine.

2. The annual meeting of the stockholders of this corporation shall be held at 11 A.M., on the 1st day of June of each year beginning in 1992, at which time there shall be elected by the stockholders of the corporation a Board of Directors for the ensuing year, and the stockholders shall transact such other business as shall properly come before them.

3. A notice setting out the time and place of such annual meeting shall be mailed postage prepaid to each of the stockholders of record, at his address and as the same appears on the stock book of the Company, or if no such address appears, at his last known place of business, at least ten (10) days prior to the annual meeting.

4. If a quorum is not present at the annual meeting, the stockholders present, in person or by proxy, may adjourn to such future time as shall be agreed upon by them, and notice of such adjournment shall be mailed, postage prepaid, to each stockholder of record at least ten (10) days before such date to which the meeting was adjourned; but if a quorum is present, they may adjourn from day to day as they see fit, and no notice of such adjournment need be given.

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5. Special meetings of the stockholders may be called at anytime by the President; by all of the directors provided there are no more than three, or if more than three, by any three Directors; or by the holder of a majority share of the capital stock of the corporation. The Secretary shall send a notice of such called meeting to each stockholder of record at least ten (10) days before such meeting, and such notice shall state the time and place of the meeting, and the object thereof. No business shall be transacted at a special meeting except as stated in the notice to the stockholders, unless by unanimous consent of all stockholders present, either in person or by proxy, all such stock being represented at the meeting.

6. A majority of the stock issued and outstanding, either in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the stockholders.

7. Each stockholder shall be entitled to one vote for each share of stock in his own name on the books of the company, whether represented in person or by proxy.

8. All proxies shall be in writing and signed.

9. The following order of business shall be observed at all meetings of the stockholders so far as is practicable:

- a. Call the roll;
- b. Reading, correcting, and approving of the minutes of the previous meeting;
- c. Reports of officers;
- d. Reports or Committees;
- e. Election of Directors;
- f. Unfinished business; and
- g. New business.

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ARTICLE II - STOCK

1. Certificates of stock shall be in a form adopted by the Board of Directors and shall be signed by the President and Secretary of the Corporation.

2. All certificates shall be consecutively numbered; the name of the person owning the shares represented thereby, with the number of such shares and the date of issue shall be entered on the company's books.

3. All certificates of stock transferred by endorsement thereon shall be surrendered by cancellation and new certificates issued to the purchaser or assignee.

ARTICLE III - DIRECTORS

1. A Board of Directors, consisting of at least one (1) person shall be chosen annually by the stockholders at their meeting to manage the affairs of the company. The Directors' term of office shall be one (1) year, and Directors may be re-elected for successive annual terms.

2. Vacancies on the board of Directors by reason of death, resignation or other causes shall be filled by the remaining Director or Directors choosing a Director or Directors to fill the unexpired term.

3. Regular meetings of the Board of Directors shall be held at 1 P.M., on the 1st day of June of each year beginning in 1992 at the office of the company at Carson City, NV, or at such other time or place as the Board of Directors shall by resolution appoint; special meetings may be called by the President or any Director giving ten (10) days notice to each Director. Special meetings may also be called by execution of the appropriate waiver of notice and call when executed by a majority of the Directors of the company. A majority of the Directors shall constitute a quorum.

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4. The Directors shall have the general management and control of the business and affairs of the company and shall exercise all the powers that may be exercised or performed by the corporation, under the statutes, the certificates of incorporation, and the By-Laws. Such management will be by equal vote of each member of the Board of Directors with each Board member having an equal vote.

5. A resolution, in writing, signed by all or a majority of the members of the Board of Directors, shall constitute action by the Board of Directors to effect therein expressed, with the same force and effect as though such resolution had been passed at a duly convened meeting; and it shall be the duty of the Secretary of record every such resolution in the Minute Book or the corporation under its proper date.

ARTICLE IV - OFFICERS

1. The officers of this company shall consist of: a President, one or more Vice Presidents, Secretary, Treasurer, Resident Agent, and such other officers as shall, from time to time, be elected or appointed by the Board of Directors.

2. The PRESIDENT shall preside at all meetings of the Directors and the Stockholders and shall have general charge and control over the affairs of the corporation subject to the Board of Directors. He shall sign or countersign all certificates, contracts and other instruments of the corporation as authorized by the Board of Directors and shall perform all such other duties as are incident to his office or are required by him by the Board of Directors.

3. The VICE PRESIDENT shall exercise the functions of the President during the absence or disability of the President and shall have such powers and such duties as may be assigned to him from time to time by the Board of Directors.

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4. The SECRETARY shall issue notices for all meetings as required by the By-Laws, shall keep a record of the minutes of the proceedings of the meetings of the Stockholders and Directors, shall have charge of the corporate books, and shall make such reports and perform such other duties as are incident to his office, or properly required of him by the Board of Directors. He shall be responsible that the corporation complies with Section 78.105 of the Nevada Corporation Laws and supplies to the Nevada Resident Agent or Principal Office in Nevada, any and all amendments to the Corporation's Articles of Incorporation and any and all amendments or changes to the By-Laws of the Corporation. In

compliance with Section 78.105, he will also supply to the Nevada Resident Agent or Principal Office in Nevada, and maintain, a current statement setting out the name of the custodian of the stock ledger or duplicate stock ledger, and the present and complete Post Office address, including street and number, if any, where such stock ledger or duplicate stock ledger specified in the section is kept.

5. The TREASURER shall have the custody of all monies and securities of the corporation and shall keep regular books of account. He shall disburse the funds of the corporation in payment of the just demands against the corporation, or as may be ordered by the Board of Directors, making proper vouchers for such disbursements and shall render to the Board of Directors, from time to time, as may be required of him, an account of all his transactions as Treasurer and of the financial condition of the corporation. He shall perform all duties incident to his office or which are properly required of him by the Board of Directors.

6. The RESIDENT AGENT shall be in charge of the corporation's registered office in the State of Nevada, upon whom process against the corporation may be served and shall perform all duties required of him by statute.

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7. The salaries of all officers shall be fixed by the Board of Directors and may be changed from time to time by a majority vote of the Board.

8. Each of such officers shall serve for a term of one (1) year or until their successors are chosen and qualified. Officers may be re-elected or appointed for successive annual terms.

9. The Board of Directors may appoint such other officers and agents, as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

ARTICLE V - INDEMNIFICATION OF OFFICERS AND DIRECTORS

1. The corporation shall indemnify any and all of its Directors and Officers, and its former Directors and Officers, or any person who may have served at the Corporations request as a Director or Officer of another corporation in which it owns shares of capital stock or of which it is a creditor, against expenses actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties, or a party, by reason of being or having been Director(s) or Officer(s) of the corporation, or of such other corporation, except, in relation to matters as to which any such Director or Officer or former Director or Officer or person shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled, under By-Law, agreement, vote of stockholders or otherwise.

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ARTICLE VI - AMENDMENTS

1. Any of these By-Laws may be amended by a majority vote of the stockholders at any annual meeting or at any special meeting called for that purpose.

2. The Board of Directors may amend the By-Laws or adopt additional By-laws, but shall not alter or repeal any By-Laws adopted by the stockholders of the company.

CERTIFIED TO BE THE BY-LAWS OF:
BISHOP EQUITIES, INC.

BY: /s/ Maureen Abato
Secretary

OFFICE LEASE

THE AVENTINE
8910 UNIVERSITY CENTER LANE, SUITE 255
SAN DIEGO, CA 92122

GLENBOROUGH AVENTINE, LLC,
a Delaware limited liability company,

as Landlord,

and

AETHLON MEDICAL, INC.,
a Nevada corporation

as Tenant.

OFFICE LEASE

THE AVENTINE, 8910 UNIVERSITY CENTER LANE, SAN DIEGO, CA 92122

This Office Lease (the "LEASE"), dated for reference purposes only as of the date set forth in SECTION 1 of the Summary of Basic Lease Information (the "SUMMARY"), below, is made by and between GLENBOROUGH AVENTINE, LLC, A DELAWARE LIMITED LIABILITY COMPANY ("LANDLORD"), and AETHLON MEDICAL, INC., A NEVADA CORPORATION ("Tenant").

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SUMMARY OF BASIC LEASE INFORMATION

TERMS OF LEASE

DESCRIPTION

1. Lease Reference Date:

September 16, 2009

2. Premises
(ARTICLE 1).

2.1 Building Address & Rentable
Area:

8910 University Center Lane, San Diego, CA 92122, in the Building known as "The Aventine." The mixed-use development of which the Building is a part is also referred to, collectively, as "The Aventine."

Rentable square feet: approximately 217,156.

2.2 Premises:

Approximately 1,791 rentable square feet of space located on the second (2nd) floor of the Building and

commonly known as Suite 255, as further set forth in EXHIBIT A to the Office Lease.

3. Lease Term
(ARTICLE 2).

- 3.1 Length of Term: 36 full calendar months, plus any partial initial calendar month if the Commencement Date does not fall on the first of the month.
- 3.2 Commencement Date: Estimated to be October 1, 2009; however, upon full execution of this Lease, Tenant may occupy the Premises prior to the estimated October 1, 2009 Commencement Date, free of Base Rent during such early occupancy period, and subject to the other provisions of this Lease.
- 3.3 Expiration Date: That date which is 36 full calendar months after the Commencement Date, which shall include the initial full calendar month if the Commencement Date falls on the first day of the month, otherwise, if the Commencement Date falls on a day other than the first day of a calendar month, then said number of full calendar months plus the initial partial calendar month. The estimated Expiration Date is September 30, 2012 based on the October 1, 2009 estimated Commencement Date.

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4. Base Rent (ARTICLE 3):

Period During Lease Term -----	Monthly Installment of Base Rent -----
First 12 full calendar months *	\$4,746.15
Second 12 full calendar months	\$4,912.27
Third 12 full calendar months	\$5,084.20

* Base Rent for the initial partial calendar month, if the Commencement Date does not fall on the first day of the month, shall be at the rate shown for the first 12 full calendar months, prorated. Base Rent for any partial initial calendar month shall be paid by Tenant on the first day of such calendar month (the normal payment date for Base Rent) notwithstanding Tenant's pre-payment of Base Rent for the first full calendar month that Base Rent would otherwise be due, if the Commencement Date does not fall on the first of the month.

5. Base Year
(ARTICLE 4):
----- Calendar year 2009
6. Tenant's Share
(ARTICLE 4):
----- Approximately 0.8248%.
7. Permitted Use
(ARTICLE 5): General office use consistent with a first-class office building, but not for use as a medical office, dental office, government office, call center or server farm, or for any high density or high pedestrian traffic use.
8. Security Deposit
(ARTICLE 21):
----- \$5,084.20.

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9. Parking Spaces
(ARTICLE 28):
----- Six (6) unreserved parking spaces, of which, subject to the terms of ARTICLE 28 of the Lease, Tenant may convert up to two (2) unreserved spaces to reserved parking spaces. During the first year of this Lease, the charge for parking shall be \$40.00 per month per unreserved parking space, and \$100.00 per month per reserved parking space. Tenant shall pay a one-time charge in the amount of \$40.00 (subject to adjustment from time to time by Landlord) per parking space for a

transmitter to open the parking garage gate. Commencing with the second lease year, the charge for parking may be adjusted by Landlord at any time.

10. Address of Tenant
(SECTION 29.18):

PRIOR TO COMMENCEMENT DATE

Aethlon Medical, Inc.
3030 Bunker Hill Street, Suite 4000
San Diego, CA 92109

and

AFTER COMMENCEMENT DATE

Aethlon Medical, Inc.
8910 University Center Lane, Suite 255
San Diego, CA 92122

11. Address of Landlord
(SECTION 29.18):

c/o Glenborough
400 South El Camino Real, Suite 1100
San Mateo, CA 94402-1708
ATTN: Legal Department

12. Rent Payment Address
(SECTION 3):

Glenborough Aventine, LLC
P.O. Box 6022
Hicksville, NY 11802-6022

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13. Broker(s)
(SECTION 29.24):

LANDLORD'S BROKER:

Cushman & Wakefield of San Diego, Inc.
4435 Eastgate Mall, Suite 200
San Diego, CA 92121

and

TENANT'S BROKER: None.

14. Guarantor:

None.

15. Tenant Improvement Allowance:

None. Premises to be accepted by Tenant in their existing configuration and condition, without remodeling or refurbishing, "as-is." Landlord shall provide one free Building Standard suite entry sign and lobby directory strip.

16. Additional Insureds (Section 10.4):

Property Manager: Glenborough Aventine, LLC, a Delaware limited liability company; Glenborough, LLC, a Delaware limited liability company; Glenborough Fund XII, LLC, a Delaware limited liability company, and together with the Related Parties listed in Section 10.4 of the

Lease.
</TABLE>

EXHIBITS

Exhibit A - Outline of Premises

Exhibit B - Rules & Regulations

Exhibit C - Form of Notice of Lease Term Dates

Not applicable.

Exhibit E - Form of Tenant's Estoppel Certificate

Addendum to Lease

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PREMISES, BUILDING, PROJECT, AND COMMON AREAS

1.1 PREMISES, BUILDING, PROJECT AND COMMON AREAS.

1.1.1 THE PREMISES. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises set forth in SECTION 2.2 of the Summary (the "PREMISES"). The outline of the Premises is set forth in EXHIBIT A attached hereto. Subject to SECTION 1.2, below, Landlord and Tenant hereby acknowledge and agree that the rentable square footage of the Premises shall be as set forth in SECTION 2.2 of the Summary. The parties hereto agree that the lease of the Premises is upon and subject to the terms, covenants and conditions herein set forth, and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of such terms, covenants and conditions by it to be kept and performed and that this Lease is made upon the condition of such performance. The parties hereto hereby acknowledge that the purpose of EXHIBIT A is to show the approximate location of the Premises in the "Building," as that term is defined in SECTION 1.1.2, below, only, and such Exhibit is not meant to constitute an agreement, representation or warranty as to the construction or configurations of the Premises, the precise area thereof or the specific location of the "Common Areas," as that term is defined in SECTION 1.1.3, below, or the elements thereof or of the access ways to the Premises or the "Project," as that term is defined in SECTION 1.1.2, below. Tenant accepts the Premises in their "as-is" condition and configuration, with no alterations, additions, or improvements promised by Landlord beyond those pre-existing in the Premises, except that Landlord shall provide one free Building Standard suite entry sign and one lobby directory strip. Tenant also acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the condition of the Premises, the Building or the Project or with respect to the suitability of any of the foregoing for the conduct of Tenant's business, except as specifically set forth in this Lease and any Addendum to Lease. The taking of possession of the Premises by Tenant shall conclusively establish that the Premises and the Building were at such time in good and sanitary order, configuration, condition and repair.

1.1.2 THE BUILDING AND THE PROJECT. The Premises are a part of the building set forth in SECTION 2.1 of the Summary (the "BUILDING"). The Building is part of a mixed use project also currently known as "THE AVENTINE." The term "PROJECT," as used in this Lease, shall mean (i) the Building and the Common Areas, (ii) the land (which may be improved with landscaping, above ground and subterranean parking facilities and other improvements) upon which the Building and the Common Areas are located, (iii) those certain other buildings or facilities located in the vicinity of the Building and commonly known as AVENTINE HOTEL, THE SPORTING CLUB, AND RESTAURANT COURT PARCEL, and (iv) at Landlord's discretion, any additional real property, areas, land, buildings or other improvements added thereto whether inside or outside of the current boundaries of the Project.

1.1.3 COMMON AREAS. Tenant shall have the non-exclusive right to use in common with other tenants and owners in the Project, and subject to the rules and regulations referred to in ARTICLE 5 of this Lease, those portions of the Project which are provided, from time to time, for use in common by Landlord, Tenant, other Building tenants, other owners at the Project, and any other tenants of the Project (such areas, together with such other portions of the Project designated by Landlord, in its discretion, including certain areas designated for the exclusive use of certain tenants, or to be shared by Landlord and certain tenants or other owners, are collectively referred to herein as the "COMMON AREAS"). The Common Areas shall consist of the "Project Common Areas" and the "Building Common Areas." The term "PROJECT COMMON AREAS," as used in this Lease, shall mean the Common Areas external to the Building but serving the Building's tenants and any other portions of the Project reasonably designated

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as such by Landlord. The term "BUILDING COMMON AREAS," as used in this Lease, shall mean the portions of the Common Areas located within the Building (e.g. lobby, corridors, elevators) or in its immediate surround (e.g. walkways, landscaping for the Building) or reasonably designated as such by Landlord. The manner in which the Common Areas are maintained, operated, and made available shall be at the sole discretion of Landlord and the use thereof shall be subject to such rules, regulations and restrictions as Landlord may make from time to time. Landlord reserves the right to close temporarily, make alterations or additions to, or change the location of elements of the Project and the Common Areas.

1.2 VERIFICATION OF RENTABLE SQUARE FEET OF PREMISES AND BUILDING. For purposes of this Lease, the "RENTABLE SQUARE FEET" of the Premises shall be measured using the Standard Method for Measuring Floor Area in Office Buildings, ANSI Z65.1 - 1996 ("BOMA") as a guideline. In the event that the rentable area and/or usable area of the Premises, the Building and/or the Project shall

hereafter change due to (i) a re-measurement and/or recalculation by Landlord of the rentable area and/or usable area of all premises in the Building on a uniform basis or (ii) subsequent alterations and/or other modifications to the Premises, the Building and/or the Project, then the rentable area and/or usable area of the Premises, the Building and/or the Project, as the case may be, shall be appropriately adjusted as of the date of such re-measurement or such alteration and/or other modification, respectively, based upon the written verification by Landlord's space planner or Landlord's space management firm of such revised rentable area and/or usable area. In the event of any such adjustment to the rentable area and/or usable area of the Premises, the Building and/or the Project, all amounts, percentages and figures appearing or referred to in this Lease based upon such rentable area and/or usable area (including the amount of the "Rent" and any "Security Deposit," as those terms are defined in ARTICLE 4 and ARTICLE 21 of this Lease, respectively) shall be modified in accordance with such determination. If other floors of the Building are in shell condition, the load factor may vary. Premises which are not yet demised (common area corridors and/or boundary walls have not been fully constructed) are subject to re-measurement upon completion of construction, and load factors (rentable vs. usable area) are subject to re-calculation upon completion of tenant improvements on the floor on which the Premises are located and/or on conversion of floors from single to multi-tenant use and vice versa.

ARTICLE 2

LEASE TERM

2.1 INITIAL LEASE TERM. The terms and provisions of this Lease shall be effective as of the date of this Lease. The term of this Lease (the "LEASE TERM") shall be as set forth in SECTION 3.1 of the Summary, shall commence on the date set forth in SECTION 3.2 of the Summary (the "COMMENCEMENT DATE"), and shall terminate on the date set forth in SECTION 3.3 of the Summary (the "EXPIRATION DATE") unless this Lease is sooner terminated as hereinafter provided. If Landlord is delayed in delivering possession of the Premises to Tenant due to the holding over of an existing tenant of the Building or for any reason other than Landlord's willful refusal to deliver the Premises when Landlord is otherwise reasonably capable of such delivery, then Landlord shall not be subject to any liability whatsoever to Tenant for such delay, and such failure shall not impair the validity of this Lease or the obligations of Tenant hereunder. For purposes of this Lease, the term "LEASE YEAR" shall mean each consecutive twelve (12) month period during the Lease Term; provided that, if the Commencement Date shall be other than the first day of a calendar month, then the first Lease Year shall commence on the Commencement Date and shall end on the last day of the month in which the first anniversary of the Commencement Date occurs; and further provided that, the last Lease Year shall end on the Expiration Date. At any time during the Lease Term, Landlord may deliver to Tenant a Notice in the form as set forth in EXHIBIT C, attached hereto, as a

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confirmation only of the information set forth therein, which Tenant shall execute and return to Landlord within five (5) business days of receipt thereof. Tenant's failure to execute and return such Notice to Landlord within such time shall be conclusive upon Tenant that the information set forth in such Notice is as set forth therein.

ARTICLE 3

BASE RENT

Tenant shall pay, without prior notice or demand, to Landlord at the Rent Payment Address set forth in SECTION 12 of the Summary, or, at Landlord's sole option, at such other place as Landlord may from time to time designate in writing, by a check or generally accepted electronic funds transfer alternative (E.G., ACH) for currency which, at the time of payment, is legal tender for private or public debts in the United States of America, base rent ("BASE RENT") as set forth in SECTION 4 of the Summary, payable in equal monthly installments as set forth in SECTION 4 of the Summary in advance on or before the first day of each and every calendar month during the Lease Term, without any setoff or deduction whatsoever. Base Rent for the first full month of the Lease Term which occurs after the expiration of any free rent period shall be paid at the time of Tenant's execution of this Lease. Base Rent for any initial partial calendar month shall be payable on delivery of the Premises. If any Rent payment date (including the Commencement Date) falls on a day of the month other than the first day of such month or if any payment of Rent is for a period which is shorter than one month, the Rent for any fractional month shall accrue on a daily basis for the period from the date such payment is due to the end of such

calendar month or to the end of the Lease Term at a rate per day which is equal to 1/365 of the applicable annual Rent. All other payments or adjustments required to be made under the terms of this Lease or any future extension or amendment hereof that require proration on a time basis shall be prorated on the same basis.

ARTICLE 4

ADDITIONAL RENT

4.1 GENERAL TERMS. In addition to paying the Base Rent specified in ARTICLE 3 of this Lease, Tenant shall pay (a) "Tenant's Share," as that term is defined in SECTION 4.2.7 of this Lease, of the annual "Insurance Expenses," as that term is defined in SECTIONS 4.2.4 of this Lease, which are in excess of the amount of Insurance Expenses applicable to the "Base Year," as that term is defined in SECTION 4.2.1 of this Lease, plus (b) Tenant's Share of the annual "Operating Expenses," as that term is defined in SECTION 4.2.5 of this Lease, which are in excess of the amount of Operating Expenses applicable to the Base Year, plus (c) Tenant's Share of the annual "Tax Expenses," as that term is defined in SECTION 4.2.6 of this Lease, which are in excess of the amount of Tax Expenses applicable to the Base Year; provided, however, in no event shall any decrease in Insurance Expenses, Operating Expenses or Tax Expenses, as the case may be, for any "Expense Year," as that term is defined in SECTION 4.2.3 of this Lease, below Insurance Expenses, Operating Expenses or Tax Expenses, respectively, for the Base Year entitle Tenant to any decrease in Base Rent or any credit against any Additional Rent or other sums due under this Lease. Such payments by Tenant, together with any and all other amounts payable by Tenant to Landlord pursuant to the terms of this Lease, are hereinafter collectively referred to as the "ADDITIONAL RENT", and the Base Rent and the Additional Rent are herein collectively referred to as "RENT." All amounts due under this ARTICLE 4 as Additional Rent shall be payable for the same periods and in the same manner as the Base Rent. Without limitation on other obligations of Tenant which survive the expiration of the Lease Term, the obligations of Tenant to pay the Additional Rent provided for in this ARTICLE 4 shall survive the expiration of the Lease Term.

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4.2 DEFINITIONS OF KEY TERMS RELATING TO ADDITIONAL RENT. As used in this ARTICLE 4, the following terms shall have the meanings hereinafter set forth:

4.2.1 "BASE YEAR" shall mean the period set forth in SECTION 5 of the Summary.

4.2.2 "DIRECT EXPENSES" shall mean "Insurance Expenses," "Operating Expenses" and "Tax Expenses."

4.2.3 "EXPENSE YEAR" shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires.

4.2.4 "INSURANCE EXPENSES" shall mean the cost of all insurance (including premiums, deductibles, insurance brokerage fees and risk manager fees) carried by Landlord in connection with the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Project Common Areas). Landlord may carry some or all of the said insurance under a blanket policy or policies which cover other properties owned or managed by Landlord or any affiliates of Landlord, in which event Insurance Expenses shall include an equitable allocation of the cost of such insurance, as determined by Landlord. In the event Landlord adds or discontinues any special risk insurance, such as earthquake insurance, during the Term, then the Base Year and any applicable Expense Years shall each be adjusted by such addition or discontinuance. In the event Landlord self-insures any risks, the costs thereof shall be treated as insurance premiums provided that such costs do not exceed third-party insurance premiums for comparable coverage.

4.2.5 "OPERATING EXPENSES" shall mean all expenses, costs and amounts of every kind and nature which Landlord pays or accrues during any Expense Year because of or in connection with the ownership, management, maintenance, monitoring, repair, replacement, restoration or operation of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the building (e.g., Common Areas). Without limiting the generality of the foregoing, Operating Expenses shall specifically include any and all of the following incurred in the ordinary course of operating the Building or Project, or required for the continued operation of the Building or Project in material compliance with applicable laws and regulations, or required for the continued operation of the Building or Project in substantially the same condition as that on the date of this Lease: (i) the

cost of supplying all utilities, the cost of operating, repairing, maintaining, and renovating the utility, telephone, mechanical, sanitary, storm drainage, and elevator systems, and the cost of maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections and the cost of contesting any governmental enactments which may affect Operating Expenses, and the costs incurred in connection with a governmentally mandated transportation system management program or similar program; (iii) the cost of landscaping, relamping, and all supplies, tools, equipment and materials used in the operation, repair and maintenance of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Common Areas); (iv) the cost of parking area operation, repair, restoration, and maintenance; (v) fees and other costs, including management and/or incentive fees, consulting fees, legal fees and accounting fees, of all contractors and consultants in connection with the management, operation, maintenance and repair of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the building (e.g., Common Areas); (vi) payments under any equipment rental agreements and the fair rental value of any management office space; (vii) subject to item (f), below, wages, salaries and other compensation and benefits, including taxes levied thereon, of all persons engaged in the operation, maintenance, property accounting, and monitoring of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Common Areas); (viii) payments under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the sharing of costs by the Building or the Project, including any covenants, conditions and restrictions affecting the property, and reciprocal easement agreements affecting the property, any parking licenses, and any agreements with transit agencies affecting the Property (collectively, "UNDERLYING DOCUMENTS"); (ix) operation, repair, maintenance and replacement of all systems and equipment and components thereof of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Common Areas); (x) the cost of

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janitorial, alarm, attendant, and other services, replacement of wall and floor coverings, ceiling tiles and fixtures in common areas, maintenance and replacement of curbs and walkways, repair to roofs and roof membranes and re-roofing; (xi) amortization (including interest on the unamortized cost) over such period of time as Landlord shall reasonably determine, of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Common Areas); (xii) the cost of capital improvements or other costs incurred in connection with the Building, other portions of the Project owned by Landlord, and those portions of the Project to the extent serving the Building (e.g., Common Areas) (A) which are intended to effect economies in operation or maintenance, or to reduce current or future Operating Expenses or to enhance the fire/life-safety systems, access control, or monitoring, (B) that are required to comply with present or anticipated conservation programs, (C) which are replacements or modifications of nonstructural items located in the Common Areas required to keep the Common Areas in good order or condition, or (D) that are required under any governmental law or regulation; provided, however, that any capital expenditure shall be amortized (including interest on the amortized cost) over such period of time as Landlord shall reasonably determine; and (xiii) costs, fees, charges or assessments imposed by, or resulting from any mandate imposed on Landlord by, any federal, state or local government for fire and police protection, trash removal, community services, or other services which do not constitute Tax Expenses, and (xiv) cost of tenant relation programs reasonably established by Landlord. Notwithstanding the foregoing, for purposes of this Lease, Operating Expenses shall not, however, include:

(a) costs, including legal fees, space planners' fees, advertising and promotional expenses (except as otherwise set forth above), and brokerage fees incurred in connection with the original construction or development, or original or future leasing of the Building, and costs, including permit, license and inspection costs, incurred with respect to the installation of tenant improvements made for new tenants initially occupying space in the Building after the Commencement Date or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Building (excluding, however, such costs relating to any Common Areas);

(b) except as set forth in items (x), (xi), and (xii) above, depreciation, interest and principal payments on mortgages and other debt costs, if any, penalties and interest, costs of capital repairs and alterations, and costs of capital improvements and equipment;

(c) costs for which the Landlord is reimbursed by any tenant or occupant of the Project and/or Building or by insurance by

its carrier or any tenant's carrier or by anyone else, and electric power costs for which any tenant directly contracts with the local public service company or directly reimburses Landlord;

(d) any bad debt loss, rent loss, or reserves for bad debts or rent loss;

(e) costs associated with the operation of the business of the partnership or entity which constitutes the Landlord, as the same are distinguished from the costs of operation of the Building (but Direct Expenses shall specifically include, but not be limited to, accounting costs associated with the operation of the Building). Costs associated with the operation of the business of the partnership or entity which constitutes the Landlord include costs of

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partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of the Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of the Landlord's interest in the Building, and costs incurred in connection with any disputes between Landlord and its employees, between Landlord and property management, or between Landlord and other tenants or occupants;

(f) the wages and benefits of any employee who does not devote substantially all of his or her employed time to the Building unless such wages and benefits are prorated to reflect time spent on operating and managing the Building vis-a-vis time spent on other projects;

(g) amount paid as ground rental for the Building by the Landlord;

(h) except for a property management fee, overhead and profit increment paid to Landlord or to subsidiaries or affiliates of the Landlord for services to the extent the costs thereof exceed those rendered by qualified, first-class unaffiliated third parties;

(i) any compensation paid to clerks, attendants or other persons in commercial concessions operated by the Landlord (which shall specifically exclude the parking facilities), provided that any compensation paid to any concierge at the parking lot serving the Building shall be includable as an Operating Expense;

(j) rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment which if purchased the cost of which would be excluded from Operating Expenses as a capital cost, except equipment not affixed to the Building which is used in providing janitorial or similar services and, further excepting from this exclusion such equipment rented or leased to remedy or ameliorate an emergency condition at the Building or affecting Common Areas;

(k) all items and services for which Tenant or any other tenant directly and fully reimburses Landlord;

(l) rent for any office space occupied by property management personnel to the extent the size or rental rate of such office space exceeds the size or fair market rental value of office space occupied by management personnel of the comparable buildings in the vicinity of the Building, with adjustment where appropriate for the size of the applicable project; and

(m) costs arising from the gross negligence or willful misconduct of Landlord or its employees.

If Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would be included in Operating Expenses) to a tenant who has undertaken to perform such work or service in lieu of the performance thereof by Landlord, Operating Expenses shall be deemed to be increased by an amount equal to the additional Operating Expenses which would reasonably have been incurred during such period by Landlord if it had at its own expense furnished such work or service to such tenant. If the Building is not at least ninety-five percent (95%) occupied during all or a portion of the Base Year or any Expense Year, Landlord shall make an appropriate adjustment to the components of Operating Expenses for such year to determine the amount of Operating Expenses that would have been incurred had the Building been ninety-five percent (95%) occupied; and the amount so determined shall be deemed to have been the amount of Operating Expenses for such year. Operating Expenses for the Base Year shall not include market-wide cost increases due to

extraordinary circumstances, including Force Majeure, boycotts, strikes, conservation surcharges, embargoes or shortages, or amortized costs relating to capital improvements. In no event shall the components of Operating Expenses for any Expense Year related to Building monitoring/access control or utility costs be less than the components of Operating Expenses related to Building monitoring/access control or utility costs, respectively, in the Base Year.

4.2.6 TAXES.

4.2.6.1 "TAX EXPENSES" shall mean all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Project, or any portion thereof), which shall be paid or accrued during any Expense Year (without regard to any different fiscal year used by such governmental or municipal authority) because of or in connection with Landlord's ownership, leasing and/or operation of the Building, other portions of the Project owned by Landlord, or those portions of the Project to the extent serving the Building (e.g., Common Areas), or any portions thereof. Without limiting the generality of this Section 4.2.6.1, if at any time prior to or during the Term any sale, refinancing or change in ownership of the Building is consummated, and if Landlord reasonably anticipates re-assessment as a result thereof, but that such reassessment may not be completed during the applicable calendar year, then for all purposes under this Lease, Landlord will calculate Tax Expenses applicable to such calendar year and thereafter based upon Landlord's good faith estimate of the Tax Expenses which will result from such reassessment. Upon the finalization of any such reassessment and Landlord's determination of actual Tax Expenses applicable to the Base Year and all Expense Years subsequent thereto, as applicable, Landlord shall have the right to adjust the applicable Tax Expenses therefor and, upon such adjustment, Landlord or Tenant, as appropriate, shall promptly make such reconciliation payment (which, in the case of Landlord, may be made in the form of a credit against the installment(s) of Tenant's Share of Tax Expense Excess next coming due) as may be necessary in order that Tenant pays Tenant's Share of actual Tax Expense Excess for each such Expense Year.

4.2.6.2 Tax Expenses shall include, without limitation: (i) Any tax on the rent, right to rent or other income from the Building, or any portion thereof, or as against the business of leasing the Building, or any portion thereof; (ii) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("PROPOSITION 13") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13, Tax Expenses shall also include any governmental or private assessments or the Building's contribution towards a governmental or private cost-sharing agreement for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies; (iii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Rent payable hereunder, including any business or gross income tax or excise tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof; and (iv) Any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises.

4.2.6.3 Any costs and expenses (including reasonable attorneys' and consultants' fees) incurred in attempting to protest, reduce or minimize Tax Expenses shall be included in Tax Expenses in the Expense Year such expenses are incurred, but shall not be included in calculating any Base Taxes. Tax refunds shall be credited against Tax Expenses and refunded to Tenant regardless of when received, based on the Expense Year to which the refund is applicable, provided that in no event shall the amount to be refunded to Tenant for any such Expense Year exceed the total amount paid by Tenant as Additional Rent under this ARTICLE 4 for Tax Expenses for such Expense Year. If Tax Expenses for any period during the Lease Term or any extension thereof are

increased after payment thereof for any reason, including error or reassessment by applicable governmental or municipal authorities, Tenant shall pay Landlord upon demand Tenant's Share of any such increased Tax Expenses. Notwithstanding anything to the contrary contained in this SECTION 4.2.6 (except as set forth in SECTION 4.2.6.1, above), there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes imposed on income from all sources, and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Building), (ii) any items included as Operating Expenses, and (iii) any items paid by Tenant under SECTION 4.5 of this Lease.

4.2.6.4 The amount of Tax Expenses for the Base Year attributable to the valuation of the Building and its appurtenances, inclusive of tenant improvements, shall be known as the "BASE TAXES". If in any comparison year subsequent to the Base Year, the amount of Tax Expenses decreases below the amount of Base Taxes, then for purposes of all subsequent comparison years, including the comparison year in which such decrease in Tax Expenses occurred, the Base Taxes, and therefore the Base Year, shall be decreased by an amount equal to the decrease in Tax Expenses.

4.2.7 "TENANT'S SHARE" shall mean the percentage set forth in SECTION 6 of the Summary.

4.3 COST POOLS. Landlord shall have the right, from time to time, to equitably allocate some or all of the Direct Expenses among different portions or occupants of the portions of the Project owned by Landlord (the "COST POOLS"), in Landlord's reasonable discretion. Such Cost Pools may include, but shall not be limited to, the office space tenants of the Building, and the restaurant tenants in the Restaurant Court Parcel portion of the Project. The Direct Expenses within each such Cost Pool shall be allocated and charged to the tenants within such Cost Pool in an equitable manner.

4.4 CALCULATION AND PAYMENT OF ADDITIONAL RENT. If for any Expense Year ending or commencing within the Lease Term, Insurance Expenses for such Expense Year exceed Insurance Expenses applicable to the Base Year ("INSURANCE EXPENSE EXCESS") and/or Operating Expenses for such Expense Year exceed Operating Expenses applicable to the Base Year ("OPERATING EXPENSE EXCESS") and/or Tax Expenses for such Expense Year exceed Tax Expenses applicable to the Base Year (the "TAX EXPENSE EXCESS"), then Tenant shall pay to Landlord, in the manner set forth in SECTION 4.4.1, below, and as Additional Rent, an amount (referred to herein as "TENANT'S DIRECT EXPENSE EXCESS") equal to the sum of Tenant's Share of the Insurance Expense Excess, if any, plus Tenant's Share of the Operating Expense Excess, if any, plus Tenant's Share of the Tax Expense Excess, if any.

4.4.1 STATEMENT OF ACTUAL DIRECT EXPENSES AND PAYMENT BY TENANT. Landlord shall give to Tenant not later than April 30th following the end of each Expense Year, a statement (the "STATEMENT") which shall state the Direct Expenses incurred or accrued for such preceding Expense Year, and which shall indicate the amount of Tenant's Direct Expense Excess (pro-rated as needed if the Lease Term ends or commences part way through the calendar year). Upon receipt of the Statement for each Expense Year commencing or ending during the Lease Term, if a Tenant's Direct Expense Excess is present, Tenant shall pay, with its next installment of Base Rent due, the full amount of such Tenant's

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Direct Expense Excess for such Expense Year, less the amounts, if any, paid during such Expense Year as "Estimated Excess," as that term is defined in SECTION 4.4.2, below, and if Tenant paid more as Estimated Excess than the actual Tenant's Direct Expense Excess, Tenant shall receive a credit in the amount of Tenant's overpayment against Rent next due under this Lease. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice Landlord or Tenant from enforcing its rights under this ARTICLE 4. Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Direct Expense Excess for the Expense Year in which this Lease terminates, if a Tenant's Direct Expense Excess is present, Tenant shall immediately pay to Landlord such amount, and if Tenant paid more as Estimated Excess than the actual Tenant's Direct Expense Excess, Landlord shall, within thirty (30) days, deliver a check payable to Tenant in the amount of the overpayment. The provisions of this SECTION 4.4.1 shall survive the expiration or earlier termination of the Lease Term.

4.4.2 STATEMENT OF ESTIMATED DIRECT EXPENSES. In addition, Landlord shall give Tenant a yearly expense estimate statement (the "ESTIMATE STATEMENT") which shall set forth Landlord's reasonable estimate (the "ESTIMATE") of what the total amount of Direct Expenses for the then-current Expense Year shall be and the estimated amount of Tenant's Direct Expense Excess for the then-current Expense Year (the "ESTIMATED EXCESS") as calculated by comparing the components of Direct Expenses for such Expense Year, which shall be based upon the Estimate, to the amount of the components of Direct Expenses

for the Base Year. The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Estimated Excess under this ARTICLE 4, nor shall Landlord be prohibited from revising any Estimate Statement or Estimated Excess theretofore delivered to the extent necessary. Thereafter, Tenant shall pay, with its next installment of Base Rent due, a fraction of the Estimated Excess for the then-current Expense Year (reduced by any amounts already paid pursuant to this SECTION 4.4.2). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year, including the month of such payment, and twelve (12) as its denominator. Until a new Estimate Statement is furnished (which Landlord shall have the right to deliver to Tenant at any time), Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Excess set forth in the previous Estimate Statement delivered by Landlord to Tenant.

4.5 TAXES AND OTHER CHARGES FOR WHICH TENANT IS DIRECTLY RESPONSIBLE.

4.5.1 Tenant shall be liable for and shall pay at least ten (10) days before delinquency, taxes levied against Tenant's equipment, furniture, fixtures and any other personal property located in or about the Premises. If any such taxes on Tenant's equipment, furniture, fixtures and any other personal property are levied against Landlord or Landlord's property or if the assessed value of Landlord's property is increased by the inclusion therein of a value placed upon such equipment, furniture, fixtures or any other personal property and if Landlord pays the taxes based upon such increased assessment, which Landlord shall have the right to do regardless of the validity thereof but only under proper protest if requested by Tenant, Tenant shall upon demand repay to Landlord the taxes so levied against Landlord or the proportion of such taxes resulting from such increase in the assessment, as the case may be.

4.5.2 If the tenant improvements in the Premises, whether installed and/or paid for by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, are assessed for real property tax purposes at a valuation higher than the valuation at which tenant improvements conforming to Landlord's "Building Standard" in other space in the Building are assessed, then the Tax Expenses levied against Landlord or the property by reason of such excess assessed valuation shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of SECTION 4.5.1, above.

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4.5.3 Notwithstanding any contrary provision herein, Tenant shall pay prior to delinquency any (i) rent tax or sales tax, service tax, transfer tax or value added tax, or any other applicable tax on the rent or services herein or otherwise respecting this Lease, (ii) taxes assessed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, including the Building's parking facility; or (iii) taxes assessed upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. Such amounts shall not be reduced by Tenant's Share.

4.6 LANDLORD'S BOOKS AND RECORDS. Within forty-five (45) days after receipt of a Statement by Tenant, if Tenant disputes the amount of Direct Expenses set forth in the Statement, an independent certified public accountant (which accountant is a member of a nationally recognized accounting firm and which accountant shall not be compensated on a contingency fee or similar basis related to the result of such audit), designated by Tenant, may, after reasonable Notice to Landlord and at reasonable times subject to Landlord's reasonable scheduling requirements, inspect Landlord's records at Landlord's offices where such records are kept and/or where the accounting personnel responsible for calculating Direct Expenses work; provided that Tenant is not then in Default under this Lease and Tenant has paid all amounts required to be paid under the applicable Statement; and further provided that such inspection must be completed within thirty (30) days after Landlord's records are made available to Tenant. Tenant agrees that any records of Landlord reviewed under this SECTION 4.6 shall constitute confidential information of Landlord, which Tenant shall not disclose, nor permit to be disclosed by Tenant or Tenant's accountant, and Tenant's accountant must enter into a commercially reasonable confidentiality agreement with Landlord prior to commencing the audit. If, within ten (10) days after such inspection, Tenant notifies Landlord in writing that Tenant still disputes such Direct Expenses included in the Statement, then a certification as to the proper amount shall be made, at Tenant's expense, by an independent certified public accountant selected by Landlord, which certification shall be final and conclusive; provided, however, if the actual amount of Direct Expenses due for that Expense Year, as determined by such certification, is determined to have been overstated by more than six percent (6%), then Landlord shall pay the reasonable fees of Tenant's audit and the reasonable costs associated with such certification, in each instance exclusive of travel expenses. Tenant's failure (i) to take exception to any Statement within forty-five (45) days after Tenant's receipt of such Statement or (ii) to timely complete its inspection of Landlord's records or (iii) to timely notify Landlord of any remaining dispute after such inspection shall be deemed to be

Tenant's approval of such Statement and Tenant, thereafter, waives the right or ability to dispute the amounts set forth in such Statement, which Statement shall be considered final and binding.

ARTICLE 5

USE OF PREMISES

5.1 PERMITTED USE. Tenant shall use the Premises solely for the Permitted Use set forth in SECTION 7 of the Summary and Tenant shall not use or permit the Premises or the Project to be used for any other purpose or purposes whatsoever without the prior written consent of Landlord, which may be withheld in Landlord's sole discretion. Unless expressly provided otherwise, the Premises shall not be used as a medical office, dental office, government office, call center or server farm, or for any high density or high pedestrian traffic use.

5.2 PROHIBITED USES. Tenant covenants and agrees that Tenant shall not use, or suffer or permit any person or persons to use, the Premises or any part thereof for any use or purpose contrary to the provisions of this Lease or of the Rules and Regulations set forth in EXHIBIT B, attached hereto, or in violation of the laws of the United States of America, the State in which the Project is located, the ordinances, regulations or requirements of the local

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municipal or county governing body or other lawful authorities having jurisdiction over the Project, including any such laws, ordinances, regulations or requirements relating to hazardous materials or substances, as those terms are defined by applicable laws now or hereafter in effect, or of any Underlying Documents. A violation of the Rules and Regulations by Tenant shall be deemed a Default under this ARTICLE 5. Tenant shall not do or permit anything to be done in or about the Premises which will in any way damage the reputation of the Project or obstruct or interfere with standard Building operations or the rights of other tenants or occupants of the Building, or injure or annoy them or use or allow the Premises to be used for any improper, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall comply with, and Tenant's rights and obligations under the Lease and Tenant's use of the Premises shall be subject and subordinate to, all Underlying Documents now or hereafter affecting the Project.

5.3 COMPLIANCE WITH LAW. Tenant shall not do anything or suffer anything to be done in or about the Premises or the Project which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated. At its sole cost and expense, Tenant shall promptly comply with all such governmental measures. Should any standard or regulation now or hereafter be imposed on Landlord or Tenant by a state, federal or local governmental body charged with the establishment, regulation and enforcement of occupational, health or safety standards for employers, employees, landlords or tenants, then Tenant agrees, at its sole cost and expense, to comply promptly with such standards or regulations. Tenant shall be responsible, at its sole cost and expense, to make all alterations to the Premises as are required to comply with the governmental rules, regulations, requirements or standards described in this ARTICLE 5, including the Americans With Disabilities Act of 1990, as amended (ADA), whether or not the necessity for compliance is triggered by Tenant's use of the Premises, and Tenant, at its sole cost and expense, shall make any changes to the Premises required to accommodate Tenant's employees with disabilities (it being understood that all work performed by Tenant pursuant to this SECTION 5.3 shall be subject to the terms and conditions of ARTICLE 8, below). The judgment of any court of competent jurisdiction or the admission of Tenant in any judicial action, regardless of whether Landlord is a party thereto, that Tenant has violated any of said governmental measures, shall be conclusive of that fact as between Landlord and Tenant.

5.4 CC&RS. Tenant shall comply with all recorded covenants, conditions, and restrictions currently affecting the Project (the "CURRENT CC&RS"). Additionally, Tenant acknowledges that the Project may be subject to any future covenants, conditions, and restrictions and/or amendments to the Current CC&RS (in any such event, the "FUTURE CC&RS") which Landlord, in Landlord's discretion, deems reasonably necessary or desirable, and Tenant agrees that this Lease shall be subject and subordinate to the Current CC&RS and such Future CC&RS (collectively, the "CC&RS").

ARTICLE 6

SERVICES AND UTILITIES

6.1 STANDARD TENANT SERVICES. Landlord shall provide the following services on all days (unless otherwise stated below) during the Lease Term.

6.1.1 Subject to limitations imposed by all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide heating and air conditioning ("HVAC") when necessary for normal comfort for normal office use in the Premises during normal "BUILDING HOURS" (as defined in the Rules and Regulations set forth in EXHIBIT B, attached hereto), except for the date of observation of New Year's Day, Independence Day, Labor Day, Memorial Day, Thanksgiving Day, Christmas Day and, at Landlord's discretion, or nationally recognized holidays (collectively, the "HOLIDAYS"), and provided further that HVAC shall be provided on Saturdays upon Tenant request only.

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6.1.2 Landlord shall provide adequate electrical wiring and facilities for connection to Tenant's lighting fixtures and incidental use equipment, for lighting and power reasonably suitable for the Permitted Use, taking into account Tenant's usage of personal computers and other office machines to the extent such usage is consistent with the usage employed by general office users in the Building and at buildings located in the submarket in which the Building is located that are comparable to the Building in class, age and size; provided further that Tenant's electrical usage shall be subject to applicable laws and regulations. Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-Building Standard lighting fixtures within the Premises, which shall be replaced/installed only by Landlord. Landlord shall replace Building Standard light bulbs/tubes (but not starters or ballasts) at no charge to Tenant.

6.1.3 Landlord shall provide untreated city water from the regular Building outlets for lavatory and toilet purposes in the Building Common Areas.

6.1.4 Landlord shall provide Building standard janitorial services to the Premises, except for weekends and the date of observation of the Holidays, in and about the Premises.

6.1.5 Subject to emergencies, Landlord shall provide nonexclusive, non-attended automatic passenger elevator service during the Building Hours, shall have at least one elevator available at all other times, including on the Holidays.

6.1.6 Landlord shall provide nonexclusive freight elevator service subject to scheduling by Landlord and subject to charge for after-hours usage.

6.1.7 Subject to the provisions of this Lease and such reasonable access control as Landlord may from time to time determine (with which Tenant and its employees shall comply), Tenant shall have access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week; provided, however, notwithstanding the foregoing, neither Landlord nor any of the "Landlord Parties," as that term is defined in Section 10.1, below, shall in any case be liable for personal injury, property damage or otherwise for any error with regard to the admission to or exclusion from the Building or Project of any person. Tenant acknowledges and agrees that any access control provided after Building Hours is at a level consistent with reducing uninvited persons, vandalism, and graffiti, and is not intended to assure personal safety or to prevent losses from theft.

Tenant shall cooperate fully with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the HVAC, electrical, mechanical and plumbing systems.

6.2 OVERSTANDARD TENANT USE. Tenant shall not, without Landlord's prior written consent, use heat-generating machines (Energy Star photocopiers and computer printers excepted), machines other than normal fractional horsepower office machines, or equipment or lighting other than Building Standard lights in the Premises, which may affect the temperature otherwise maintained by the air conditioning system or increase the water normally furnished for the Premises by Landlord pursuant to the terms of SECTION 6.1 of this Lease. If Tenant uses water, electricity, heat or air conditioning in excess of that supplied by Landlord pursuant to SECTION 6.1 of this Lease, Tenant shall pay to Landlord, upon billing, the actual cost of such excess consumption, the cost of the installation, operation, and maintenance of equipment which is installed in order to supply such excess consumption, and the cost of the increased wear and tear on existing equipment caused by such excess consumption; and Landlord may install devices to separately meter any increased use and in such event Tenant shall pay the increased cost directly to Landlord, on demand, at the rates charged by the public utility company furnishing the same, including the cost of

installing, testing and maintaining of such additional metering devices. Tenant's use of electricity shall never exceed the capacity of the feeders to the Project or the risers or wiring installation and if it does, Tenant shall be responsible for upgrading same at its sole cost and expense. Subject to the terms of SECTION 29.31, below, Tenant shall not install or use or permit the installation or use of any computer or electronic data processing equipment in the Premises (other than personal computers and local area networks), without the prior written consent of Landlord. If Tenant desires to use heat, ventilation or air conditioning during hours other than those for which Landlord is obligated to supply such utilities pursuant to the terms of SECTION 6.1 of this Lease, Tenant shall give Landlord such prior Notice, if any, as Landlord shall from time to time establish as appropriate, of Tenant's desired use in order to supply such utilities, and Landlord shall supply such utilities to Tenant at such hourly cost per zone to Tenant (which shall be treated as Additional Rent) as Landlord shall from time to time establish.

6.3 INTERRUPTION OF USE. Tenant agrees that Landlord shall not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services, if any), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by breakage, repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building or Project after reasonable effort to do so, by any riot or other dangerous condition, emergency, accident or casualty whatsoever, by act or breach or Default of Tenant or other parties, or by any other cause beyond Landlord's reasonable control; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease. Furthermore, Landlord shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Tenant's business, including loss of profits or other consequential damages, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this ARTICLE 6 PROVIDED SUCH FAILURE TO FURNISH ANY OF SUCH SERVICES WAS CAUSED BY CIRCUMSTANCES BEYOND A COMMERCIALY REASONABLE LANDLORD'S CONTROL.

ARTICLE 7

REPAIRS

Tenant shall, at Tenant's own expense, keep the Premises, including all improvements, fixtures, furnishings, and systems and equipment therein (including plumbing fixtures and equipment such as dishwashers, garbage disposals, refrigerators, coffee makers and Insta Hot and similar dispensers), and the portion of the floor or floors of the Building on which the Premises are located, in good order, repair and condition at all times during the Lease Term. In addition, Tenant shall, at Tenant's own expense, but under the supervision and subject to the prior approval of Landlord, and within any reasonable period of time specified by Landlord, promptly and adequately repair all damage to the Premises and replace or repair all damaged, broken, or worn fixtures and appurtenances, except for damage caused by ordinary wear and tear or beyond the reasonable control of Tenant; provided however, that, at Landlord's option, or if Tenant fails to make such repairs, Landlord may, but need not, make such repairs and replacements, and Tenant shall pay Landlord the cost thereof, including a fifteen percent (15%) supervisory fee forthwith upon being billed therefor. Notwithstanding the foregoing, Landlord shall be responsible for repairs to the exterior walls, foundation and roof of the Building, the structural portions of the floors of the Building, and the base building systems and equipment of the Building, except to the extent that such repairs are required due to the negligence or willful misconduct of Tenant; provided, however, that if such repairs are due to the negligence or willful misconduct of Tenant, Landlord shall nevertheless make such repairs at Tenant's expense, or, if covered by Landlord's insurance, Tenant shall only be obligated to pay any deductible in connection therewith. Landlord may, but shall not be required to, enter the Premises at all reasonable times to make such repairs, alterations, improvements or additions to the Premises or to the Project or to any equipment

located in the Project as Landlord shall desire or deem necessary or as Landlord may be required to do by governmental or quasi-governmental authority or court order or decree. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code or under any similar law, statute, or ordinance now or hereafter in effect.

ARTICLE 8

ADDITIONS AND ALTERATIONS

8.1 LANDLORD'S CONSENT TO ALTERATIONS. Tenant may not make any improvements, alterations, additions or changes to the Premises or any mechanical, plumbing or HVAC facilities or systems pertaining to the Premises, including any cabling or fixturation, but excluding minor fixturation incidental to installation of workstations (collectively, the "ALTERATIONS"), without first procuring the prior written consent of Landlord to such Alterations, which consent shall be requested by Tenant not less than thirty (30) days prior to the commencement thereof, and which consent shall not be unreasonably withheld by Landlord, provided it shall be deemed reasonable for Landlord to withhold its consent to any Alterations which modify the structural portions or the systems or equipment of the Building, are visible from the exterior of the Building or would reduce the marketability of the Premises or their fair market rental rate. Notwithstanding the foregoing, Tenant shall be permitted to make Alterations following ten (10) business days Notice to Landlord, but without Landlord's prior consent, to the extent that such Alterations are decorative only (i.e., installation of carpeting or painting of the Premises using Building Standard materials, finishes and colors and not visible from the exterior of the Premises). The construction of the initial improvements to the Premises shall be governed by the terms of the Addendum to Lease and not the terms of this ARTICLE 8.

8.2 MANNER OF CONSTRUCTION. Landlord may impose, as a condition of its consent to any and all Alterations or repairs of the Premises or about the Premises, such requirements as Landlord in its reasonable discretion may deem desirable, including the requirement that Tenant utilize for such purposes only contractors, subcontractors, materials, mechanics and materialmen selected by Tenant from a list provided and approved by Landlord and the requirement that upon Landlord's request, Tenant shall, at Tenant's expense, remove such Alterations upon the expiration or any early termination of the Lease Term. Tenant shall construct such Alterations and perform such repairs in a good and workmanlike manner, diligently and without material cessation, delay or interruption, in conformance with any and all applicable federal, state, county or municipal laws, rules and regulations and pursuant to a valid building permit, issued by the municipality in which the Building is located all in conformance with Landlord's construction rules and regulations and reasonable additional directives; provided, however, that prior to commencing to construct any Alteration, Tenant shall meet with Landlord to discuss Landlord's design parameters and code compliance issues. In the event Tenant performs any Alterations in the Premises which require or give rise to governmentally required changes to the "Base Building," as that term is defined below, then Landlord shall, at Tenant's expense, make such changes to the Base Building. The "BASE BUILDING" shall include the structural portions of the Building, and the public restrooms, elevators, exit stairwells, paths of travel and the systems and equipment located in the internal core of the Building on the floor or floors on which the Premises are located. In performing the work of any such Alterations, Tenant shall have the work performed in such manner so as not to obstruct access to the Project or any portion thereof, by any other tenant of the Project, and so as not to obstruct the business of Landlord or other tenants in the Project. Tenant shall not use (and upon Notice from Landlord shall cease using) contractors, services, workmen, labor, materials or equipment that, in Landlord's reasonable judgment, would disturb labor harmony with the workforce or trades engaged in performing other work, labor or services in or about the Building or the Common Areas. In addition to Tenant's obligations under ARTICLE 9 of this Lease, upon completion of any Alterations, Tenant agrees to cause a

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Notice of Completion to be recorded in the office of the recorder of the county in which the Building is located in accordance with Section 3093 of the California Civil Code or any successor statute and furnish a copy thereof to Landlord upon recordation, and timely give all notices required pursuant to Section 3259.5 of the California Civil Code or any successor statute (failing which, Landlord may itself execute and file such Notice of Completion and give such notices on behalf of Tenant as Tenant's agent for such purpose), and Tenant shall deliver to the Project construction manager a reproducible copy of the "as built" drawings of the Alterations as well as all permits, approvals and other documents issued by any governmental agency in connection with the Alterations.

8.3 PAYMENT FOR IMPROVEMENTS. If payment is made by Tenant directly to contractors, Tenant shall (i) comply with Landlord's requirements for final lien releases and waivers in connection with Tenant's payment for work to contractors, and (ii) sign Landlord's standard contractor's rules and regulations. If Tenant orders any work directly from Landlord, Tenant shall pay to Landlord an amount equal to Landlord's then current standard fee to

compensate Landlord for all overhead, general conditions, fees and other costs and expenses arising from Landlord's involvement with such work. If Tenant does not order any work directly from Landlord, Tenant shall reimburse Landlord for Landlord's reasonable, out-of-pocket costs and expenses actually incurred in connection with Landlord's review of such work plus a meeting and review fee equal to six percent (6%) of the total cost of the work.

8.4 CONSTRUCTION INSURANCE. In addition to the requirements of ARTICLE 10 of this Lease, in the event that Tenant makes any Alterations, prior to the commencement of such Alterations, Tenant shall provide Landlord with evidence that Tenant carries "BUILDER'S ALL RISK" insurance in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may reasonably require, it being understood and agreed that all of such Alterations shall be insured by Tenant pursuant to ARTICLE 10 of this Lease immediately upon completion thereof. In addition, Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien-free completion of such Alterations and naming Landlord as a co-obligee.

8.5 LANDLORD'S PROPERTY. All Alterations, improvements, fixtures, equipment and/or appurtenances which may be installed or placed in or about the Premises, from time to time, shall be at the sole cost of Tenant and shall be and become the property of Landlord, except that Tenant may remove any fixtures and/or equipment (E.G., additional HVAC or chillers) which Tenant can substantiate to Landlord have not been paid for with any Tenant improvement allowance funds provided to Tenant by Landlord, provided Tenant repairs any damage to the Premises and Building caused by such removal and returns the affected portion of the Premises to a Building Standard tenant improved condition as determined by Landlord. Furthermore, Landlord may, by Notice to Tenant prior to the end of the Lease Term, or given following any earlier termination of this Lease, require Tenant, at Tenant's expense, to remove any Alterations and/or improvements and/or systems and equipment within the Premises and to repair any damage to the Premises and Building caused by such removal and return the affected portion of the Premises to a Building Standard tenant improved condition as determined by Landlord. If Tenant fails to complete such removal and/or to repair any damage caused by the removal of any Alterations and/or improvements and/or systems and equipment in the Premises and return the affected portion of the Premises to a Building Standard tenant improved condition as reasonably determined by Landlord, (i) Landlord may do so and may charge the cost thereof to Tenant, and (ii) Tenant shall be deemed to be in holdover until such time as the removal and restoration is completed (and, accordingly, the terms of ARTICLE 16 of this Lease shall be applicable during such period). Tenant hereby protects, defends, indemnifies and holds the Landlord Parties harmless from any liability, cost, obligation, expense or claim of lien in any manner relating to the installation, placement, removal or financing of any such Alterations, improvements, fixtures and/or equipment in, on or about the Premises, which obligations of Tenant shall survive the expiration or earlier termination of this Lease. Landlord shall not under any circumstances be liable to any equipment lessor or construction lender for loss or other impairment of their collateral.

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ARTICLE 9

COVENANT AGAINST LIENS

Tenant shall keep the Project and Premises free from any liens or encumbrances arising out of the work performed, materials furnished or obligations incurred by or on behalf of Tenant, and shall protect, defend, indemnify and hold Landlord harmless from and against any claims, liabilities, judgments or costs (including reasonable attorneys' fees and costs) arising out of same or in connection therewith. Tenant shall give Landlord Notice at least twenty (20) days prior to the commencement of any such work on the Premises (or such additional time as may be necessary under applicable laws) to afford Landlord the opportunity of posting and recording appropriate notices of non-responsibility. Tenant shall remove any such lien or encumbrance by bond or otherwise within ten (10) business days after Notice by Landlord, and if Tenant shall fail to do so, Landlord may pay the amount necessary to remove such lien or encumbrance, without being responsible for investigating the validity thereof. The amount so paid shall be deemed Additional Rent under this Lease payable upon demand, without limitation as to other remedies available to Landlord under this Lease. Nothing contained in this Lease shall authorize Tenant to do any act which shall subject Landlord's title to the Building or Premises to any liens or encumbrances whether claimed by operation of law or express or implied contract. Any claim to a lien or encumbrance upon the Building or Premises arising in connection with any such work or respecting the Premises not performed by or at the request of Landlord shall be null and void, or if required by law shall attach only against Tenant's interest in the Premises and shall in all respects be subordinate to Landlord's title to the

ARTICLE 10

INSURANCE

10.1 INDEMNIFICATION AND WAIVER. Except to the extent arising from the gross negligence or willful misconduct of Landlord, Tenant hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises from any cause whatsoever (including any personal injuries resulting from a slip and fall in, upon or about the Premises) and agrees that Landlord, its partners, subpartners and their respective officers, agents, servants, employees, and independent contractors (collectively, "LANDLORD PARTIES") shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by Tenant or by other persons claiming through Tenant. Tenant shall indemnify, defend, protect, and hold harmless the Landlord Parties from any and all loss, cost, damage, expense and liability (including court costs, reasonable attorneys' fees and expert witness fees) incurred in connection with or arising from any cause in, on or about the Premises (including a slip and fall), any acts, omissions or negligence of Tenant or of any person claiming by, through or under Tenant, or of the contractors, agents, servants, employees, invitees, guests or licensees of Tenant or any such person, in, on or about the Project or any breach of the terms of this Lease, either prior to, during, or after the expiration of the Lease Term, provided that the terms of the foregoing indemnity shall not apply to the gross negligence or willful misconduct of Landlord. Should Landlord be named as a defendant in any suit brought against Tenant in connection with or arising out of Tenant's occupancy of the Premises, and such claim is not caused by the gross negligence or willful misconduct of Landlord, Tenant shall pay to Landlord its costs and expenses incurred in such suit, including its actual professional fees such as reasonable appraisers', accountants' and attorneys' fees. The provisions of this SECTION 10.1 shall survive the expiration or sooner termination of this Lease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination.

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10.2 LANDLORD'S INSURANCE. Landlord shall insure the Building during the Lease Term against loss or damage due to fire and other casualties covered within the classification of fire and extended coverage, vandalism coverage and malicious mischief, sprinkler leakage, water damage and special extended coverage. Such coverage shall be in such amounts, with such deductibles, from such companies, and on such other terms and conditions, as Landlord may from time to time reasonably determine. Landlord shall also carry rent continuation insurance. Additionally, at the option of Landlord, such insurance coverage may include the risks of earthquakes and/or flood damage and additional hazards, a rental loss endorsement and one or more loss payee endorsements in favor of the holders of any mortgages or deeds of trust encumbering the interest of Landlord in the Building or the ground or underlying lessors of the Building, or any portion thereof. Notwithstanding the foregoing provisions of this SECTION 10.2, the coverage and amounts of insurance carried by Landlord in connection with the Building shall, at a minimum, be comparable to the coverage and amounts of insurance which are carried by reasonably prudent landlords of buildings comparable to and in the vicinity of the Building (provided that in no event shall Landlord be required to carry, although it may at its sole option carry, earthquake insurance). Landlord may carry some or all of the insurance in connection with the Project under a blanket policy or policies which cover other properties owned or managed by Landlord or any affiliates of Landlord, in which event Insurance Expenses shall include an equitable allocation of the cost of such insurance, as determined by Landlord. Landlord may also elect to carry some or all of the insurance in connection with the Project by a program of co-insurance and/or self-insurance. Tenant shall, at Tenant's expense, comply with all insurance company requirements pertaining to the use of the Premises. If Tenant's conduct or use of the Premises (regardless of Landlord's approval of said use) causes any increase in the premium for such insurance policies then Tenant shall reimburse Landlord for any such increase. Tenant, at Tenant's expense, shall comply with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body.

10.3 TENANT'S INSURANCE. Tenant shall maintain the following coverages in the following amounts.

10.3.1 Commercial General Liability Insurance (ISO occurrence form CG 00 01 or its substantially similar successor form) covering the insured against claims of bodily injury, personal injury and property damage (including loss of use thereof) arising out of Tenant's operations, and contractual liabilities (covering the performance by Tenant of its indemnity agreements) including a Broad Form endorsement covering the insuring provisions of this

Lease and the performance by Tenant of the indemnity agreements set forth in SECTION 10.1 of this Lease, for limits of liability not less than:

Bodily Injury and	\$3,000,000 each occurrence
Property Damage Liability	\$3,000,000 annual aggregate
Personal Injury Liability	\$3,000,000 each occurrence
	\$3,000,000 annual aggregate
	0% Insured's participation

10.3.2 Commercial Property Insurance (ISO special causes of loss form CP 10 30 or its substantially similar successor form) covering (i) all office furniture, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) the "Tenant Improvements," as that term is defined in the Addendum to Lease, and any other improvements which exist in the Premises as of the Commencement Date (excluding the Base Building) (the "ORIGINAL IMPROVEMENTS"), and (iii) all other improvements, alterations and additions to the Premises. Such insurance shall be for the full replacement cost (subject to reasonable deductible amounts not to exceed \$5,000.00) new without deduction for depreciation of the covered items

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and in amounts that meet any co-insurance clauses of the policies of insurance and shall include coverage for damage or other loss caused by fire or other peril including vandalism and malicious mischief, theft, water damage of any type (including sprinkler leakage and bursting or stoppage of pipes), and explosion, and providing business interruption coverage for a period of one year.

10.3.3 Worker's Compensation Insurance pursuant to all applicable state and local statutes and regulations, and Employer's Liability Insurance with limits not less than \$1,000,000.00 per accident for bodily injury or disease.

10.3.4 Business Auto Liability Insurance with limits of not less than \$1,000,000.00 per accident.

10.3.5 Business interruption, loss of income and extra expense insurance in amounts sufficient to pay for Tenant's expenses and lost income attributable to perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises as a result of such perils.

10.4 FORM OF POLICIES. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance shall (i) name as additional insureds Landlord, and the other Additional Insureds listed in Section 16 of the Summary, and any other party Landlord hereafter so specifies to Tenant via written Notice, together with their "Related Parties" defined as their parents, affiliates, managers, members, directors, officers, employees, subsidiaries, successors, lenders (if required by loan agreements), and their successors and assigns, it being the intent of this Section to trigger the additional insured coverage under any "automatic additional insured" provision of, or endorsement to, Tenant's insurance policies; (ii) specifically cover the liability assumed by Tenant under this Lease, including Tenant's obligations under SECTION 10.1 of this Lease; (iii) be issued by an insurance company having a rating of not less than A:X in Best's Insurance Guide or which is otherwise acceptable to Landlord and licensed to do business in the State in which the Project is located; (iv) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and is non-contributing with any insurance requirement of Tenant; (v) be in form and content reasonably acceptable to Landlord; and (vi) provide that said insurance shall not be canceled or coverage changed unless thirty (30) days' prior Notice shall have been given to Landlord and any mortgagee of Landlord. Tenant shall deliver said policy or policies or certificates thereof to Landlord on or before the Commencement Date and at least ten (10) days before the expiration dates thereof. In the event Tenant shall fail to procure such insurance, or to deliver such policies or certificate, Landlord may, at its option, procure such policies for the account of Tenant, and the cost thereof shall be paid to Landlord within five (5) days after delivery to Tenant of bills therefor, together with a fifteen percent (15%) service charge.

10.5 SUBROGATION. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above provided, and, except with respect to any applicable deductible amounts, Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for such losses (except with respect to any applicable deductible amounts), and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation

shall not affect the right to the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

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10.6 ADDITIONAL INSURANCE OBLIGATIONS. Tenant shall carry and maintain during the entire Lease Term, at Tenant's sole cost and expense, increased amounts of the insurance required to be carried by Tenant pursuant to this ARTICLE 10 and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Tenant's operations therein, as may be reasonably requested by Landlord, but in no event in excess of the amounts and types of insurance then being required by landlords of buildings comparable to and in the vicinity of the Building.

ARTICLE 11

DAMAGE AND DESTRUCTION

11.1 REPAIR OF DAMAGE TO PREMISES BY LANDLORD. If, during the Term of this Lease, the Premises or portions of the Building or Project necessary for Tenant's reasonable use and occupancy of the Premises are damaged by fire or other casualty covered by property damage insurance carried by either party, Landlord shall take diligent steps to adjust the loss, secure a building permit, and restore the Premises, Building, and Project as required, provided (a) such repairs can, in Landlord's reasonable opinion, be substantially completed within one hundred eighty (180) days of the date a permit for such repairs is issued by the governing authority, (b) insurance proceeds are available to pay eighty percent (80%) or more of the cost of restoration (taking into account any changes in building codes and/or other additional requirements imposed by the building department), (c) the holder of any mortgage on the Building or Project or ground lessor with respect to the Building or Project shall not require that the insurance proceeds or any portion thereof be used to retire the mortgage debt, or shall not terminate the ground lease, as the case may be, (d) the damage does not occur during the last twelve (12) months of the Lease Term and (e) Tenant performs its obligations hereunder. Tenant understands and agrees that the Premises, Building, and or Project may not be restored identically as before, due to changes in building or zoning codes and/or Landlord's desire to reconfigure the Building or Project. Tenant shall promptly notify Landlord of any such damage or destruction and shall take reasonable steps to prevent further damage and to secure the Premises, until Landlord has had a reasonable time in which to assume such responsibilities. Within not more than one hundred twenty (120) days after the damage or destruction, Landlord shall give written Notice to Tenant (the "DAMAGE OR DESTRUCTION NOTICE") of its intent to restore the Premises, Building, and/or Project, or to terminate the Lease as a result of the failure of one or more of the conditions set forth in (a)-(e) above, in which case, Landlord's Damage or Destruction Notice shall also include a termination date giving Tenant thirty (30) days to vacate the Premises. Landlord may elect to restore the Premises, Building, and/or Project notwithstanding the failure of any of the conditions set forth in clauses (a)-(e) above. The Damage or Destruction Notice shall also, if Landlord is required to or elects to restore, set forth Landlord's reasonable estimate of the time required for restoration after issuance of any required building permit. This Lease shall continue in full force and effect, but, provided no act of Tenant has impaired Landlord's recovery under its rental interruption insurance, Tenant shall be entitled to a proportionate reduction of Rent to the extent Tenant's use of the Premises is impaired, commencing with the date of damage and continuing until substantial completion of the restoration.

11.2 LANDLORD'S WORK/TENANT'S WORK. Landlord, at its sole option, may perform the entire work necessary to restore both the shell of the Building and the Tenant Improvements and Original Improvements, or may require Tenant to perform the construction necessary to restore the Tenant Improvements and Original Improvements, if the same were constructed by Tenant and not by Landlord and comprise a substantial portion of the improvements in the Premises. Provided Landlord performs the entirety of the work, Tenant shall assign to Landlord (or any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under SECTION 10.3 of this Lease. If Tenant's insurance proceeds are insufficient to cover the costs of restoring the

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Tenant Improvements and Original Improvements in the Premises, Tenant shall deposit the difference with Landlord prior to the commencement of construction. Notwithstanding anything to the contrary contained herein, if Landlord elects to

restore and Tenant fails to perform any of its obligations hereunder, or an event of Default has occurred, Landlord may cease performing the restoration work and Landlord's obligations under this Section 11 shall be forgiven until such time as such Default is cured pursuant to the terms of this Lease. Tenant may reasonably reconfigure the Premises during restoration provided (a) reconfiguration will not delay restoration and (b) Tenant's insurance proceeds and/or separate contribution from Tenant will be sufficient to pay for the costs of reconfiguration. Tenant understands and agrees that changes in building codes/ADA may require reconfiguration of the Premises even where Tenant desires to retain the existing configuration. If Landlord requires Tenant to restore the Premises, rental abatement shall end on the date that Landlord reasonably determines that Tenant, through diligent efforts, should have substantially completed restoration. Landlord shall not be liable for any loss of business inconvenience or annoyance arising from any repair or restoration of the Premises, Building or Project as a result of any damage from fire or other casualty.

11.3 TENANT'S OPTION TO TERMINATE. Notwithstanding Landlord's requirement or election to restore the Premises, Building, and/or Project following any damage or destruction, Tenant shall have the right to terminate this Lease on ten (10) days Notice given to Landlord not more than twenty (20) days after Tenant's receipt of Landlord's Damage or Destruction Notice, but only if the Damage or Destruction Notice indicates that Landlord reasonably estimates restoration will take more than one hundred eighty (180) days after issuance of any required building permit. In the event Tenant so terminates this Lease, Tenant shall be entitled to retain that portion of its insurance proceeds applicable to the amortized portion of Landlord's contribution (if any) to the costs of the Tenant Improvements, but Tenant shall assign to Landlord that portion of its insurance proceeds applicable to the Original Improvements and to the unamortized portion of Landlord's contribution (if any) to the costs of the Tenant Improvements.

11.4 WAIVER OF STATUTORY PROVISIONS. The provisions of this Lease, including this ARTICLE 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Project, and any statute or regulation of the State of California, including Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Project.

ARTICLE 12

NONWAIVER

No provision of this Lease shall be deemed waived by either party hereto unless expressly waived in a writing signed thereby. The waiver by either party hereto of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of 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, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No acceptance of a lesser amount than the Rent herein stipulated shall be deemed a waiver of Landlord's right to receive the full amount due, nor shall any endorsement or statement on any check or payment or any letter accompanying such check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the full amount due. No receipt of monies by Landlord from Tenant after the

termination of this Lease shall in any way alter the length of the Lease Term or of Tenant's right of possession hereunder, or after the giving of any Notice shall reinstate, continue or extend the Lease Term or affect any Notice given Tenant prior to the receipt of such monies, it being agreed that after the service of Notice or the commencement of a suit, or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said Notice, suit or judgment.

ARTICLE 13

CONDEMNATION

If the whole or any part of the Premises, Building or Project shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the surrender, reconstruction or remodeling of any part of the Premises, Building or Project, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority. If more than twenty-five percent (25%) of the rentable square feet of the Premises is taken, or if access to the Premises is substantially impaired, in each case for a period in excess of one hundred eighty (180) days, Tenant shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority. Tenant shall not assert any claim against Landlord or the authority for any compensation because of such taking and Landlord shall be entitled to the entire award or payment in connection therewith, except that Tenant shall have the right to file any separate claim available to Tenant for any taking of Tenant's personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease Term pursuant to the terms of this Lease, and for moving expenses, so long as such claims do not diminish the award available to Landlord, its ground lessor with respect to the Building or Project or its mortgagee, and such claim is payable separately to Tenant. All Rent shall be apportioned as of the date of such termination. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Rent shall be proportionately abated. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of The California Code of Civil Procedure. Notwithstanding anything to the contrary contained in this ARTICLE 13, in the event of a temporary taking of all or any portion of the Premises for a period of one hundred and eighty (180) days or less, then this Lease shall not terminate but the Base Rent and the Additional Rent shall be abated for the period of such taking in proportion to the ratio that the amount of rentable square feet of the Premises taken bears to the total rentable square feet of the Premises. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking.

ARTICLE 14

ASSIGNMENT AND SUBLETTING

14.1 TRANSFERS. Tenant shall not, without the prior written consent of Landlord, which is subject to Landlord's reasonable review and consideration as to assignments and subleases only, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment, or other transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or enter into any license or concession agreements or otherwise permit the occupancy or use of the Premises or any part thereof by any persons other than Tenant and its employees and contractors (all of the foregoing are hereinafter sometimes referred to collectively as "TRANSFERS" and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "Transferee"). If Tenant desires Landlord's consent to any Transfer, Tenant shall notify Landlord in writing, which Notice (the "TRANSFER NOTICE") shall include (i) the proposed effective date of the Transfer, which shall not be less than thirty (30) days nor more than one hundred eighty (180) days after

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the date of delivery of the Transfer Notice, (ii) a description of the portion of the Premises to be transferred (the "SUBJECT SPACE") which must be separately demisable if not the entirety of the Premises or the entirety of an existing separately demised suite, (iii) all of the terms of the proposed Transfer and the consideration therefor, including calculation of the "Transfer Premium", as that term is defined in SECTION 14.3 below, in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing executed and/or proposed documentation pertaining to the proposed Transfer, including all existing operative documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer, provided that Landlord shall have the right to require Tenant to utilize Landlord's standard Transfer documents in connection with the documentation of such Transfer, (iv) current financial statements of the proposed Transferee (and financial statements for such Transferee's prior two (2) fiscal years) and any proposed guarantor certified by an officer, partner or owner thereof, business credit and personal references and history of the proposed Transferee and any other information reasonably required by Landlord which will enable Landlord to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee's business and proposed use of the Subject Space, and (v) an executed estoppel certificate from Tenant in the

form attached hereto as EXHIBIT E. Any Transfer made without Landlord's prior written consent shall, at Landlord's option, be null, void and of no effect, and shall, at Landlord's option, constitute a Default by Tenant under this Lease. Whether or not Landlord consents to any proposed Transfer, Tenant shall pay Landlord's review and processing fees in the amount of \$1,500.00, as well as any reasonable professional fees (including property manager's, attorneys', accountants', architects', engineers' and consultants' fees) incurred by Landlord upon the earlier to occur of Landlord's consent, or within thirty (30) days after written request by Landlord.

14.2 LANDLORD'S CONSENT. Landlord shall not unreasonably condition, withhold or delay its consent to any proposed assignment or sublease of the Subject Space to the Transferee on the terms specified in the Transfer Notice. Without limitation as to other reasonable grounds for conditioning, withholding or delaying consent, the parties hereby agree that it shall be reasonable under this Lease and under any applicable law for Landlord to condition, delay, or withhold consent (as reasonably required, in Landlord's good faith estimation) to any proposed Transfer where one or more of the following apply:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building or the Project;

14.2.2 The Transferee intends to use the Subject Space for purposes which are not permitted under this Lease;

14.2.3 The Transferee is either a governmental agency or instrumentality thereof or a nonprofit organization;

14.2.4 The rent charged by Tenant to such Transferee during the term of such Transfer, calculated using a present value analysis, is less than eighty-five percent (85%) of the rent being quoted by Landlord at the time of such Transfer for comparable space in the Project for a comparable term, calculated using a present value analysis;

14.2.5 The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken in connection with the Transfer on the date consent is requested;

14.2.6 The proposed Transfer would cause a violation of another lease for space in the Project, or would give an occupant of the Project a right to cancel its lease; or

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14.2.7 Either the proposed Transferee, or any person or entity which directly or indirectly, controls, is controlled by, or is under common control with, the proposed Transferee, (i) occupies space in the Project at the time of the request for consent, or (ii) is negotiating with Landlord or has negotiated with Landlord during the six (6) month period immediately preceding the date Landlord receives the Transfer Notice, to lease space in the Project.

If Landlord consents to any assignment or sublease pursuant to the terms of this SECTION 14.2 (and does not exercise any recapture rights Landlord may have under SECTION 14.4 of this Lease) or to any other Transfer, Tenant may within six (6) months after Landlord's consent, but not later than the expiration of said six-month period, enter into such Transfer of the Premises or portion thereof, upon substantially the same terms and conditions as are set forth in the Transfer Notice furnished by Tenant to Landlord pursuant to SECTION 14.1 of this Lease and subject to any additional reasonable conditions imposed by Landlord, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice (i) such that Landlord would initially have been entitled to refuse its consent to such Transfer under this SECTION 14.2, or (ii) which would cause the proposed Transfer to be more favorable to the Transferee than the terms set forth in Tenant's original Transfer Notice, Tenant shall again submit the Transfer to Landlord for its approval and other action under this ARTICLE 14 (including Landlord's right of recapture, if any, under SECTION 14.4 of this Lease). Notwithstanding anything to the contrary in this Lease, if Tenant or any proposed Transferee claims that Landlord has unreasonably withheld or delayed its consent under SECTION 14.2 or otherwise has breached or acted unreasonably under this ARTICLE 14, their sole remedies shall be a suit for contract damages (other than damages for injury to, or interference with, Tenant's business including loss of profits, however occurring) or declaratory judgment and an injunction for the relief sought, and Tenant hereby waives all other remedies, including any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all applicable laws, on behalf of the proposed Transferee.

14.3 TRANSFER PREMIUM. If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord seventy-five percent (75%) of any "Transfer Premium," as that term is defined in this SECTION 14.3, received by Tenant from such Transferee. "TRANSFER PREMIUM" shall mean all rent, additional rent or other consideration

payable by such Transferee in connection with the Transfer in excess of the Rent and Additional Rent payable by Tenant under this Lease during the term of the Transfer on a per rentable square foot basis if less than all of the Premises is transferred. "Transfer Premium" shall also include, but not be limited to, key money, bonus money or other cash consideration paid by Transferee to Tenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Tenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer. The determination of the amount of Landlord's applicable share of the Transfer Premium shall be made on a monthly basis as rent or other consideration is received by Tenant under the Transfer.

14.4 LANDLORD'S OPTION AS TO SUBJECT SPACE. Notwithstanding anything to the contrary contained in this ARTICLE 14, in the event Tenant contemplates a Transfer of all or a portion of the Premises, Tenant shall give Landlord Notice (the "INTENTION TO TRANSFER NOTICE") of such contemplated Transfer (whether or not the contemplated Transferee or the terms of such contemplated Transfer have been determined). The Intention to Transfer Notice shall specify the portion of and amount of rentable square feet of the Premises which Tenant intends to Transfer (the "CONTEMPLATED TRANSFER SPACE"), the contemplated date of commencement of the Contemplated Transfer (the "CONTEMPLATED EFFECTIVE DATE"), and the contemplated length of the term of such contemplated Transfer, and shall specify that such Intention to Transfer Notice is delivered to Landlord pursuant to this SECTION 14.4 in order to allow Landlord to elect to recapture the Contemplated Transfer Space. Thereafter, Landlord shall have the option, by giving Notice to Tenant within thirty (30) days after receipt of any Intention to Transfer Notice, to recapture the Contemplated Transfer Space. Such recapture

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shall cancel and terminate this Lease with respect to such Contemplated Transfer Space as of the Contemplated Effective Date. In the event of a recapture by Landlord, if this Lease shall be canceled with respect to less than the entire Premises, the Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of the same. If Landlord declines, or fails to elect in a timely manner, to recapture such Contemplated Transfer Space under this SECTION 14.4, then, subject to the other terms of this ARTICLE 14, for a period of nine (9) months (the "NINE MONTH PERIOD") commencing on the last day of such thirty (30) day period, Landlord shall not have any right to recapture the Contemplated Transfer Space with respect to any Transfer made during the Nine Month Period, provided that any such Transfer is substantially on the terms set forth in the Intention to Transfer Notice, and provided further that any such Transfer shall be subject to the remaining terms of this ARTICLE 14. If such a Transfer is not so consummated within the Nine Month Period (or if a Transfer is so consummated, then upon the expiration of the term of any Transfer of such Contemplated Transfer Space consummated within such Nine Month Period), Tenant shall again be required to submit a new Intention to Transfer Notice to Landlord with respect any contemplated Transfer, as provided above in this SECTION 14.4.

14.5 EFFECT OF TRANSFER. If Landlord consents to a Transfer, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by either Tenant or a Transferee (each of whom shall be required to comply with the terms of this Article 14), (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, (iv) Tenant shall furnish upon Landlord's request a complete statement, certified by an independent certified public accountant, or Tenant's chief financial officer, setting forth in detail the computation of any Transfer Premium Tenant has derived and shall derive from such Transfer or a statement that there is no Transfer Premium, (v) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord's consent, shall relieve Tenant or any guarantor of the Lease from any liability under this Lease, including in connection with the Subject Space, and (vi) the Transferee shall fully assume this Lease. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Tenant relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Tenant shall, within thirty (30) days after demand, pay the deficiency, and if understated by more than two percent (2%), Tenant shall pay Landlord's costs of such audit. Upon any assignment, the assignee shall assume in writing all obligations and covenants of Tenant thereafter to be performed or observed under this Lease. If Tenant's obligations hereunder have been guaranteed, Landlord's consent to any Transfer shall not be effective unless the guarantor also consents to such Transfer.

14.6 ADDITIONAL TRANSFERS. For purposes of this Lease, the term "TRANSFER" shall also include (i) if Tenant is a partnership, the withdrawal or

change, voluntary, involuntary or by operation of law, of fifty percent (50%) or more of the partners, or transfer of fifty percent (50%) or more of partnership interests, within a twelve (12)-month period, or the dissolution of the partnership without immediate reconstitution thereof, and (ii) if Tenant is a closely held corporation (i.e., whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Tenant or (B) the sale or other transfer of an aggregate of fifty percent (50%) or more of the voting shares of Tenant (other than to immediate family members by reason of gift or death), within a twelve (12)-month period, or (C) the sale, mortgage, hypothecation or pledge of an aggregate of fifty percent (50%) or more of the value of the unencumbered assets of Tenant within a twelve (12)-month period.

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14.7 OCCURRENCE OF DEFAULT. Any Transfer hereunder shall be subordinate and subject to the provisions of this Lease, and if this Lease shall be terminated during the term of any Transfer, Landlord shall have the right to: (i) treat such Transfer as cancelled and repossess the Subject Space by any lawful means, or (ii) require that such Transferee, if not an assignee, attorn to and recognize Landlord as its landlord under any such Transfer. If Tenant shall be in Default under this Lease, Landlord is hereby irrevocably authorized, as Tenant's agent and attorney-in-fact, to direct any Transferee to make all payments under or in connection with the Transfer directly to Landlord (which Landlord shall apply towards Tenant's obligations under this Lease) until such Default is cured, but acceptance of any such payments shall not (A) give rise to any fiduciary responsibility to Tenant on the part of Landlord, or (B) create any privity of estate or contract between Landlord and the Transferee that does not already exist. Such Transferee shall rely on any representation by Landlord that Tenant is in Default hereunder, without any need for confirmation thereof by Tenant. No collection or acceptance of rent by Landlord from any Transferee shall be deemed a waiver of any provision of this Article 14 or the approval of any Transferee or a release of Tenant from any obligation under this Lease, whether theretofore or thereafter accruing. In no event shall Landlord's enforcement of any provision of this Lease against any Transferee be deemed a waiver of Landlord's right to enforce any term of this Lease against Tenant or any other person.

14.8 NON-TRANSFERS. Notwithstanding anything to the contrary contained in this ARTICLE 14, an assignment or subletting of all or a portion of the Premises to an affiliate of Tenant (an entity which is controlled by, controls, or is under common control with, Tenant), shall not be deemed a Transfer under this ARTICLE 14, provided that Tenant notifies Landlord of any such assignment or sublease and promptly supplies Landlord with any documents or information requested by Landlord regarding such assignment or sublease or such affiliate, and further provided that such assignment or sublease is not a subterfuge by Tenant to avoid its obligations under this Lease. "CONTROL," as used in this SECTION 14.8, shall mean the ownership, directly or indirectly, of at least fifty-one percent (51%) of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of at least fifty-one percent (51%) of the voting interest in, any person or entity.

ARTICLE 15

SURRENDER OF PREMISES; OWNERSHIP AND

REMOVAL OF TRADE FIXTURES

15.1 SURRENDER OF PREMISES. No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by Landlord of a surrender of the Premises unless such intent is specifically acknowledged in a writing signed by an officer of Landlord or, but only for regular expiration on the Expiration Date, by Landlord's property manager. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such delivery Tenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger, and at the option of Landlord shall operate as an assignment to Landlord of all subleases or subtenancies affecting the Premises or terminate any or all such sublessees or subtenancies.

15.2 REMOVAL OF TENANT PROPERTY BY TENANT. Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, subject to the provisions of this ARTICLE 15, quit and surrender possession of the Premises to Landlord in as good order and condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, reasonable wear

and tear and repairs which are specifically made the responsibility of Landlord hereunder excepted. Upon such expiration or termination, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, and such items of furniture, equipment, business and trade fixtures, free-standing cabinet work, movable partitions and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, and such similar articles of any other persons claiming under Tenant, as Landlord may, in its sole discretion, require to be removed, and Tenant shall repair at its own expense all damage to the Premises and Building resulting from such removal. Notwithstanding anything to the contrary in this Lease, all safes and raised computer flooring, together with any inter-floor stairs installed by or for Tenant, shall be removed and any resulting damage repaired, unless Landlord consents or directs otherwise within ninety (90) days prior to the Expiration Date.

ARTICLE 16

HOLDING OVER

If Tenant holds over after the expiration of the Lease Term or earlier termination thereof, with or without the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Rent shall be payable at a monthly rate equal to twice the Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to-month tenancy shall be subject to every other applicable term, covenant and agreement contained herein other than any option to renew or extend. Nothing contained in this ARTICLE 16 shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this ARTICLE 16 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including any claims made by any succeeding tenant founded upon such failure to surrender and any lost profits to Landlord resulting therefrom.

ARTICLE 17

ESTOPPEL CERTIFICATES

Within ten (10) business days following a request in writing by Landlord, Tenant shall execute, acknowledge and deliver to Landlord an estoppel certificate, which, as submitted by Landlord, shall be substantially in the form of EXHIBIT E, attached hereto (or such other form as may be required by any prospective mortgagee or purchaser of the Project, or any portion thereof), indicating therein any exceptions thereto that may exist at that time, and shall also contain any other information reasonably requested by Landlord or Landlord's mortgagee or prospective mortgagee. Any such certificate may be relied upon by any prospective mortgagee or purchaser of all or any portion of the Project, but shall not modify or amend this Lease as between Landlord and Tenant nor derogate the rights of any mortgagee or purchaser. Tenant shall execute and deliver whatever other instruments may be reasonably required for such purposes. Failure of Tenant to timely execute, acknowledge and deliver such estoppel certificate or other instruments shall constitute an acceptance of the Premises and an acknowledgment by Tenant that statements included in the estoppel certificate are true and correct, without exception.

ARTICLE 18

SUBORDINATION

This Lease shall be subject and subordinate to all present and future ground or underlying leases of the Building or Project and to the lien of any mortgage, trust deed or other encumbrances now or hereafter in force against the

Building or Project or any part thereof, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages, trust deeds or other encumbrances, or the lessors under such ground lease or underlying leases, require in writing that this Lease be superior thereto. Tenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or deed in lieu thereof (or if any ground lease is terminated), to attorn, without any deductions or set-offs whatsoever, to the lienholder or purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof (or to the ground lessor), if so requested to do so by such purchaser or lienholder or ground lessor, and to recognize such purchaser or lienholder or ground lessor as the lessor under this Lease, provided such lienholder or purchaser or ground lessor shall agree to accept this Lease and not disturb Tenant's occupancy, so long as Tenant timely pays the rent and observes and performs the terms, covenants and conditions of this Lease to be observed and performed by Tenant. Landlord's interest herein may be assigned as security at any time to any lienholder. Tenant shall, within ten (10) business days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary to evidence or confirm the subordination or superiority of this Lease to any such mortgages, trust deeds, ground leases or underlying leases. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale whether or not Tenant is included in such proceeding or sale.

ARTICLE 19

DEFAULTS; REMEDIES

19.1 EVENTS OF DEFAULT. The occurrence of any of the following shall constitute a default ("Default") of this Lease by Tenant:

19.1.1 Any failure by Tenant to pay any Rent or any other charge required to be paid under this Lease, or any part thereof, when due unless such failure is cured within five (5) business days after Notice from Landlord by wire transfer, ACH credit, or presentation of a cashier's check drawn on a federally insured bank; or

19.1.2 Except where a specific time period is otherwise set forth for Tenant's performance in this Lease, in which event the failure to perform by Tenant within such time period shall be a Default by Tenant under this SECTION 19.1.2, any failure by Tenant to observe or perform, or any breach of, any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for fifteen (15) days after Notice thereof from Landlord to Tenant; provided that if the nature of such default is such that the same cannot reasonably be cured within a fifteen (15) day period, Tenant shall not be deemed to be in Default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure such Default, but in no event exceeding a period of time in excess of forty-five (45) days after initial Notice thereof from Landlord to Tenant; or

19.1.3 Abandonment of the Premises by Tenant; or

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19.1.4 The failure by Tenant to observe or perform according to the provisions of ARTICLES 5, 14, 17 or 18 of this Lease where such failure continues for more than five (5) business days after Notice from Landlord; or

19.1.5 Tenant's failure to accept delivery of the Premises when tendered by Landlord provided the Premises are in substantial conformity with the conditions set forth in this Lease.

The notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by law, except that if a longer notice period is provided by law, Tenant shall have the benefit of such longer period.

19.2 REMEDIES UPON DEFAULT. Upon the occurrence of any event of Default by Tenant, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity (all of which remedies shall be distinct, separate and cumulative), the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

19.2.1 Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for

possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor provided Landlord shall act in conformity with controlling law; and Landlord may recover from Tenant the following:

(i) The worth at the time of award of the unpaid rent which has been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "RENT" as used in this SECTION 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in SECTIONS 19.2.1(i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the rate set forth in ARTICLE 25 of this Lease, but in no case greater than the maximum amount of such interest permitted by law. As used in SECTION 19.2.1(iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

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19.2.2 Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any Default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

19.2.3 Landlord shall at all times have the rights and remedies (which shall be cumulative with each other and cumulative and in addition to those rights and remedies available under SECTIONS 19.2.1 and 19.2.2, above, or any law or other provision of this Lease), without prior demand or notice except as required by applicable law, to seek any declaratory, injunctive or other equitable relief, and specifically enforce this Lease, or restrain or enjoin a violation or breach of any provision hereof.

19.3 SUBLEASES OF TENANT. Whether or not Landlord elects to terminate this Lease on account of any Default by Tenant, as set forth in this ARTICLE 19, Landlord shall have the right to terminate or renegotiate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises which were not consented to in writing by Landlord, or may, in Landlord's sole discretion, succeed to Tenant's interest in any subleases (consented to or not by Landlord), licenses, concessions or arrangements upon the continuance of an event of monetary Default and prior to Landlord successfully obtaining a judgment in an unlawful detainer action against Tenant. In the event of Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of Notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

19.4 EFFORTS TO RELET. No re-entry or repossession, repairs, maintenance, changes, alterations and additions, reletting, appointment of a receiver to protect Landlord's interests hereunder, or any other action or omission by Landlord shall be construed as an election by Landlord to terminate this Lease or Tenant's right to possession, or to accept a surrender of the Premises, nor shall same operate to release Tenant in whole or in part from any of Tenant's obligations hereunder, unless express Notice of such intention is sent by Landlord to Tenant. Tenant hereby irrevocably waives any right otherwise

available under any law to redeem or reinstate this Lease.

ARTICLE 20

COVENANT OF QUIET TITLE

Landlord covenants that Tenant, on paying the Rent, charges for services and other payments herein reserved and on keeping, observing and performing all the other terms, covenants, conditions, provisions and agreements herein contained on the part of Tenant to be kept, observed and performed, shall, during the Lease Term, peaceably and quietly occupy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof without interference by any persons claiming superior title, whether or not by or through Landlord, other than arising under ARTICLE 18 hereof. The foregoing covenant is in lieu of any other covenant of quiet title and/or quiet enjoyment, express or implied.

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ARTICLE 21

SECURITY DEPOSIT

Concurrently with Tenant's execution of this Lease, Tenant shall deposit with Landlord a security deposit (the "SECURITY DEPOSIT") in the amount set forth in SECTION 8 of the Summary, as security for the faithful performance by Tenant of all of its obligations under this Lease. If Tenant Defaults with respect to any provisions of this Lease, including the provisions relating to the payment of Rent, the removal of property and the repair of resultant damage, Landlord may, without notice to Tenant, but shall not be required to, apply all or any part of the Security Deposit for the payment of any Rent or any other sum then owing and unpaid and Tenant shall, upon demand therefor, restore the Security Deposit to its original amount. Any unapplied portion of the Security Deposit shall be returned to Tenant, or, at Landlord's option, to the last assignee of Tenant's interest hereunder, within sixty (60) days following the expiration of the Lease Term. Tenant shall not be entitled to any interest on the Security Deposit. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, or any successor statute, and all other provisions of law, now or hereafter in effect, which (i) establish the time frame by which a landlord must refund a security deposit under a lease, and/or (ii) provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a tenant or to clean the premises, it being agreed that Landlord may, in addition, claim those sums specified in this Section above and/or those sums reasonably necessary to compensate Landlord for any loss or damage caused by Tenant's default of the Lease, as amended hereby, including all damages or rent due upon termination of this Lease pursuant to Section 1951.2 of the California Civil Code. Landlord may commingle the Security Deposit with its other funds and has no fiduciary duty with respect thereto, the only relationship created being that of debtor and creditor.

ARTICLE 22

SUBSTITUTION OF OTHER PREMISES

Landlord shall have the right to move Tenant to other space in the Building or any future office buildings constructed adjacent to the Building which is reasonably comparable to the Premises in terms of square footage, window line, number of offices, and other general configuration, and all terms hereof shall apply to the new space with equal force; provided that Tenant's then existing monetary obligations under this Lease shall not be increased as a result of such relocation of the Premises. In such event, Landlord shall give Tenant prior Notice of not less than ninety (90) days, shall provide Tenant, at Landlord's sole cost and expense, with tenant improvements at least equal in quality to those in the Premises and shall move Tenant's effects to the new space at Landlord's sole cost and expense at such time and in such manner as to inconvenience Tenant as little as reasonably practicable. In addition, Landlord shall reimburse Tenant for the reasonable out of pocket costs and expenses incurred by Tenant in connection with such relocation (e.g., the costs of IT workers to relocate (but not upgrade) Tenant's IT system and cabling; the costs of moving telephone service (exclusive of new or extra equipment); and the costs of reasonable supplies of replacement stationery), within thirty (30) days of Landlord's receipt of paid invoices therefor and supporting documentation. Simultaneously with such relocation of the Premises, the parties shall immediately execute an amendment to this Lease stating the relocation of the

ARTICLE 23

SIGNS

23.1 TENANT SIGNAGE. The initial Building Standard identifying signage (suite entry sign and lobby directory strip) shall be provided to Tenant by Landlord, at Landlord's cost.

23.2 PROHIBITED SIGNAGE AND OTHER ITEMS. Any signs, notices, logos, pictures, names or advertisements which are installed and that have not been separately approved by Landlord may be removed without notice by Landlord at the sole expense of Tenant, including signage within the Premises but visible from the exterior of the Premises. Tenant may not install any signs on the exterior or roof of the Project or the Common Areas. Any signs, window coverings, or blinds (even if the same are located behind the Landlord-approved window coverings for the Building), or other items visible from the exterior of the Premises or Building, shall be subject to the prior approval of Landlord, in its sole discretion. Tenant may not "tie back" its door or doors to provide additional signage area.

ARTICLE 24

FINANCIAL INFORMATION

At any time during the Lease Term, unless Tenant is publicly owned and posts its financial statements on its webpage, Landlord may require Tenant to provide Landlord with a current financial statement and financial statements of the two (2) years prior to the current financial statement year. Such statements shall be prepared in accordance with generally accepted accounting principles and, if required by law, shall be audited by an independent certified public accountant.

ARTICLE 25

LATE CHARGES

If any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) business days after its due date, then Tenant shall pay to Landlord a late charge equal to ten percent (10%) of the overdue amount plus any reasonable attorneys' fees incurred by Landlord by reason of Tenant's failure to pay Rent and/or other charges when due hereunder. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing hereunder which are not paid within ten (10) days after the date they are due shall bear interest from the date when due until paid at a rate per annum equal to the lesser of (i) the annual "BANK PRIME LOAN" rate cited in the Federal Reserve Statistical Release Publication H.15 (519), published on Monday of each calendar week, or the then-current equivalent of such publication (or such other comparable index as Landlord and Tenant shall reasonably agree upon if such rate ceases to be published) plus two (2) percentage points, and (ii) the highest rate permitted by applicable law.

ARTICLE 26

LANDLORD'S RIGHT TO CURE DEFAULT; PAYMENTS BY TENANT

26.1 LANDLORD'S CURE. All covenants and agreements to be kept or performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any reduction of Rent, except to the extent, if any, otherwise expressly provided herein. If Tenant shall fail to perform any obligation under this Lease, and such failure shall continue in excess of the

time allowed under SECTION 19.1.2, above, unless a specific time period is otherwise stated in this Lease, Landlord may, but shall not be obligated to, make any such payment or perform any such act on Tenant's part without waiving its rights based upon any Default of Tenant and without releasing Tenant from any obligations hereunder.

26.2 TENANT'S REIMBURSEMENT. Except as may be specifically provided to the contrary in this Lease, Tenant shall pay to Landlord, upon delivery by Landlord to Tenant of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by Landlord in connection with the remedying by Landlord of Tenant's Defaults pursuant to the provisions of SECTION 26.1; (ii) sums equal to all losses, costs, liabilities, damages and expenses referred to in ARTICLE 10 of this Lease; and (iii) sums equal to all expenditures made and obligations incurred by Landlord in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Landlord under this Lease or pursuant to law, including all reasonable legal fees and other amounts so expended. Tenant's obligations under this SECTION 26.2 shall survive the expiration or sooner termination of the Lease Term.

ARTICLE 27

ENTRY BY LANDLORD

Landlord reserves the right at all reasonable times and upon reasonable Notice to Tenant (except in the case of an emergency) to enter the Premises to (i) inspect them; (ii) show the Premises to prospective purchasers, to current or prospective mortgagees, ground or underlying lessors or insurers and, during the last twelve (12) months of the Lease Term, to prospective tenants; (iii) post notices of nonresponsibility; or (iv) alter, improve or repair the Premises or the Building, or for structural alterations, repairs or improvements to the Building or the Building's systems and equipment. Notwithstanding anything to the contrary contained in this ARTICLE 27, Landlord may enter the Premises at any time to (A) perform services required of Landlord, including janitorial service; (B) take possession due to any breach of this Lease in any lawful manner; and (C) perform any covenants of Tenant which Tenant fails to perform. Landlord may make any such entries without the abatement of Rent, except as otherwise provided in this Lease, and may take such reasonable steps as required to accomplish the stated purposes. Tenant hereby waives any claims for damages or for any injuries or inconvenience to or interference with Tenant's business, lost profits, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the above purposes, Landlord shall at all times have a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes and reasonably sized and located special security areas designated in advance by Tenant and approved by Landlord. In an emergency, Landlord shall have the right to use any means that Landlord may deem proper to open the doors in and to the Premises. Any entry into the Premises by Landlord in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises. No provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed to be performed by Landlord herein.

ARTICLE 28

TENANT PARKING

Tenant shall rent from Landlord, commencing on the Commencement Date, the amount of parking spaces set forth in SECTION 9 of the Summary, on a monthly basis throughout the Lease Term, which parking spaces shall pertain to parking on a first-come, first-served, as available basis in the Project parking facility. Tenant shall not use any space to park more than one vehicle at a time. Tenant may surrender spaces on not less than thirty (30) days prior Notice

at which time Tenant's right to re-rent such space shall expire. The location of the reserved parking spaces, if any, shall be designated by Landlord. Tenant shall pay monthly fees for all parking spaces rented by Tenant, on a monthly basis together with Base Rent, at the prevailing rate charged from time to time. In addition, Tenant shall be responsible for any increases in taxes imposed by any governmental authority in connection with the renting of such parking spaces by Tenant or the use of the parking facility by Tenant regardless of whether

Landlord charges Tenant for such parking separately or at all. Tenant's continued right to use the parking spaces is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the parking facility where the parking spaces are located (including any sticker or other identification system established by Landlord and the prohibition of vehicle repair and maintenance activities in the Project's parking facilities), Tenant's cooperation in seeing that Tenant's employees and visitors also comply with such rules and regulations and Tenant not being in Default under this Lease. Neither Tenant nor its employees shall park automobiles in the Project parking facility overnight. All vehicles parked in the Project parking facility must be properly licensed in accordance with the laws of the State in which the Project is located and in operable condition. No oversized vehicles, commercial vehicles or vehicles which would damage the surface of the Project parking facility, shall be permitted to use the Project parking facility. Tenant's use of the Project parking facility shall be at Tenant's sole risk and Tenant acknowledges and agrees that Landlord shall have no liability whatsoever for damage to the vehicles of Tenant, its employees and/or visitors, or for other personal injury or property damage or theft relating to or connected with the parking rights granted herein or any of Tenant's, its employees' and/or visitors' use of the parking facilities. Tenant's rights hereunder are subject to the terms of any Underlying Documents. Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Project parking facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, close-off or restrict access to the Project parking facility for purposes of permitting or facilitating any such construction, alteration or improvements. Landlord may issue a total number of unreserved spaces for the Project parking facility based on past usage patterns rather than limiting spaces to the number of spaces. Landlord may delegate its responsibilities hereunder to a parking operator in which case such parking operator shall have all the rights of control attributed hereby to the Landlord and, at Landlord's sole discretion, the monthly fees for parking spaces may be billed by and paid to the parking operator. The parking spaces rented by Tenant pursuant to this ARTICLE 28 are provided to Tenant solely for use by Tenant's own personnel and such spaces may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval. Tenant may validate visitor parking by such method or methods as the Landlord may establish, at the validation rate from time to time generally applicable to visitor parking. Landlord may cancel parking spaces which remain unused for ninety (90) days or more.

ARTICLE 29

MISCELLANEOUS PROVISIONS

29.1 TERMS; CAPTIONS. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. Whenever the words "including", "include" or "includes" are used in this Lease, they should be interpreted in a non-exclusive manner. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

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29.2 BINDING EFFECT. Subject to all other provisions of this Lease, each of the covenants, conditions and provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective heirs, personal representatives, successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of ARTICLE 14 of this Lease.

29.3 NO AIR RIGHTS. No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease. If at any time any windows of the Premises are temporarily darkened or the light or view therefrom is obstructed by reason of any repairs, improvements, maintenance or cleaning in or about the Project, the same shall be without liability to Landlord and without any reduction or diminution of Tenant's obligations under this Lease.

29.4 MODIFICATION OF LEASE. Should any current or prospective mortgagee or ground lessor for the Building or Project require a modification of this Lease, which modification will not cause an increased cost or expense to Tenant or in any other way materially and adversely change the rights and obligations of Tenant hereunder, then and in such event, Tenant agrees that this Lease may be so modified and agrees to execute whatever documents are reasonably required therefor and to deliver the same to Landlord within ten (10) business days following a request therefor provided such undertaking shall be at Landlord's

sole cost and expense. At the request of Landlord or any mortgagee or ground lessor, Tenant agrees to execute a short form of Lease and deliver the same to Landlord within ten (10) business days following the request therefor provided such undertaking, and any legal costs associated therewith and actually incurred by Landlord are at Landlord's sole cost and expense.

29.5 TRANSFER OF LANDLORD'S INTEREST. Tenant acknowledges that Landlord has the right to transfer all or any portion of its interest in the Project or Building and in this Lease, and Tenant agrees that in the event of any such transfer, Landlord shall automatically be released from all liability under this Lease and Tenant agrees to look solely to such transferee for the performance of Landlord's obligations hereunder after the date of transfer and such transferee shall be deemed to have fully assumed and be liable for all obligations of this Lease to be performed by Landlord, including the return of any Security Deposit, and Tenant shall attorn to such transferee.

29.6 PROHIBITION AGAINST RECORDING. Except as provided in SECTION 29.4 of this Lease, neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under or on behalf of Tenant.

29.7 LANDLORD'S TITLE. Landlord's title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord.

29.8 RELATIONSHIP OF PARTIES. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant.

29.9 APPLICATION OF PAYMENTS. Landlord shall have the right to apply payments received from Tenant pursuant to this Lease, regardless of Tenant's designation of such payments, to satisfy any obligations of Tenant hereunder, in such order and amounts as Landlord, in its sole discretion, may elect.

29.10 TIME OF ESSENCE. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

29.11 PARTIAL INVALIDITY. If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

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29.12 NO WARRANTY. In executing and delivering this Lease, Tenant has not relied on any representations, including any representation as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Landlord is furnishing the same services to other tenants, at all, on the same level or on the same basis, or any warranty or any statement of Landlord which is not set forth herein or in one or more of the exhibits attached hereto.

29.13 LANDLORD EXCULPATION. The liability of Landlord or the Landlord Parties to Tenant for any default by Landlord under this Lease or arising in connection herewith or with Landlord's operation, management, leasing, repair, renovation, alteration or any other matter relating to the Project or the Premises shall be limited solely and exclusively to Landlord's right, title and interest in the Building and rents therefrom and no other property of Landlord. Neither Landlord, nor any of the Landlord Parties shall have any personal liability therefor, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant. The limitations of liability contained in this SECTION 29.13 shall inure to the benefit of Landlord's and the Landlord Parties' present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner of Landlord (if Landlord is a partnership), or trustee or beneficiary (if Landlord or any partner of Landlord is a trust), have any liability for the performance of Landlord's obligations under this Lease. Notwithstanding any contrary provision herein, neither Landlord nor the Landlord Parties shall be liable under any circumstances for injury or damage to, or interference with, Tenant's business, including loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

29.14 ENTIRE AGREEMENT. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease constitutes the parties' entire agreement with respect to the leasing of the Premises and supersedes and cancels any and all previous negotiations,

arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. None of the terms, covenants, conditions or provisions of this Lease can be modified, deleted or added to except in writing signed by the parties hereto.

29.15 RIGHT TO LEASE. Landlord reserves the absolute right to effect such other tenancies in the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Building or Project. Tenant does not rely on the fact, nor does Landlord represent, that any specific tenant or type or number of tenants shall, during the Lease Term, occupy any space in the Building or Project.

29.16 FORCE MAJEURE. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease (collectively, a "FORCE MAJEURE"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

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29.17 WAIVER OF REDEMPTION BY TENANT. Tenant hereby waives, for Tenant and for all those claiming under Tenant, any and all rights now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Tenant's right of occupancy of the Premises after any termination of this Lease.

29.18 NOTICES. All notices, demands, statements, designations, approvals or other communications (collectively, "NOTICE") given or required to be given by either party to the other hereunder or by law shall be in writing, shall be (A) sent by United States certified or registered mail, postage prepaid, return receipt requested ("MAIL"), (B) transmitted by telecopy, if such telecopy is promptly followed by a Notice sent by Mail, (C) delivered by a nationally recognized overnight courier, or (D) delivered personally. Any Notice shall be sent, transmitted, or delivered, as the case may be, to Tenant at the appropriate address set forth in SECTION 10 of the Summary, or to such other place as Tenant may from time to time designate in a Notice to Landlord, or to Landlord at the addresses set forth in SECTION 11 of the Summary, or to such other places as Landlord may from time to time designate in a Notice to Tenant. Any Notice will be deemed given (i) three (3) days after the date it is posted if sent by Mail, (ii) the date the telecopy is transmitted, (iii) the date the overnight courier delivery is made, or (iv) the date personal delivery is made.

29.19 JOINT AND SEVERAL. If there is more than one Tenant, the obligations imposed upon Tenant under this Lease shall be joint and several.

29.20 AUTHORITY. If Tenant is a corporation, trust or partnership, each individual executing this Lease on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in the State in which the Project is located and that Tenant has full right and authority to execute and deliver this Lease and that each person signing on behalf of Tenant is authorized to do so. In such event, Tenant shall, within ten (10) days after execution of this Lease, deliver to Landlord satisfactory evidence of such authority and, if a corporation, upon demand by Landlord, also deliver to Landlord satisfactory evidence of (i) good standing in Tenant's state of incorporation and (ii) qualification to do business in the State in which the Project is located.

29.21 ATTORNEYS' FEES. In the event that either Landlord or Tenant should bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provision of this Lease or for any other relief against the other, then all costs and expenses, including reasonable attorneys', experts' and arbitrators' fees and costs, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

29.22 GOVERNING LAW; WAIVER OF TRIAL BY JURY. This Lease shall be construed and enforced in accordance with the laws of the State in which the Project is located. IN ANY ACTION OR PROCEEDING ARISING HEREFROM, LANDLORD AND TENANT HEREBY CONSENT TO (I) THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE STATE IN WHICH THE PROJECT IS LOCATED, (II) SERVICE OF PROCESS BY ANY MEANS AUTHORIZED BY THE LAW OF THE STATE IN WHICH THE PROJECT IS LOCATED, AND (III) IN THE INTEREST OF SAVING TIME AND EXPENSE, TRIAL WITHOUT A JURY IN ANY ACTION,

PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR THEIR SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF BASE RENT OR ADDITIONAL RENT, TENANT

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SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) IN ANY SUCH PROCEEDING OR ACTION, BUT SHALL BE RELEGATED TO AN INDEPENDENT ACTION AT LAW. THE PARTIES ACKNOWLEDGE AND UNDERSTAND THAT THE FOREGOING WAIVER MAY NOT BE CURRENTLY ENFORCEABLE, BUT INTEND THAT IT SHOULD BE ENFORCEABLE SHOULD CURRENT LAW EITHER PERMIT ITS ENFORCEABILITY OR HEREAFTER CHANGE TO PERMIT ITS ENFORCEABILITY.

29.23 SUBMISSION OF LEASE. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of, option for or option to lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

29.24 BROKERS. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the real estate brokers or agents specified in SECTION 13 of the Summary (the "BROKERS"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Landlord agrees to indemnify and defend Tenant against and hold Tenant harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Brokers, occurring by, through, or under Landlord and Tenant agrees to indemnify and defend the Landlord Parties against and hold them harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Brokers, occurring by, through, or under Tenant. Landlord agrees to pay a brokerage commission to Brokers in accordance with the terms of a separate written commission agreement(s) to be entered into between Landlord and Brokers.

29.25 INDEPENDENT COVENANTS. This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to any setoff of the Rent or other amounts owing hereunder against Landlord.

29.26 PROJECT OR BUILDING NAME AND SIGNAGE. Landlord shall have the right at any time to change the name of the Project or Building and to install, affix and maintain any and all signs on the exterior and on the interior of the Project or Building as Landlord may, in Landlord's sole discretion, desire. Tenant shall not use the name of the Project or Building or use pictures or illustrations of the Project or Building in advertising or other publicity or for any purpose other than as the address of the business to be conducted by Tenant in the Premises, without the prior written consent of Landlord.

29.27 COUNTERPARTS. This Lease may be executed in counterparts with the same effect as if both parties hereto had executed the same document. Both counterparts shall be construed together and shall constitute a single lease.

29.28 CONFIDENTIALITY. Tenant acknowledges that the content of this Lease and any related documents are confidential information. Except as required by law or regulation applicable to Tenant, Tenant shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Tenant's financial, legal, and space planning consultants.

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29.29 BUILDING RENOVATIONS. It is specifically understood and agreed that Landlord has no obligation and has made no promises to alter, remodel, improve, renovate, repair or decorate the Premises, Building, or any part thereof and that no representations respecting the condition of the Premises or the Building have been made by Landlord to Tenant except as specifically set forth herein or in the Addendum to Lease. However, Tenant hereby acknowledges that Landlord is currently renovating or may during the Lease Term renovate, improve, alter, or modify (collectively, the "RENOVATIONS") the Project, the Building and/or the Premises. Tenant hereby agrees that such Renovations shall

in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of Rent. Landlord shall have no responsibility and shall not be liable to Tenant for any injury to or interference with Tenant's business arising from the Renovations, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or of Tenant's personal property or improvements resulting from the Renovations, or for any inconvenience or annoyance occasioned by such Renovations.

29.30 NO VIOLATION. Tenant hereby warrants and represents that neither its execution of nor performance under this Lease shall cause Tenant to be in violation of any agreement, instrument, contract, law, rule or regulation by which Tenant is bound, and Tenant shall protect, defend, indemnify and hold Landlord harmless against any claims, demands, losses, damages, liabilities, costs and expenses, including reasonable attorneys' fees and costs, arising from Tenant's breach of this warranty and representation.

29.31 COMMUNICATIONS AND COMPUTER LINES. Tenant may install, maintain, replace, remove or use any communications or computer wires and cables serving the Premises (collectively, the "LINES"), provided that (i) Tenant shall obtain Landlord's prior written consent, use an experienced and qualified contractor approved in writing by Landlord, and comply with all of the other provisions of ARTICLES 7 and 8 of this Lease, (ii) an acceptable number of spare Lines and space for additional Lines shall be maintained for existing and future occupants of the Project, as determined in Landlord's reasonable opinion, (iii) the Lines therefor (including riser cables) shall be appropriately insulated to prevent excessive electromagnetic fields or radiation, shall be surrounded by a protective conduit reasonably acceptable to Landlord, and shall be identified in accordance with the "Identification Requirements," as that term is set forth hereinbelow, (iv) any new or existing Lines servicing the Premises shall comply with all applicable governmental laws and regulations, (v) as a condition to permitting the installation of new Lines, Landlord may require that Tenant remove existing Lines located in or serving the Premises and repair any damage in connection with such removal, and (vi) Tenant shall pay all costs in connection therewith. All Lines shall be clearly marked with adhesive plastic labels using long-life adhesive (or plastic tags attached to such Lines with wire) to show Tenant's name, suite number, telephone number and the name of the person to contact in the case of an emergency (A) every four feet (4') outside the Premises (specifically including the electrical room risers and other Common Areas), and (B) at the Lines' termination point(s) (collectively, the "IDENTIFICATION REQUIREMENTS"). Notwithstanding anything to the contrary contained in this Lease, unless otherwise instructed by Landlord (by Notice to Tenant), Tenant shall, at Tenant's sole cost and expense, prior to the expiration or earlier termination of this Lease, remove any Lines located in or serving the Premises (and repair any resulting damage).

29.32 TRANSPORTATION MANAGEMENT. Tenant shall fully comply with all present or future programs intended to manage parking, transportation or traffic in and around the Project and/or the Building, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord, any governmental transportation management organization or any other transportation-related committees or entities. Such programs may include, without limitation: (i) restrictions on the number of peak-hour vehicle trips generated by Tenant; (ii) increased vehicle occupancy; (iii) implementation of an in-house ridesharing program and an employee transportation coordinator; (iv) working with employees and any Project, Building or area-wide ridesharing program manager; (v) instituting employer-sponsored incentives (financial or in-kind) to encourage employees to rideshare; and (vi) utilizing flexible work shifts for employees.

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29.33 DEVELOPMENT OF THE PROJECT.

29.33.1 SUBDIVISION. Landlord reserves the right to further subdivide (including lot line adjustment) all or a portion of the Project and to relocate parking in connection therewith. Tenant agrees to execute and deliver, upon demand by Landlord and in the form requested by Landlord, any additional documents needed to conform this Lease to the circumstances resulting from such subdivision.

29.33.2 THE OTHER IMPROVEMENTS. If portions of the Project or property adjacent to the Project (collectively, the "OTHER IMPROVEMENTS") are owned by an entity other than Landlord, Landlord, at its option, may enter into an agreement with the owner or owners of any or all of the Other Improvements to provide (i) for reciprocal rights of access and/or use of the Project and the Other Improvements, (ii) for the common management, operation, maintenance, improvement and/or repair of all or any portion of the Project and the Other Improvements, provided that Tenant's rights under this Lease are not materially impaired, (iii) for the allocation of a portion of the Direct Expenses to the Other Improvements and for the allocation of a portion of the insurance expenses, operating expenses and tax expenses for the Other Improvements to the Project, and (iv) for the use or improvement of the Other Improvements and/or

the Project in connection with the improvement, construction, and/or excavation of the Other Improvements and/or the Project. Nothing contained herein shall be deemed or construed to limit or otherwise affect Landlord's right to convey all or any portion of the Project or any other of Landlord's rights described in this Lease.

29.33.3 CONSTRUCTION OF PROJECT AND OTHER IMPROVEMENTS. Tenant acknowledges that portions of the Project and/or the Other Improvements may be subject to demolition or construction following Tenant's occupancy of the Premises, and that such construction may result in levels of noise, dust, obstruction of access, etc. which are in excess of that present in a fully constructed project. Tenant hereby waives any and all rent offsets or claims of constructive eviction which may arise in connection with such demolition or construction.

29.34 USA PATRIOT ACT.

29.34.1 CERTIFICATION. Tenant hereby agrees to pay any reasonable out of pocket costs (government fees, investigation or verification fees) incurred by Landlord in connection with compliance with the USA Patriot Act and hereby certifies to Landlord that:

(a) Tenant (which, for purposes of the certification contained in this SECTION 29.34.1, includes its partners, subpartners, members, parent organizations, affiliates, subsidiaries, principal shareholders and any other constituent entities, and their respective officers, directors, contractors, agents, servants, employees, licensees and invitees) is not in violation of any laws, executive orders or regulations relating to terrorism or money laundering, including Executive Order No. 13224 - Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001 (the "EXECUTIVE ORDER") and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT ACT) of 2001 (Public Law 107-56), enacted October 26, 2001, as amended (the "USA PATRIOT Act");

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(b) Tenant has not been designated as a "Specially Designated National and Blocked Person" or other banned or blocked person, entity, nation or transaction pursuant to the Executive Order, the USA Patriot Act or any other law, order, rule, or regulation, and Tenant does not appear on any of the following lists: (i) the two (2) lists maintained by the United States Department of Commerce (Denied Persons and Entities; the Denied Persons list can be found at <http://www.bis.doc.gov/DPL/thedeniallist.asp>; the Entity List can be accessed from <http://www.bis.doc.gov/Entities/Default.htm>); (ii) the list maintained by the United States Department of Treasury (Specially Designated Nationals and Blocked Persons, which can be found at <http://www.ustreas.gov/ofac/tllsdn.pdf>); (iii) the two (2) lists maintained by the United States Department of State (Terrorist Organizations and Debarred Parties; the State Department List of Terrorists can be found at <http://www.state.gov/s/ct/rls/fs/2001/6531.htm>; the List of Debarred Parties can be found at <http://www.pmdtc.org/debar059.htm>); and (iv) any other list of terrorists, terrorist, organizations or narcotics traffickers maintained pursuant to any of the rules and regulations of the Office of Foreign Assets Control of the United States Department of the Treasury, or by any other government or agency thereof (any such designated or listed person, entity, nation or transaction being referred to herein as a "DESIGNATED PERSON OR ENTITY");

(c) Tenant is currently in compliance with and will at all times during the Lease Term (including any extension thereof) remain in compliance with the Executive Order, the USA Patriot Act and regulations of the Office of Foreign Assets Control of the United States Department of the Treasury, and any statute, executive order and other governmental action relating thereto; and

(d) Tenant is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any Designated Person or Entity.

29.34.2 INDEMNIFICATION. Tenant hereby agrees to indemnify, defend, protect and hold harmless the Landlord Parties harmless from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorneys' fees and costs) arising from or related to any breach of the certification contained in SECTION 29.34.1, above.

29.34.3 RIGHT TO CANCEL LEASE. Landlord reserves the right to terminate this Lease in the event this transaction is now or hereafter

prohibited by the USA Patriot Act or other Laws.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

LANDLORD:
- - - - -

TENANT:
- - - - -

GLENBOROUGH AVENTINE, LLC,
a Delaware limited liability company

AETHLON MEDICAL, INC.,

a NEVADA CORPORATION

By: /s/ Michael Steele

Its EVP/COO

By: /s/ James A. Joyce

Name: James A. Joyce
Title: CEO

By: _____
Name: _____
Title: _____

ADDENDUM TO LEASE
by and between
GLENBOROUGH AVENTINE, LLC,
a Delaware limited liability company,
("Landlord")
and
AETHLON MEDICAL, INC,
a Nevada corporation
("Tenant")

DATED AS OF: September 16, 2009

30. RIGHT OF FIRST OFFER (ONE-TIME) ON CONTIGUOUS SPACE.

Section 30 adds to and amends this Lease as follows:

Tenant shall have the following right of first offer (the "ROFO") to lease either adjacent suite (Suite 250 and/or Suite 265) (each such suite, a "ROFO Space") at the time that either ROFO Space is ready for listing:

- (a) "Ready for listing" means the existing tenant has elected to not renew or extend its lease or the existing tenant's lease has been terminated early (however, Landlord shall not be precluded from extending or renewing an existing tenant whether or not such tenant has an option to extend or renew), that the ROFO Space is not subject to a pre-existing expansion right existing in another tenant (unless such right is waived or expires), and that Landlord has listed or intends to list, within not later than one (1) month, the ROFO Space on any listing service or has given or intends to give, within not later than one (1) month, the ROFO Space to Landlord's broker to lease. Any ROFO Space vacant as of the date of this Lease shall not be considered ROFO Space, unless such space is first leased to a third party and then subsequently becomes available.
- (b) Tenant can decline or fail to lease one of the ROFO Spaces and will still be offered the other one, but will not be re-offered a ROFO Space once such ROFO Space has been offered to, but not leased by, Tenant.
- (c) Landlord shall endeavor to give Notice to Tenant (the "ROFO Notice") not later than five (5) business days after any ROFO Space is ready for listing, but may give the ROFO Notice up to one (1) month prior to it being ready for listing.
- (d) The ROFO Notice shall specify Landlord's proposed terms of lease for the ROFO Space under consideration, based on expansions for similar class A buildings in the submarket (UTC) in which the Premises are located, which may be different from those governing Tenant's lease of its existing Premises.
- (e) Landlord is not required to offer the ROFO Space to Tenant if Tenant is in arrears of Rent at the time the ROFO Notice would otherwise be given, or if this Lease has expired or been terminated. If a ROFO Notice has already been given, this right of first offer may not be exercised while Tenant is in arrears of Rent or if this Lease expires or is terminated.
- (f) Tenant may accept, within not more than five (5) days of receipt of the ROFO Notice, the business terms specified in Landlord's ROFO Notice, based on expansions for similar class A buildings in the submarket in which the

Premises are located, in which case the parties shall execute an amendment to this Lease on Landlord's standard form to add the ROFO Space to the Premises on the agreed terms. If Tenant rejects Landlord's offer or fails to respond within the time specified herein, Landlord may freely lease the ROFO Space which was offered to Tenant and the ROFO expires as to such space.

- (g) Neither party to this Lease shall have the right to have a court or other third party set the rent or any other terms, covenants, or conditions of the lease of the ROFO Space.
- (h) This ROFO is granted to the Tenant originally named in this Lease and to no other, and is personal as to such entity and shall not be exercised or assigned, voluntarily or involuntarily, by or to anyone or any other entity other than by an assignee of an assignment for which Landlord's consent was not required, if any assignees are in such class. Any other assignment of either this right of first offer without Landlord's prior written consent shall be null and void and, at Landlord's election, shall constitute a default under the Lease.

31. SINGLE OPTION TO EXTEND FOR THREE YEARS.

Section 31 adds to and amends this Lease as follows:

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Landlord hereby grants to Tenant the following single option to extend the Term of this Lease (herein, the "Option to Extend") for one (1) additional three (3) year period on the following terms, covenants, and conditions:

- (a) This Option to Extend is for single three (3) year period (the "Extended Term") beyond the Expiration Date for the initial Term of this Lease, and shall be on the same terms, covenants, and conditions set forth in this Lease except for Base Rent, which shall be revised as set forth below, and except that this Option to Extend, once exercised, may not be exercised again, and may not be exercised while Tenant is in default, if the Lease has expired or been terminated, or after the initial Lease Term.
- (a) Tenant must exercise this Option to Extend Term, if at all, by giving written Notice of exercise ("Option Exercise Notice") not more than twelve (12) and not less than nine (9) months prior to the Expiration Date for the initial Lease Term. If the Lease Term is hereafter extended by agreement of the parties and not by exercise of the applicable Option to Extend, the applicable and any remaining Option to Extend shall be of no further force or effect.
- (b) Base Rent at the commencement of an Extended Term shall be adjusted to fair market Base Rent, as of the commencement of such Extended Term, for renewals of comparable term and space in the Building or in similar class buildings in the submarket in which the Premises are located if there has not been recent renewal activity in the Building, but shall not be less than Base Rent in the last year of the then-current Term, with a 3% increase at the outset and annually thereafter.
- (c) The parties shall have fifteen (15) days after Landlord receives the Option Exercise Notice in which to agree on Base Rent, determined as set forth in the preceding Subsection, during the applicable Extended Term. If the parties agree on the Base Rent for the Extended Term during such fifteen (15) day period, they shall immediately execute an amendment to this Lease stating the new Base Rent.
- (d) If the parties are unable to agree on Base Rent for the Extended Term within such fifteen (15) day period, the Option Exercise Notice shall be of no effect and this Lease shall expire on the Expiration Date for the then-current Lease Term. Neither party to this Lease shall have the right to have a court or other third party set the Base Rent or force an extension of Term.
- (b) These Options to Extend are granted by Landlord to the Tenant originally named in this Lease and to no other, and are personal as to such entity and shall not be exercised or assigned, voluntarily or involuntarily, by or to anyone or any other entity, except to an assignee for which Landlord's consent to assignment is not required. Any other assignment of these Options to Extend without Landlord's prior written consent shall be null and void and, at Landlord's election, shall constitute a default under the Lease. Landlord's consent to an assignment of this Lease shall not also constitute consent to assignment of the Option to Extend unless to Extend is expressly included in Landlord's consent. An Option to Extend may in any case only be exercised by the then-current Tenant hereunder.

32. ONE (1) SPORTING CLUB MEMBERSHIPS FOR ONE YEAR.

Section 32 adds to and amends this Lease as follows:

Landlord shall provide or pay for the costs of one (1) Sporting Club membership for an employee designated by Tenant for one (1) year. Such employee shall be responsible for any additional costs associated with such memberships (E.G., lockers, towels, etc.) and for the cost of any upgrade over the executive level membership. Such membership must start within not later than 90 days after the Commencement Date.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Addendum to Lease as of the date first above written.

LANDLORD:

GLENBOROUGH AVENTINE, LLC,
a Delaware limited liability company

By: /s/ Michael Steele

Its EVP/COO

TENANT:

AETHLON MEDICAL, INC.,
a Nevada corporation

By: /s/ James A. Joyce

Name: James A. Joyce

Title: CEO

By: _____
Name: _____
Title: _____

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EXHIBIT A

THE AVENTINE, 8910 UNIVERSITY CENTER LANE, SAN DIEGO, CA 92122

OUTLINE OF PREMISES - SEE ATTACHED.

EXHIBIT A
-1-

EXHIBIT B

THE AVENTINE, 8910 UNIVERSITY CENTER LANE, SAN DIEGO, CA 92122

RULES AND REGULATIONS

Tenant shall faithfully observe and comply with the following Rules and Regulations. Landlord shall not be responsible to Tenant for the nonperformance of any of said Rules and Regulations by or otherwise with respect to the acts or omissions of any other tenants or occupants of the Project. In the event of any conflict between the Rules and Regulations and the other provisions of this Lease, the latter shall control.

1. "BUILDING HOURS": 8:00 A.M. - 6:00 P.M. WEEKDAYS
8:00 A.M. - 1:00 P.M. SATURDAYS

2. Tenant shall not alter or reprogram any lock or install any new or additional locks or bolts on any doors or windows of the Premises, interior or entry door, without obtaining Landlord's prior written consent. Tenant shall bear the cost of any lock changes or repairs required by Tenant. Omni codes will be furnished by Landlord for the Premises. Upon the termination of this Lease, Tenant shall restore to Landlord any keys or swipe cards and Landlord shall change any omni codes. Landlord may charge a reprogramming fee to change omni codes.

3. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises, and except that Landlord may permit some tenants to keep their doors open but only using a magnetic hold-open system, which is tied into the fire system. In the event of a fire, such doors must be free to automatically close.

4. Landlord reserves the right to close and keep locked all entrance and exit doors of the Building during such hours as are customary for comparable buildings in the vicinity of the Building. Tenant, its employees and agents must be sure that the doors to the Building are securely closed and locked when leaving the Premises if it is after the normal hours of business for the Building. Any tenant, its employees, agents or any other persons entering or leaving the Building at any time when it is so locked, or any time when it is considered to be after normal business hours for the Building, may be required to sign the Building register. Access to the Building may be refused unless the person seeking access has proper identification or has a previously arranged pass for access to the Building. Landlord will furnish passes to persons for whom Tenant requests same in writing. Tenant shall be responsible for all persons for whom Tenant requests passes and shall be liable to Landlord for all acts of such persons. The Landlord and his agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building or the Project during the continuance thereof by any means it deems appropriate for the safety and protection of life and property.

5. No furniture, freight or equipment of any kind shall be brought into the Building without prior notice to Landlord. All moving activity into or out of the Building shall be scheduled with Landlord and done only at such time and in such manner as Landlord designates. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy property brought into the Building and also the times and manner of moving the same in and out of the Building. Safes and other heavy objects shall, if considered

EXHIBIT B

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necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property in any case. Any damage to any part of the Building, its contents, occupants or visitors by moving or maintaining any such safe or other property shall be the sole responsibility and expense of Tenant.

6. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours, in such specific elevator and by such personnel as shall be designated by Landlord.

7. The requirements of Tenant will be attended to only upon application at the management office for the Project or at such office location designated by Landlord. Employees of Landlord shall not perform any work or do anything outside their regular duties unless under special instructions from Landlord.

8. No sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on any part of the Premises or the Building without the prior written consent of the Landlord. Tenant shall not disturb, solicit, peddle, or canvass any occupant of the Project and shall cooperate with Landlord and its agents of Landlord to prevent same.

9. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose servants, employees, agents, visitors or licensees shall have caused same.

10. Tenant shall not overload the floor of the Premises, nor mark, drive nails or screws, or drill into the partitions, woodwork or drywall or in any way deface the Premises or any part thereof without Landlord's prior written consent. Tenant shall not purchase spring water, ice, towel, linen, maintenance or other like services from any person or persons not approved by Landlord.

11. Except for vending machines intended for the sole use of Tenant's employees and invitees, no vending machine or machines other than fractional horsepower office machines shall be installed, maintained or operated upon the Premises without the written consent of Landlord.

12. Tenant shall not use or keep in or on the Premises, the Building, or the Project any kerosene, gasoline or other inflammable or combustible fluid, chemical, substance or material.

13. Tenant shall not without the prior written consent of Landlord use any method of heating or air conditioning other than that supplied by Landlord.

14. Tenant shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in or on the Premises, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Project by reason of noise, odors, or vibrations, or interfere with other tenants or those having business therein, whether by the use of any musical instrument, radio, phonograph, or in any other way. Tenant shall not throw anything out of doors, windows or skylights or down passageways.

15. Tenant shall not bring into or keep within the Project, the Building or the Premises any animals, birds, aquariums, or, except in areas designated by Landlord, bicycles or other vehicles.

16. No cooking shall be done or permitted on the Premises, nor shall the Premises be used for the storage of merchandise, for lodging or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, Underwriters' laboratory-approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages for employees and visitors, provided that such use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

EXHIBIT B
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17. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the use of the Premises provided for in the Summary. Tenant shall not occupy or permit any portion of the Premises to be occupied as an office for a messenger-type operation or dispatch office, public stenographer or typist, or for the manufacture or sale of liquor, narcotics, or tobacco in any form, or as a medical office, or as a barber or manicure shop, or as an employment bureau without the express prior written consent of Landlord. Tenant shall not engage or pay any employees on the Premises except those actually working for such tenant on the Premises nor advertise for laborers giving an address at the Premises.

18. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations.

19. Tenant, its employees and agents shall not loiter in or on the entrances, corridors, sidewalks, lobbies, courts, halls, stairways, elevators, vestibules or any Common Areas for the purpose of smoking tobacco or other smoking products or for any other purpose, nor in any way obstruct such areas, and shall use them only as a means of ingress and egress for the Premises. Landlord shall designate limited smoking areas for employees.

20. Tenant shall not waste electricity, water or air conditioning and agrees to cooperate fully with Landlord to ensure the most effective operation of the Building's heating and air conditioning system, and shall refrain from attempting to adjust any controls.

21. Tenant shall store all its trash and garbage within the interior of the Premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary

and customary manner of removing and disposing of trash and garbage in the vicinity of the Building without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entry-ways and elevators provided for such purposes at such times as Landlord shall designate.

22. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

23. Any persons employed by Tenant to do janitorial work shall be subject to the prior written approval of Landlord, and while in the Building and outside of the Premises, shall be subject to and under the control and direction of the Building manager (but not as an agent or servant of such manager or of Landlord), and Tenant shall be responsible for all acts of such persons.

24. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord, and no curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises other than Landlord standard drapes. All electrical ceiling fixtures hung in the Premises or spaces along the perimeter of the Building must be fluorescent and/or of a quality, type, design and a warm white bulb color approved in advance in writing by Landlord. Neither the interior nor exterior of any windows shall be coated or otherwise sunscreened without the prior written consent of Landlord. Tenant shall abide by Landlord's regulations concerning the opening and closing of window coverings which are attached to the windows in the Premises, if any, which have a view of any interior portion of the Building or Building Common Areas.

EXHIBIT B

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25. The sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by Tenant, nor shall any bottles, parcels or other articles be placed on the windowsills.

26. Tenant must comply with requests by the Landlord concerning the informing of their employees of items of importance to the Landlord.

27. Tenant must comply with the State of California "No Smoking" law set forth in California Labor Code Section 6404.5, and any local "No Smoking" ordinance which may be in effect from time to time and which is not superseded by such State law. Tenant, Tenant's employees, agents and invitees shall observe the "No Smoking in the Common Area of the Building" policy, which shall be enforced by Landlord.

28. Tenant hereby acknowledges that Landlord shall have no obligation to provide guard service or other security measures for the benefit of the Premises, the Building or the Project and that if attendants (uniformed or otherwise) are provided and/or monitoring systems or access controls are provided, the same are no assurance of personal safety. Tenant hereby assumes all responsibility for the protection of Tenant and its agents, employees, contractors, invitees and guests, and the property thereof, from acts of third parties, including keeping doors locked and other means of entry to the Premises closed, whether or not Landlord, at its option, elects to provide any security measures whatsoever for the Project or any portion thereof. Tenant further assumes the risk that any safety and security devices, services and programs which Landlord elects, in its sole discretion, to provide may not be effective, or may malfunction or be circumvented by an unauthorized third party, and Tenant shall, in addition to its other insurance obligations under this Lease, obtain its own insurance coverage to the extent Tenant desires protection against losses related to such occurrences. Tenant shall cooperate in any reasonable safety or security program developed by Landlord or required by law.

29. All office equipment of any electrical or mechanical nature shall be placed by Tenant in the Premises in settings approved by Landlord, to absorb or prevent any vibration, noise and annoyance.

30. Tenant shall not use in any space or in the public halls of the Building, any hand trucks except those equipped with rubber tires and rubber side guards.

31. No auction, liquidation, fire sale, going-out-of-business or bankruptcy sale shall be conducted in the Premises without the prior written consent of Landlord.

32. No tenant shall use or permit the use of any portion of the Premises for living quarters, sleeping apartments or lodging rooms.

33. Landlord shall have the right to prohibit the use of the name of the Building or any other publicity by Tenant that in Landlord's sole opinion may impair the reputation of the Building or its desirability. Upon written

notice from Landlord, Tenant shall refrain from and discontinue such publicity immediately.

Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable Rules and Regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care and cleanliness of the Premises, Building, the Common Areas and the Project, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants

EXHIBIT B
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therein. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant, nor prevent Landlord from thereafter enforcing any such Rules or Regulations against any or all tenants of the Project. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them as a condition of its occupancy of the Premises.

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EXHIBIT C

THE AVENTINE, 8910 UNIVERSITY CENTER LANE, SAN DIEGO, CA 92122

FORM OF NOTICE OF LEASE TERM DATES

To: _____

Re: Office Lease dated _____, 200_ between _____, a
_____ ("LANDLORD"), and _____, a _____ ("TENANT")
concerning Suite ___ on floor(s) ___ (__) of the office building located
at, _____, _____, _____.

Gentlemen:

In accordance with the Office Lease (the "LEASE"), we wish to advise you and/or confirm as follows:

1. The Lease Term shall commence on or has commenced on _____ for a term of _____ ending on _____.
2. If the Commencement Date is other than the first day of the month, the first monthly billing cycle will contain a pro rata adjustment. Each regular monthly billing cycle thereafter,

with the possible exception of any final billing post-move out, shall be for the full amount of the monthly installment as provided for in the Lease. The billings are provided as a courtesy reminder only and Monthly Installments of Base Rent and estimated payments of Tenant's Share of Direct Expenses remain payable as set forth in the Lease and/or in Landlord's annual statement of estimated payments of Direct Expenses regardless of whether such monthly bills are provided or not. In addition to the regular monthly bills, separate bills for service calls may be provided or such charges may be included in the monthly bill.

- 3. The approximate number of rentable square feet within the Premises is _____ square feet.
- 4. Tenant's Share is _____ %.

EXHIBIT C
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Agreed to and Accepted as
of _____, 200_.

"TENANT":

a _____
By: _____
Its: _____

"LANDLORD":

a _____
By: _____
Its: _____

EXHIBIT C
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EXHIBIT D

THE AVENTINE, 8910 UNIVERSITY CENTER LANE, SAN DIEGO, CA 92122

CONSTRUCTION SCHEDULE / SPACE PLAN - NOT APPLICABLE.

EXHIBIT D
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EXHIBIT E

THE AVENTINE, 8910 UNIVERSITY CENTER LANE, SAN DIEGO, CA 92122

FORM OF TENANT'S ESTOPPEL CERTIFICATE

The undersigned as Tenant under that certain Office Lease (the "Lease") made and entered into as of _____, 200 by and between _____, a _____ as Landlord, and the undersigned as Tenant, for Premises on the _____ () floor(s) of the office building located at _____, certifies as follows:

1. Attached hereto as EXHIBIT A is a true and correct copy of the Lease and all amendments and modifications thereto. The documents contained in EXHIBIT A represent the entire agreement between the parties as to the Premises.

2. The undersigned currently occupies the Premises described in the Lease, the Lease Term commenced on _____, and the Lease Term expires on _____, and the undersigned has no option to terminate or cancel the Lease or to purchase all or any part of the Premises, the Building and/or the Project.

3. Base Rent became payable on _____.

4. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in EXHIBIT A.

5. Tenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows:

6. Tenant shall not modify the documents contained in EXHIBIT A without the prior written consent of Landlord's mortgagee.

7. All monthly installments of Base Rent, all Additional Rent and all monthly installments of estimated Additional Rent have been paid when due through _____. The current monthly installment of Base Rent is \$_____.

8. All conditions of the Lease to be performed by Landlord necessary to the enforceability of the Lease have been satisfied and Landlord is not in default thereunder. In addition, the undersigned has not delivered any notice to Landlord regarding a default by Landlord thereunder. The Lease does not require Landlord to provide any rental concessions or to pay any leasing brokerage commissions.

9. No rental has been paid more than thirty (30) days in advance and no security has been deposited with Landlord except as provided in the Lease. Neither Landlord, nor its successors or assigns, shall in any event be liable or responsible for, or with respect to, the retention, application and/or return to Tenant of any security deposit paid to any prior landlord of the Premises, whether or not still held by any such prior landlord, unless and until the party from whom the security deposit is being sought, whether it be a lender, or any of its successors or assigns, has actually received for its own account, as landlord, the full amount of such security deposit.

10. As of the date hereof, there are no existing defenses or offsets, or, to the undersigned's knowledge, claims or any basis for a claim, that the undersigned has against Landlord.

EXHIBIT E
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11. If Tenant is a corporation or partnership, each individual executing this Estoppel Certificate on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in _____ and that Tenant has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Tenant is authorized to do so.

12. There are no actions pending against the undersigned under the bankruptcy or similar laws of the United States or any state.

13. Tenant is in full compliance with all federal, state and local laws, ordinances, rules and regulations affecting its use of the Premises, including, but not limited to, those laws, ordinances, rules or regulations relating to hazardous or toxic materials. Tenant has never permitted or suffered, nor does Tenant have any knowledge of, the generation, manufacture, treatment, use, storage, disposal or discharge of any hazardous, toxic or

dangerous waste, substance or material in, on, under or about the Project or the Premises or any adjacent premises or property in violation of any federal, state or local law, ordinance, rule or regulation.

14. To the undersigned's knowledge, all tenant improvement work to be performed by Landlord under the Lease has been completed in accordance with the Lease and has been accepted by the undersigned and all reimbursements and allowances due to the undersigned under the Lease in connection with any tenant improvement work have been paid in full. All work (if any) in the common areas required by the Lease to be completed by Landlord has been completed and all parking spaces required by the Lease have been furnished and/or all parking ratios required by the Lease have been met.

The undersigned acknowledges that this Estoppel Certificate may be delivered to Landlord or to a prospective mortgagee or prospective purchaser, and acknowledges that said prospective mortgagee or prospective purchaser will be relying upon the statements contained herein in making the loan or acquiring the property of which the Premises are a part and that receipt by it of this certificate is a condition of making such loan or acquiring such property.

Executed at _____ on the ____ day of _____, 200_.

"TENANT":

_____,
a _____

By: _____
Its: _____

By: _____
Its: _____

EXHIBIT E

STANDARD INDUSTRIAL NET LEASE

CENTER NAME:

SORRENTO BUSINESS COMPLEX

LANDLORD:

SORRENTO BUSINESS COMPLEX,
A CALIFORNIA LIMITED PARTNERSHIP

TENANT:

AETHLON MEDICAL, INC.,
A NEVADA CORPORATION

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STANDARD INDUSTRIAL NET LEASE

This STANDARD INDUSTRIAL NET LEASE ("Lease"), dated for reference purposes only September 28, 2009, is entered into by SORRENTO BUSINESS COMPLEX, a California limited partnership ("Landlord"), and AETHLON MEDICAL, INC., a Nevada corporation ("Tenant").

1. BASIC LEASE TERMS

The basic terms of the Lease set forth in this Article 1 shall be read in conjunction with the other Articles of this Lease, which define and explain the basic terms.

1.1 Address for Notice (see Section 24.19):

Landlord: 11750 Sorrento Valley Road, Suite 209
San Diego, California 92121
Attention: Sorrento Square Property Management

Tenant: At the Premises, or
Address for Tenant prior to occupancy
at the Premises:
8910 University Center Lane
Suite 255
San Diego, CA. 92122

1.2 Description of Premises:

Center Name: Sorrento Business Complex
Address: 11585 Sorrento Valley Road
San Diego, CA 92121
Suite/Unit: 109

Approximate Rentable Square Footage (see Exhibit "A"): 1,667

1.3 Commencement Date: November 1, 2009 (the "Commencement Date").

1.4 Lease Term (see Article 3): Approximately two (2) years and zero (0) months, beginning on the Commencement Date and ending on October 31, 2011 (the "Expiration Date").

1.5 Minimum Monthly Rent: \$1,667.00 per month for the first Lease Year, as provided in Article 4. The Minimum Monthly Rent shall be increased on the first day of the second (2nd) Lease Year and each first day of each succeeding Lease

Year according to the following schedule:

11/01/2009 - 10/31/2010: \$1,667.00 per month
11/01/2010 - 10/31/2011: \$2,083.75 per month

1.6 Security Deposit: \$2,083.75 (see Article 5).

1.7 Tenant's Percentage (see Article 6): 1.32%.

1.8 Permitted Use (see Article 11): General office, research and development, and warehouse uses, subject to all applicable laws and zoning, and for no other use.

1.9 Tenant's Guarantor (If none, so state): None.

1.10 Tenant's Parking Spaces (Unassigned) (see Section 11.6): Five (5).

1.11 Landlord's Broker (If none, so state): Asset Management Group.

Tenant's Broker (If none, so state): Cushman & Wakefield.

1.12 Additional Provisions: The following additional provisions are attached to and made a part of this Lease (if none, so state): Addendum to Standard Industrial Net Lease.

1.13 Exhibits: The following Exhibits are attached to and made a part of this Lease:

Exhibit "A" - Description of Premises
Exhibit "B" - Rules and Regulations
Exhibit "C" - Sign Criteria

2. LEASE OF PREMISES

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the premises (the "Premises") described in Section 1.2, which Premises are indicated on the site/floor plan attached as Exhibit "A". The Premises are part of the office or industrial center identified in Section 1.2 (the "Center"). The approximate Rentable Square Footage identified in Section 1.2 is a measurement of the leaseable floor area of the Premises, as determined by Landlord and applied on a consistent basis throughout the Center. As used herein, the term "Building" means the building of which the Premises are a part; if the Premises encompass the entire Building, then the terms "Premises" and "Building" shall have the same meanings.

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3. LEASE TERM

3.1 COMMENCEMENT. The term of this Lease (the "Lease Term") shall commence on the Commencement Date stated in Section 1.3 and shall continue for the period stated in Section 1.4, unless sooner terminated pursuant to any provision of this Lease.

3.2 DELAY IN COMMENCEMENT. If Landlord cannot deliver possession of the Premises to Tenant on the Commencement Date specified in Section 1.3 for any reason, Landlord shall not be subject to any liability therefor. Such nondelivery shall not affect the validity of this Lease nor the obligations of Tenant hereunder. However: (a) Tenant shall not be obligated to pay rent until possession of the Premises is delivered to Tenant, (b) if possession of the Premises is not delivered to Tenant within thirty (30) days of the Commencement Date, the last day of the Lease Term shall be extended by the total number of days that possession is so delayed, plus the minimum number of additional days necessary to make the Expiration Date the last day of a calendar month, and (c) if Landlord has not delivered possession of the Premises within ninety (90) days after the Commencement Date, Tenant may elect to terminate this Lease by delivering written notice to Landlord within ten (10) days thereafter, in which event the parties shall be discharged from all further obligations hereunder.

3.3 EARLY OCCUPANCY. If Tenant occupies the Premises prior to the Commencement Date, such occupancy shall be subject to all provisions of this Lease except that Tenant shall not be responsible for payment of Minimum Monthly Rent or Operating Costs during such early occupancy period. Such occupancy shall not advance the Expiration Date.

4. RENT

4.1 MINIMUM MONTHLY RENT. Tenant shall pay minimum monthly rent ("Minimum Monthly Rent") in the initial amount stated in Section 1.5. The Minimum Monthly Rent shall be increased as set forth in Section 1.5 and/or elsewhere in this Lease. Tenant shall pay the Minimum Monthly Rent on or before the first day of each calendar month, in advance, at the office of Landlord or at such other place designated by Landlord, without deduction, offset or prior demand. If the Commencement Date is not the first day of a calendar month, the rent for the partial month at the beginning of the Lease Term shall be prorated on a per diem basis and shall be due on the first day of such partial month. Upon execution of this Lease, and before the Commencement Date, Tenant shall pay to Landlord the aggregate of the first month's Minimum Monthly Rent, the first month's Monthly Impound Payment (see Section 4.4), and the Security Deposit (see Section 5).

4.2 LEASE YEAR. As used in this Lease, the term "Lease Year" means (i) the first period of twelve (12) full calendar months following the Commencement Date (including, if the Commencement Date is not the first day of a calendar month, the period between the Commencement Date and the next first day of the month), (ii) each period of twelve (12) full calendar months thereafter, and (iii) any remaining period at the end of the Lease Term of less than twelve (12) full calendar months.

4.3 ADDITIONAL RENT. All charges payable by Tenant for Operating Costs (Article 6), Maintenance and Repairs (Article 7), Real Property Taxes (Article 8), Insurance Costs (Article 9), and Utilities (Article 10) are hereinafter referred to herein as "Additional Rent." All Minimum Monthly Rent, Additional Rent, and all other charges and monetary amounts due Landlord from Tenant under this Lease or otherwise shall constitute "rent." Unless this Lease provides otherwise, all Additional Rent shall be paid by Tenant, without limitation or offset, within fifteen (15) days after Tenant's receipt of a statement from Landlord. If any Minimum Monthly Rent is abated or waived pursuant to another specific term of this Lease or in any separate agreement, it is understood that such abatement or waiver shall apply only to the Minimum Monthly Rent, and Tenant shall be obligated to pay all Additional Rent and other charges (including the applicable impounds thereof) during such periods of abatement or waiver of Minimum Monthly Rent.

4.4 IMPOUNDS. Landlord shall have the right, but not the obligation, to collect and impound, in advance, any or all components of Additional Rent based upon Landlord's reasonable estimate of Tenant's future liability for such amounts under this Lease. Landlord shall initially establish the monthly amount of such impound ("Monthly Impound Payments"), based upon its estimate of one-twelfth of Tenant's annual liability therefor. Landlord shall have the right at any time to adjust the amount of the Monthly Impound Payment upon notice to Tenant. The Monthly Impound Payment shall be due and payable on the first day of each month throughout the Lease Term. Any failure to pay the Monthly Impound Payment when due shall be considered a failure to pay rent when due under Section 21.1 and other relevant provisions of this Lease, and shall entitle Landlord to exercise any or all of its remedies available in the same manner as for the failure to pay rent. Upon the occurrence of any Event of Default by Tenant hereunder, Landlord shall have the right to apply all unapplied amounts of Monthly Impound Payments to Tenant's default. Within ninety (90) days after the end of each calendar year, Landlord shall deliver to Tenant an accounting of Tenant's actual Share of Additional Rent and the estimated amounts previously paid by Tenant. Any overpayment by Tenant shall be credited against next Monthly Impound Payments due hereunder, or, if the Term has expired, shall be remitted to Tenant. Tenant shall pay the amount of any underpayment within fifteen (15) days after receipt of the accounting. Tenant acknowledges that the Monthly Impound Payments are estimates only and not a representation of the amount of Tenant's ultimate liability for Additional Rent.

4.5 PAYMENT BY EFT OR ACH. At Landlord's election, and upon at least thirty (30) days' notice to Tenant, Landlord may require that all payments of Minimum Monthly Rent, Additional Rent and other amounts due hereunder be made in immediately available funds or by wire transfer by electronic fund transfer through the Automated Clearing House network or any similar system designated by Landlord ("ACH"). Such payments shall be initiated by Tenant or Landlord, at Landlord's election, to an account designated from time to time by Landlord at an ACH member bank for settlement not later than 12:00 o'clock noon, San Diego, California time, on the dates such sums or payments are respectively due. Any payment received after such time shall be deemed to have been made after the due date.

5. SECURITY DEPOSIT

Upon execution of this Lease, Tenant shall deposit with Landlord the amount specified in Section 1.6 (the "Security Deposit"), to be held by Landlord, without liability for interest, as security for Tenant's performance of its obligations under this Lease. Landlord shall not be required to keep the Security Deposit separate from its other accounts. Landlord may apply all or a part of the Security Deposit to any unpaid rent (including unpaid Additional Rent or Monthly Impound Payments) or other monetary payments due from Tenant or to cure any other default of Tenant hereunder and to compensate Landlord for all damage and expense sustained as a result of such default. If all or any portion of the Security Deposit is so applied, Tenant shall deposit cash sufficient to restore the Security Deposit to its original amount within fifteen (15) days after receipt of Landlord's written demand. If Tenant fully and faithfully performs each of its obligations under this Lease, the Security Deposit or any balance thereof shall be returned to Tenant within thirty (30) days of the later of the expiration or earlier termination of this Lease or the vacation of the Premises by Tenant. At Landlord's request, Tenant shall accompany Landlord or Landlord's representative on a "walk-through" of the Premises prior to Landlord's return of the Security Deposit.

6. OPERATING COSTS

6.1 PAYMENT OF OPERATING COSTS BY TENANT. Tenant shall pay its Share of Operating Costs to Landlord on a monthly or other periodic basis selected by Landlord. Tenant shall pay the amount of such Share to Landlord, to the extent such obligation exceeds any amount thereof impounded under Section 4.4, within fifteen (15) days after receipt of a statement from Landlord.

6.2 TENANT'S SHARE. Tenant's "Share" (sometimes referred to as "Pro Rata Share") is the percentage or proportion of the various components of Additional Rent and certain other charges for which Tenant is responsible under this Lease. Tenant's Share for each such component shall be Tenant's Percentage as stated in Section 1.7, unless Landlord determines that another percentage or proportion

would be equitable based on factors such as Tenant's use of such in excess of its Percentage, such component of Additional Rent applies to some but not all of the Center, or factors set forth elsewhere in this Lease. Tenant's Percentage represents the approximate current ratio of the Rentable Square Footage of the Premises (identified in Section 1.2) to the total Rentable Square Footage of the

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Center, as determined by Landlord from time to time. Changes in Rentable Square Footage shall be effective on the first day of the first calendar month following the change.

6.3 OPERATING COSTS. "Operating Costs" includes all costs of operating, managing, repairing and maintaining the Common Facilities, including without limitation: gardening and landscaping; the cost of public liability, property damage and other insurance applicable to the Common Facilities, including any deductibles thereunder; Real Property Taxes applicable to the Common Facilities; utilities; line painting and parking lot repairs; roof repairs; lighting; trash and refuse removal; supplies; equipment; exterior painting; capital improvements (including without limitation the costs of roof, parking lot and underground utilities replacements); reasonable reserves for imminent repairs and replacements; the costs of altering, improving, renovating, upgrading or retrofitting any portion of the Common Facilities to comply with all laws, regulations and governmental requirements applicable to the Center (including without limitation those related to disabled persons, hazardous materials, lighting upgrades, sprinkler and energy-saving retrofits); security service; property management costs and administrative fees; bookkeeping services; labor; and the cost of personnel to implement such services and to direct parking. In lieu of including the entire amount of any such expense in Operating Costs in any one period, Landlord, at its election, may spread the inclusion of, or may amortize, any such expenses, or a reasonable reserve for anticipated expenses, in Operating Costs over such multiple periods as Landlord shall determine.

6.4 COMMON FACILITIES. Common Facilities" (sometimes referred to herein as "Common Areas") means all areas, facilities, utilities, equipment and services provided by Landlord for the common use or benefit of the occupants of the Center and their employees, agents, customers and other invitees, including without limitation, if the same exist: building lobbies, common corridors and hallways, restrooms, pedestrian walkways, driveways and access roads, access facilities for disabled persons (including elevators), truck serviceways, loading docks, garages, driveways, parking lots, landscaped areas, stairways, elevators, retaining walls, all areas required to be maintained under the conditions of governmental approvals for the Center, and other generally understood public or common areas. All Common Facilities shall at all times be subject to the exclusive control and management of Landlord. Landlord reserves the right to relocate, alter, improve, or adjust the size and location of any Common Facilities from time to time without liability to Tenant. Landlord shall have the right from time to time to establish, modify and enforce reasonable rules and regulations with respect to the Common Facilities. Landlord shall have the right to construct, maintain and operate lighting facilities on the Common Facilities; to police the same; from time to time to change the area, level, location and arrangement of parking areas and other facilities; to restrict parking by tenants, their officers, agents and employees to employee parking areas; to close all or any portion of the Common Facilities to such extent; to close temporarily all or any portion of the Common Facilities for any reason, including for the purpose of preventing a dedication thereof or the accrual of any rights to any person or the public therein; and to do and perform such other acts in and to the Common Facilities which Landlord shall determine, using good business judgment, to be advisable to improve the convenience and use thereof by tenants, their officers, agents, employees and customers. Subject to the foregoing, all Common Facilities not within the Premises, which Tenant may use under a revocable license, on a nonexclusive basis in common with other tenants, and if any such license is revoked, or if the amount of such areas is diminished, Landlord shall not be subject to any liability and Tenant shall not be entitled to any compensation or abatement of rent, nor shall such revocation or diminution be deemed constructive or actual eviction.

7. MAINTENANCE AND REPAIRS

7.1 TENANT'S OBLIGATIONS. Except as provided in Section 7.2, Tenant, at its sole cost, shall keep the Premises in good order, condition and repair during the Lease Term, including without limitation: all nonstructural, interior and exterior areas; landscaped areas not part of the Common Facilities; all heating, ventilation and air conditioning systems and equipment; all glass, glazing, windows, window moldings, partitions, doors and door hardware; all interior painting; all fixtures and appurtenances in the Premises or exclusively serving the Premises including electrical, lighting and plumbing fixtures; and all other portions of the Premises seen or unseen. If any portion or element of the Premises, or the other systems or equipment for which Tenant is responsible hereunder cannot be fully repaired, Tenant shall promptly replace the same at its sole cost and expense regardless of whether the benefit of such replacement extends beyond the Lease Term. It is the intention of Landlord and Tenant that Tenant shall maintain the Premises, at all times during the Lease Term, in an attractive, first-class and fully operative condition, at Tenant's expense. If any heating and air conditioning system or equipment exclusively serves the Premises, Tenant shall additionally obtain and keep in force a preventive maintenance contract providing for the regular (at least quarterly) inspection

and maintenance of the heating and air conditioning system (including leaks around ducts, pipes, vents, and other parts of the air conditioning) by a reputable licensed heating and air conditioning contractor acceptable to Landlord. Prior to April 1 of each calendar year, Tenant shall deliver Landlord written confirmation from such contractor verifying that such a contract has been entered into and that the required service will be provided. Notwithstanding the foregoing, Landlord shall have the right, upon written notice to Tenant, to undertake the responsibility for preventive maintenance and repair of the heating and air conditioning system, at Tenant's sole cost and expense.

7.2 LANDLORD'S OBLIGATIONS. Landlord shall repair and maintain the Common Facilities, the roof, the foundations and structural portions of the Premises and the Building. Tenant shall pay (a) its Share of the costs of such maintenance, (b) the full amount of any maintenance and repairs necessitated by any act, omission, conduct or activity of, or breach of this Lease by, Tenant or any of Tenant's officers, agents, customers or invitees (plus fifteen percent (15%) of the cost thereof to reimburse Landlord for overhead); and (c) any maintenance and repairs necessitated by breaking and entering of the Premises. Tenant shall pay its Share of such maintenance and repair costs incurred by Landlord, to the extent such obligation exceeds any amount thereof impounded under Section 4.4, within fifteen (15) days after receipt of a statement from Landlord. There shall be no abatement of rent, and no liability of Landlord, by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations, or improvements to any portion of the Premises or the Center. Tenant expressly waives all rights to make repairs at the expense of Landlord or deduct any amounts from rent as provided in any statute or ordinance now or hereafter in effect, including its rights under the provisions of California Civil Code Sections 1941 and 1942. Landlord's obligations under this Section are not intended to alter or modify in any way the provisions of Article 12.

7.3 PERFORMANCE BY LANDLORD. If Tenant refuses or neglects to perform its maintenance obligations hereunder to the reasonable satisfaction of Landlord, Landlord shall have the right (but not the obligation), upon three (3) days' prior notice to Tenant, to enter the Premises and perform such repairs and maintenance on behalf of Tenant. Landlord shall also have the right (but not the obligation), without prior notice to Tenant, to correct or remove any dangerous or hazardous condition, to repair the heating, ventilation, air conditioning or plumbing systems, to correct, repair or bring into legal compliance any fire or other life safety systems of the Premises, and to repair or replace any broken glass or glazing, if Tenant fails to correct or repair the same within twenty-four (24) hours after the need arises. Landlord shall not be liable to Tenant for any loss or damage to Tenant's merchandise, fixtures, or other property or to Tenant's business in connection with Landlord's performance hereunder, and Tenant shall pay Landlord's costs plus fifteen percent (15%) of such amount for overhead, upon presentation of a statement therefor. Tenant shall also pay interest at the rate provided in Section 22.4 from the date of completion of repairs by Landlord to the date paid by Tenant.

8. REAL PROPERTY TAXES

8.1 PAYMENT OF REAL PROPERTY TAXES BY TENANT. Tenant shall pay all Real Property Taxes applicable to the Premises during the Lease Term. If the Premises are not separately assessed, Tenant shall pay its Share thereof as equitably determined by Landlord based upon the Rentable Square Footage of the Premises compared to the total Rentable Square Footage covered by the tax bill, the respective valuations assigned in the assessor's worksheet, and/or other relevant factors. Tenant shall pay its Share of Real Property Taxes to Landlord, to the extent such obligation exceeds any amount thereof impounded under Section 4.4, within fifteen (15) days after receipt of a statement from Landlord.

8.2 REAL PROPERTY TAXES DEFINED. "Real Property Taxes" means all taxes, assessments, levies, fees and other governmental charges levied on or attributable to the Premises or any part thereof, including without limitation:

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(a) real property taxes and assessments levied with respect to all or a portion of the Premises, (b) assessments, charges and fees charged by governmental agencies or districts for services or facilities provided to the Premises, (c) transfer, transaction, rental, gross receipts, license or similar taxes or charges measured by rent received by Landlord, excluding any federal or state income, franchise, estate or inheritance taxes of Landlord, (d) taxes based upon a reassessment of the Premises due to a transfer or change of ownership, and (e) any assessment, charge or fee that is a substitute in whole or in part for any tax now or previously included within the definition of Real Property Taxes. If Landlord elects to contest an assessment of any Real Property Taxes, Landlord shall have the right to recover its actual costs of such contest (including attorneys' fees and costs) as part of Real Property Taxes, but only to the extent such contest has resulted in a reduction of Real Property Taxes. Tenant shall not be entitled to the benefit of any reduction, refund, rebate or credit accruing or payable to Landlord prior to the commencement of or after the expiration or other termination of the Lease Term.

8.3 PERSONAL PROPERTY TAXES. Tenant shall pay prior to delinquency all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant. Tenant shall attempt to have such

personal property taxed separately from the Premises. If any such taxes on Tenant's personal property are levied against Landlord or the Premises, or if the assessed value of the Premises is increased by inclusion of a value placed upon such personal property of Tenant, then: (a) Landlord, after written notice to Tenant, shall have the right to pay the taxes levied against Landlord, or the taxes based upon such increased valuation, but under protest if so requested by Tenant in writing, and (b) Tenant shall pay to Landlord the taxes levied against Landlord, or the taxes resulting from such increased valuation, within fifteen (15) days after Tenant's receipt of a written statement from Landlord.

9. INSURANCE

9.1 LANDLORD'S INSURANCE. During the Lease Term, Landlord shall maintain insurance covering loss or damage to the Premises (excluding Tenant's Alterations, fixtures, equipment and personal property), insuring against any or all risks of physical loss (and including, at Landlord's option, flood and earthquake coverage), with the scope and amounts of such coverage as determined by Landlord. Said insurance shall provide for payment of loss thereunder to Landlord or to the holder of a first mortgage or deed of trust on the Premises. Landlord may also maintain during the Lease Term, as part of its casualty insurance, a policy of rental income insurance covering a period of one (1) year, with loss payable to Landlord. Landlord may also maintain (but shall not be required to maintain) liability and other insurance (including environmental insurance) as Landlord, at its sole option, may elect to maintain.

9.2 TENANT'S INSURANCE.

(a) Tenant shall carry, at Tenant's sole expense, insurance against any or all risks of physical loss in an amount adequate to cover the cost of replacement of all of Tenant's Alterations, trade fixtures, equipment and personal property. If Tenant's insurance does not otherwise cover losses caused by breakage or other malfunction of any of Tenant's machinery or equipment used by Tenant in the Premises, then Tenant shall carry equipment breakdown insurance (so called boiler and machinery insurance) covering Tenant's equipment and machinery (including any heating, ventilation and air conditioning systems, electrical equipment, and the like). Tenant acknowledges that Landlord's insurance is not intended to cover Tenant's Alterations, trade fixtures, equipment, and personal property. If the Premises contains any plate glass, Tenant shall carry plate-glass insurance covering all plate glass on the Premises at full replacement cost. Any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed unless this Lease shall cease and terminate under the provisions of Article 16, whereupon any insurance proceeds covering any of Tenant's Alterations, fixtures, equipment and personal property that Tenant is required to leave in the Premises at the expiration or earlier termination of the Lease Term under Article 20 shall be payable to Landlord. Provided, however, that at Landlord's sole election, Landlord may obtain at Tenant's expense any or all of the insurance described in this Section.

(b) Tenant shall carry, at Tenant's sole expense, comprehensive or commercial general liability insurance, fully covering any and all claims arising from personal injury, death, and/or property damage occurring in or about the Premises or the Center. Such liability insurance shall include without limitation bodily injury (including wrongful death), property damage, advertising injury, personal injury and contractual liability coverages (including Tenant's indemnification obligations under Article 13), independent contractors, owned, nonowned, and hired vehicle liability and, if alcoholic beverages are served, sold, consumed or obtained in the Premises, liquor-law liability. The initial limit of such insurance shall be at least \$2,000,000 combined single liability limit if the Rentable Square Footage of the Premises (as indicated in Section 1.2) exceeds 3,000 square feet, or \$1,000,000 combined single liability limit if such Rentable Square Footage is 3,000 square feet or less. Such liability insurance limit shall be subject to periodic increase, at Landlord's election, based upon inflation, increased liability awards, lender requirements, the recommendations of Landlord's professional insurance advisors, and other relevant factors. Tenant shall also, at its sole cost and expense, obtain worker's compensation coverage in an amount adequate to comply with law, and employer's liability coverage with a limit of not less than \$2,000,000. If Tenant's use of the Premises involves any use, generation, manufacturing, storage or disposal of any Hazardous Materials, or if any of Tenant's activities increases any risk of any liability to Tenant or Landlord under Hazardous Materials Laws, Tenant shall carry such environmental insurance as may be required by Landlord or Landlord's lender. Tenant shall, at Tenant's sole expense, maintain such other liability insurance as Tenant deems necessary to protect Tenant.

(c) Each policy of insurance required to be carried by Tenant hereunder shall (i) name Landlord, Landlord's lender and Landlord's property manager (if any) as additional insureds, (ii) contain cross-liability and contractual liability provisions, (iii) provide that no cancellation or reduction in coverage shall be effective until thirty (30) days after written notice to Landlord and Landlord's lender, (iv) be issued by an insurer licensed in California and reasonably approved by Landlord, (v) include coverage for acts of terrorism, and (vi) be primary and noncontributory to any insurance carried by Landlord, regardless of the absence of negligence or other fault of Tenant for alleged injury, death and/or property damage. The deductible or self-insured retention on any insurance required to be carried by Tenant hereunder shall not exceed, without the prior written consent of Landlord, Five Thousand Dollars (\$5,000) per occurrence. Tenant shall be responsible for the payment of the full amount of any deductible or self-insured retention on its insurance. No insurance carried or required to be carried by Tenant, nor the amount or limits

thereof, shall limit Tenant's liability nor relieve Tenant of any obligation under this Lease.

(d) Each policy of insurance required to be carried by Tenant hereunder shall be obtained by Tenant and maintained in full force and effect throughout the Lease Term and any other period of Tenant's actual or constructive possession of the Premises. Prior to the Commencement Date or any earlier taking of possession of any part of the Premises, Tenant shall deliver to Landlord (i) an ACORD Form 27 certificate (or such other certificate providing the greatest protection to Landlord reasonably available) evidencing all insurance required to be maintained by Tenant and identifying all additional insureds required to be so designated under the terms of this Lease, and (ii) all additional insured endorsements provided by the insurer in favor of Landlord, Landlord's property manager and Landlord's lender as required by this Lease. Tenant shall deliver evidence of a renewal of each required policy, together with all required endorsements, at least thirty (30) days prior to expiration thereof. Tenant shall permit Landlord at all reasonable times to inspect the policies of insurance, and shall deliver copies thereof to Landlord within ten (10) days after Landlord's request therefor. Tenant shall be in material breach of this Lease if Tenant fails to obtain the insurance required under this Section, or if Tenant obtains insurance with terms, conditions and/or exclusions that are inconsistent with the requirements and terms of this Lease.

9.3 PAYMENT OF INSURANCE COSTS. Tenant shall pay directly all premiums for its liability insurance required under Section 9.2 and for all other insurance Tenant elects to carry. Tenant shall pay its Share of the premiums for the insurance policies carried by Landlord described in this Article or elsewhere in this Lease ("Insurance Costs"). If the Lease Term expires before the expiration of any such insurance policy, Tenant's liability for premiums shall be prorated on an annual basis. Tenant shall pay its Share of Insurance Costs to Landlord, to the extent such obligation exceeds any amount thereof impounded under Section 4.5, within fifteen (15) days after receipt of a statement from Landlord. If any

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insurance policy maintained by Landlord covers property other than the Center (under a so-called "blanket" policy or otherwise), Landlord shall reasonably apportion the premium therefor among the properties so covered. In addition, Tenant shall pay its Share of any deductible amount under Landlord's insurance policies within fifteen (15) days after receipt of a statement from Landlord. Tenant's Share of any such deductible shall be equitably determined by Landlord based upon, among other factors, the Rentable Square Footage of the Premises affected compared to the Rentable Square Footage of all other affected areas in the Center, and the Replacement Cost (as defined in Section 16.1) applicable to the damage to the Premises compared to that applicable to all other affected areas.

9.4 WAIVER OF SUBROGATION. Landlord and Tenant each hereby waive any and all claims against the other party and its officers, directors, shareholders, partners, members, principals, employees, agents, representatives, and other related entities and individuals, and their respective successors and assigns, for any and all loss of or damage to the Premises, Center or other tangible property, or any resulting loss of income, or losses under worker's compensation laws and benefits, which loss or damage arises out of any peril that is or would be covered by any physical damage insurance policy actually carried or required to be carried pursuant to this Lease. The foregoing waiver shall apply regardless of whether the party suffering the loss or damage actually carries such insurance, recovers under such insurance, or self-insures the loss or damage. Inasmuch as the foregoing waiver will preclude the assignment of any such claim by subrogation (or otherwise) to an insurance company (or any other person), Landlord and Tenant each agree to give to each insurance company issuing to it any policy of physical damage insurance written notice of the terms of this mutual waiver, and to have each such insurance policy properly endorsed, if necessary, to prevent the invalidation of such insurance coverage by reason of such waiver. The waiver set forth herein shall apply to any deductible amount under any insurance policy, is not limited by the amount of insurance carried or required to be carried, and is in addition to any other waiver or release contained in this Lease. If Landlord has contracted with a third party for the management of the Center, the waiver of subrogation by Tenant herein shall also run in favor of such third party.

9.5 TENANT'S USE NOT TO INCREASE PREMIUM. Tenant shall not keep, use, manufacture, assemble, sell or offer for sale in or upon the Premises any article that may be prohibited by, or that might invalidate, in whole or in part, the coverage afforded by, a standard form of fire or all risk insurance policy. Tenant shall pay the entire amount of any increase in premiums that may be charged during the Lease Term for the insurance that may be maintained by Landlord on the Premises or the Center resulting from the type of materials or products stored, manufactured, assembled or 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 entity making the insurance rate on the Premises showing the various components of such rate shall be conclusive evidence of the items and charges that make up the fire insurance rate on the Premises.

10. UTILITIES

Tenant shall pay the cost of all water, gas, heat, light, power, sewer, telephone, refuse disposal, and all other utilities and services supplied to the

Premises. Tenant shall make payments for all separately metered utilities, when due, directly to the appropriate supplier. Landlord shall have the right to require Tenant to install, at Tenant's sole expense, separate meters (or other submeter, device or monitor for the measurement of utility usage) for any utility for which a separate meter is not installed as of the Commencement Date. If any utilities or services are not separately metered or monitored with respect to the Premises, Tenant shall pay its Share thereof to Landlord, to the extent such obligation exceeds any amount thereof impounded under Section 4.4, within fifteen (15) days after receipt of a statement from Landlord. Landlord shall in no way be liable or responsible for any loss, damage or expense that Tenant may sustain or incur by reason of any change, failure, interruption, interference or defect in the supply or character of the electricity or other utilities supplied to the Premises. Landlord makes no representation or warranty as to the suitability of the utility service for Tenant's requirements, and no such change, failure, defect, unavailability or unsuitability shall constitute any actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of rent, or relieve Tenant of any of its obligations under the Lease. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility service, and no such failure or interruption shall entitle Tenant to terminate this Lease or abate the rent due hereunder.

11. USE

11.1 PERMITTED USE. The Premises shall be used and occupied only for the permitted uses specified in Section 1.8, and shall not be used or occupied for any other purposes without the prior written consent of Landlord. Should Tenant desire to change its use, Tenant shall request Landlord's consent to such change in writing, and shall provide in writing such reasonably detailed information about the proposed new use as may be requested by Landlord. Landlord shall not unreasonably withhold its consent to any requested change of use, and shall have the right to impose reasonable restrictions on such new use. Factors that Landlord may take into account in granting or withholding its consent shall include, without limitation: (i) whether the proposed use is compatible with the character and tenant mix of the Center, (ii) whether the proposed use poses any increased risk to Landlord or any other occupant of the Center, (iii) whether any proposed Alterations to accommodate such proposed use might decrease the rental or sale value of the Premises or the Center, and (iv) whether Tenant has the requisite expertise and financial ability to successfully operate in the Premises with the proposed new use.

11.2 COMPLIANCE WITH LEGAL REQUIREMENTS. Tenant shall at all times and at its sole expense comply with all federal, state, local and other laws, ordinances, rules, regulations, orders, requirements, and recorded covenants and restrictions applicable to the Center (which will be provided to Tenant), whether now in force or hereafter in effect (including without limitation those related to disabled persons, access, hazardous materials, lighting upgrades, energy saving, and sprinkler and seismic retrofits, and those required because of Tenant's occupancy or the conduct of Tenant's business) (collectively, "Legal Requirements"). Tenant shall not do or permit anything to be done in or about the Premises in conflict with any Legal Requirement. Without limiting the generality of the foregoing, Tenant shall at its sole cost take all actions, make all alterations, install all additional facilities, and perform all work required to cause the Premises (and any and all other areas of the Center under the control of Tenant or that Tenant is required to maintain) to comply with all Legal Requirements.

11.3 WASTE, QUIET CONDUCT. Tenant shall not use or permit the use of the Premises in any manner that tends to create waste or a nuisance that will cause objectionable noise or odors, or that may disturb the quiet enjoyment of any other tenant in the Center.

11.4 RULES AND REGULATIONS. Tenant shall comply with the Rules and Regulations for the Center attached as Exhibit "B", as the same may be amended by Landlord from time to time, upon notice to Tenant.

11.5 SIGNS. Tenant agrees, at Tenant's sole cost, to install a sign in strict conformance with Landlord's sign criteria attached hereto as Exhibit "C" within fifteen (15) days after first occupying the Premises. Tenant shall maintain all approved signs and other items described herein in good condition and repair at all times. All signs must be fabricated by a contractor selected by Landlord. Prior to construction of any such sign, a detailed drawing of the proposed sign shall be prepared by Landlord's contractor, at the sole expense of Tenant, and submitted to Landlord and Tenant for written approval. No sign, placard, pennant, flag, awning, canopy, or advertising matter of any kind shall be placed or maintained on any exterior door, wall or window of the Premises or in any area outside the Premises, and no decoration, lettering or advertising matter shall be placed or maintained on the glass of any window or door, or that can be seen through the glass, of the Premises without first obtaining Landlord's written approval. All signs and sign cases shall be considered fixtures and improvements and shall become the property of Landlord upon expiration or termination of this Lease. Tenant has no rights to signage at the Center except as set forth in this Section. Landlord shall have the right from time to time to revise the sign criteria, and within sixty (60) days after Tenant's receipt of written notice of any new sign criteria, Tenant shall, at Tenant's expense, remove all existing exterior signs and replace the same with new signs conforming to the new sign criteria.

11.6 PARKING. Tenant shall have the nonexclusive right, in common with others, to use the parking areas of the Center; provided, however, that Tenant shall not use more than the number of parking spaces designated in Section 1.10, or if no number of such spaces is so indicated, Tenant shall not use more than its reasonable share of parking spaces, as Landlord shall determine. Landlord reserves the right, without liability to Tenant, to modify the parking areas, to designate the specific location of the parking for Tenant and Tenant's customers and employees, and to adopt reasonable rules and regulations for use of the parking areas.

11.7 ENTRY BY LANDLORD. Tenant shall permit Landlord and Landlord's agents to enter the Premises at all reasonable times for any of the following purposes: (a) to inspect the Premises, (b) to supply any services or to perform any maintenance obligations of Landlord, including the erection and maintenance of such scaffolding, canopies, fences, and props as may be required, (c) to make such improvements, replacements or additions to the Premises or the Center as Landlord deems necessary or desirable, (d) to post notices of nonresponsibility, (e) to place any usual or ordinary "for sale" signs, or (f) within six (6) months prior to the expiration of this Lease, to place any usual or ordinary "for lease" signs. No such entry shall result in any rebate of rent or any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises. Landlord shall give reasonable notice to Tenant prior to any entry except in an emergency or unless Tenant consents at the time of entry. If Tenant is not personally present to open and permit an entry into the Premises, at any time when for any reason an entry therein shall be necessary or permissible, Landlord or Landlord's agents may enter the same by a master key, or may forcibly enter the same without rendering Landlord or such agents liable therefor, and without in any manner affecting the obligations and covenants of this Lease. 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 Premises or any part thereof, except as otherwise specifically provided herein.

12. ACCEPTANCE OF PREMISES; NONLIABILITY OF LANDLORD; DISCLAIMER

12.1 ACCEPTANCE OF PREMISES. By taking possession hereunder, Tenant acknowledges that it has examined the Premises and accepts the condition thereof. Tenant acknowledges and agrees that Landlord has no obligation to improve the Premises other than as set forth specifically in this Lease, if at all. In particular, Tenant acknowledges that any additional improvements or alterations needed to accommodate Tenant's intended use shall be made solely at Tenant's sole cost and expense, and strictly in accordance with the requirements of this Lease (including the requirement to obtain Landlord's consent thereto), unless such improvements and alterations are specifically required of Landlord. Landlord shall have no responsibility to do any work required under any building codes or other governmental requirements not in effect or applicable at the time the Premises were constructed, including without limitation any requirements related to sprinkler retrofitting, seismic structural requirements, accommodation of disabled persons, or hazardous materials. Landlord shall be under no obligation to provide utility, telephone or other service or access beyond that which exists at the Premises as of the date of this Lease, unless Landlord specifically agrees in writing to provide the same. If it is anticipated that Tenant will be doing any Alterations or installations prior to taking occupancy, any delays encountered by Tenant in accomplishing such work or obtaining any required permits therefor shall not delay the Commencement Date or the date that Tenant becomes liable to pay rent, or the date that Landlord may effectively deliver possession of the Premises to Tenant. By taking possession hereunder, Tenant acknowledges that it accepts the square footage of the Premises as delivered and as stated in this Lease. No discovery or alleged discovery after such acceptance of any variance in such square footage as set forth in this Lease (or in any proposal, advertisement or other description thereof) shall be grounds for any adjustment in any component of the rent payable hereunder, unless such adjustment is initiated by and implemented by Landlord.

12.2 LANDLORD'S EXEMPTION FROM LIABILITY. Landlord shall not be liable for injury to Tenant's business or loss of income therefrom, or for personal injury or property damage that may be sustained by Tenant or any subtenant of Tenant, or their respective employees, invitees, customers, agents or contractors or any other person in or about the Premises, caused by or resulting from fire, flood, earthquake or other natural disaster, or from steam, electricity, gas, water or rain, or dampness of any origin, that may leak, flow or emanate from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, lighting fixtures or computer equipment or software, whether such damage or injury results from conditions arising upon the Premises or upon other portions of the Building, or from other sources, and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. Landlord shall not be liable for any damages to property or for personal injury or loss of life arising from any use, act or failure to act of any third parties (including other occupants of the Center) occurring in, or about the Premises or in or about the Center (including without limitation the criminal acts of any third parties). Landlord shall not be liable for any latent defect in the Premises or in the Building except for landlord negligence or willful misconduct. All property of Tenant kept or stored on the Premises shall be so kept or stored at the risk of Tenant only, and Tenant shall indemnify, protect, hold harmless and defend Landlord and Landlord's officers, directors, shareholders, partners, members, principals, employees, agents, representatives,

and other related entities and individuals, and their respective successors and assigns, from and against any claims arising out of damage to the same, including subrogation claims by Tenant's insurance carriers. The indemnifications and waivers of Tenant set forth in this Section shall apply notwithstanding Landlord's negligence, but shall not apply to damage or liability caused (i) by the gross negligence or willful misconduct of Landlord, and (ii) through no fault of Tenant, its assignees or subtenants, or their respective agents, contractors, employees, customers, invitees or licensees.

12.3 NO WARRANTIES OR REPRESENTATIONS.

(a) Neither Landlord nor Landlord's agents make any warranty or representation with respect to the suitability or fitness of the space for the conduct of Tenant's business, or for any other purpose.

(b) Neither Landlord nor Landlord's agents make any warranty or representation with respect to any other tenants or users that may or may not construct improvements, occupy space or conduct business within the Center, and Tenant hereby acknowledges and agrees that it is not relying on any warranty or representation relating thereto in entering into this Lease.

(c) Landlord specifically disavows any oral representations made by or on behalf of its employees, agents and independent contractors, and Tenant hereby acknowledges and agrees that it is not relying and has not relied on any oral representations in entering into this Lease.

(d) Landlord has not made any promises or representations, expressed or implied, that it will renew, extend or modify this Lease in favor of Tenant or any permitted transferee of Tenant, except as may be specifically set forth herein or in a written instrument amending this Lease signed by all necessary parties.

(e) Notwithstanding that the rent payable to Landlord hereunder may at times include the cost of guard service or other security measures, it is specifically understood that Landlord does not represent, guarantee or assume responsibility that Tenant will be secure from any damage, injury or loss of life because of such guard service. Landlord shall have no obligation to hire, maintain or provide such services, which may be withdrawn or changed at any time with or without notice to Tenant or any other person and without liability to Landlord. To induce Landlord to provide such service if Landlord elects in its sole discretion to do so, Tenant agrees that (i) Landlord shall not be liable for any damage, injury or loss of life related to the provision or nonprovision of such service, and (ii) Landlord shall have no responsibility to protect Tenant, or its employees or agents, from the acts of any third parties (including other occupants of the Center) occurring in or about the Premises or in or about the Center (including without limitation the criminal acts of any third parties), whether or not the same could have been prevented by any such guard service or other security measures.

12.4 KEYS. Tenant shall re-key the Premises at its sole cost upon taking possession thereof. Tenant hereby acknowledges that various persons have had access to the keys to the Premises as keyed prior to Tenant's possession, and that Landlord disclaims all liability and responsibility for any unauthorized distribution or possession of such prior keys.

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13. INDEMNIFICATION

Tenant shall indemnify, protect, hold harmless and defend Landlord and Landlord's officers, directors, shareholders, partners, members, principals, employees, agents, representatives, and other related entities and individuals, and their respective successors and assigns (collectively, "Landlord's Related Entities"), from and against any and all claims, actions, damages, liability, costs, and expenses, including attorneys' fees and costs, arising from personal injury, death, and/or property damage and arising from: (a) Tenant's use or occupation of the Premises or any work or activity done or permitted by Tenant in or about the Premises (including without limitation any storage or display of materials or merchandise, or other activity by Tenant in the Common Facilities), (b) any activity, condition or occurrence in the Premises or other area under the control of Tenant, (c) any breach or failure to perform any obligation imposed on Tenant under this Lease, (d) any breach or failure by Tenant to cause the Premises (and any and all other areas of the Center under the control of Tenant or that Tenant is required to maintain) to comply with all Legal Requirements related to disabled persons or access, or (e) any other act or omission of Tenant or its assignees or subtenants or their respective agents, contractors, employees, customers, invitees or licensees. Tenant's obligation to indemnify, protect, hold harmless and defend shall include, but not be limited to, claims based on duties, obligations, or liabilities imposed on Landlord or Landlord's Related Entities by statute, ordinance, regulation, or other law, such as claims based on theories of peculiar risk and nondelegable duty, and to any and all other claims based on the negligent act or omission of Landlord or Landlord's Related Entities. The parties intend that this provision be interpreted as the broadest Type I indemnity provision as defined in McDonald & Kruse, Inc. v. San Jose Steel Co., 29 Cal. App. 3rd 413 (1972), and as allowed by law between a landlord and a tenant. Upon notice from Landlord, Tenant shall, at Tenant's sole expense and by counsel satisfactory to Landlord, defend any action or proceeding brought against Landlord or Landlord's Related Entities by reason of any such claim. If Landlord or any of Landlord's Related Entities is made a party to any litigation commenced by or against Tenant, then Tenant shall indemnify, protect, hold harmless and defend Landlord and Landlord's Related

Entities from and against any and all claims, actions, damages, liability, costs, expenses and attorneys' fees and costs incurred or paid in connection with such litigation. Tenant, as a material part of the consideration to Landlord hereunder, assumes all risk of, and waives all claims against Landlord for, personal injury or property damage in, upon or about the Premises, from any cause whatsoever. Provided, however, that the indemnifications and waivers of Tenant set forth in this Section shall not apply to damage and liability caused (i) by the gross negligence or willful misconduct of Landlord, and (ii) through no fault of Tenant, its assignees or subtenants, or their respective agents, contractors, employees, customers, invitees or licensees.

14. HAZARDOUS MATERIALS

14.1 DEFINITIONS. "Hazardous Materials Laws" means any and all federal, state or local laws, ordinances, rules, decrees, orders, regulations or court decisions relating to hazardous substances, hazardous materials, hazardous waste, toxic substances, environmental conditions on, under or about the Premises, or soil and ground water conditions, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. ss.9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. ss.6901, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. ss.1801, et seq., the California Hazardous Waste Control Act, Cal. Health and Safety Code ss.25100, et seq., the Carpenter-Presley-Tanner Hazardous Substances Account Act, Cal. Health and Safety Code ss.25300, et seq., the Safe Drinking Water and Toxic Enforcement Act, Cal. Health and Safety Code ss.25249.5, et seq., the Porter-Cologne Water Quality Control Act, Cal. Water Code ss.13000, et seq., any amendments to the foregoing, and any similar federal, state or local laws, ordinances, rules, decrees, orders or regulations. "Hazardous Materials" means any chemical, compound, material, substance or other matter that: (a) is defined as a hazardous substance, hazardous material, hazardous waste or toxic substance under any Hazardous Materials Law, (b) is controlled or governed by any Hazardous Materials Law or gives rise to any reporting, notice or publication requirements hereunder, or gives rise to any liability, responsibility or duty on the part of Tenant or Landlord with respect to any third person hereunder; or (c) is flammable or explosive material, oil, asbestos, urea formaldehyde, radioactive material, nuclear medicine material, drug, vaccine, bacteria, virus, mold, hazardous waste, toxic substance, or related injurious or potentially injurious material (by itself or in combination with other materials).

14.2 USE OF HAZARDOUS MATERIALS. Tenant shall not allow any Hazardous Material to be used, generated, manufactured, released, stored or disposed of on, under or about, or transported from, the Premises, unless: (a) such use is specifically disclosed to and approved by Landlord in writing prior to such use, and (b) such use is conducted in compliance with the provisions of this Article. Landlord's consent may be withheld in Landlord's sole discretion and, if granted, may be revoked at any time. Landlord may approve such use subject to reasonable conditions to protect the Premises and Landlord's interests. Landlord may withhold approval if Landlord determines that such proposed use involves a material risk of a release or discharge of Hazardous Materials or a violation of any Hazardous Materials Laws or that Tenant has not provided reasonably sufficient assurances of its ability to remedy such a violation and fulfill its obligations under this Article. Notwithstanding the foregoing, Landlord hereby consents to Tenant's use, storage or disposal of products containing small quantities of Hazardous Materials that are of a type customarily found in offices and households (such as aerosol cans containing insecticides, toner for copies, paints, paint remover and the like) provided that Tenant shall handle, use, store and dispose of such Hazardous Materials in a safe and lawful manner and shall not allow such Hazardous Materials to contaminate the Premises.

14.3 COMPLIANCE WITH LAWS; HANDLING HAZARDOUS MATERIALS. Tenant shall strictly comply with, and shall maintain the Premises in compliance with, all Hazardous Materials Laws. Tenant shall obtain, maintain in effect and comply with the conditions of all permits, licenses and other governmental approvals required for Tenant's operations on the Premises under any Hazardous Materials Laws, including, but not limited to, the discharge of appropriately treated Hazardous Materials into or through any sanitary sewer serving the Premises. At Landlord's request, Tenant shall deliver copies of, or allow Landlord to inspect, all such permits, licenses and approvals. All Hazardous Materials removed from the Premises shall be removed and transported by duly licensed haulers to duly licensed disposal facilities, in compliance with all Hazardous Materials Laws. Tenant shall perform any monitoring, testing, investigation, clean-up, removal, detoxification, preparation of closure or other required plans and any other remedial work required by any governmental agency or lender, or recommended by Landlord's environmental consultants, as a result of any release or discharge or potential release or discharge of Hazardous Materials affecting the Premises or the Center or any violation or potential violation of Hazardous Materials Laws by Tenant or any assignee or subtenant of Tenant or their respective agents, contractors, employees, licensees or invitees (collectively, "Remedial Work"). Landlord shall have the right to intervene in any governmental action or proceeding involving any Remedial Work, and to approve performance of the work, in order to protect Landlord's interests. Tenant shall not enter into any settlement agreement, consent decree or other compromise with respect to any claims relating to Hazardous Materials without notifying Landlord and providing ample opportunity for Landlord to intervene. Tenant shall additionally comply with the recommendations of Landlord's and Tenant's insurers based upon National Fire Protection Association standards or other applicable guidelines regarding the management and handling of Hazardous Materials. If any present or future law imposes any requirement of reporting,

survey, investigation or other compliance upon Landlord, Tenant, or the Premises, and if such requirement is precipitated by a transaction to which Tenant is a party, including without limitation any Transfer (as defined in Section 18.1) of this Lease by Tenant, then Tenant shall fully comply with and pay all costs of compliance with such requirement, including Landlord's attorneys' fees and costs.

14.4 NOTICE; REPORTING; NOTICE UNDER HEALTH AND SAFETY CODE SECTION 25359.7. Tenant shall notify Landlord, in writing, within three (3) days after any of the following: (a) Tenant has knowledge, or has reasonable cause to believe, that any Hazardous Material has been released, discharged or is located on, under or about the Premises, whether or not the release or discharge is in quantities that would otherwise be reportable to a public agency, (b) Tenant receives any order of a governmental agency requiring any Remedial Work pursuant to any Hazardous Materials Laws, (c) Tenant receives any warning, notice of inspection, notice of violation or alleged violation or Tenant receives notice or knowledge of any proceeding, investigation or enforcement action, pursuant to any Hazardous Materials Laws; or (d) Tenant receives notice or knowledge of any claims made or threatened by any third party against Tenant or the Premises relating to any loss or injury resulting from Hazardous Materials. If the potential risk of any of the foregoing events is material, Tenant shall deliver immediate verbal notice to Landlord, in addition to written notice as set forth above. Tenant shall deliver to Landlord copies of all test results, reports and business or management plans required to be filed with any governmental agency pursuant to any Hazardous Materials Laws. Landlord hereby notifies Tenant, and

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Tenant hereby acknowledges that, prior to the leasing of the Premises pursuant to this Lease, Tenant has been notified, pursuant to California Health and Safety Code Section 25359.7 (or any successor statute), that Landlord knows, or has reasonable cause to believe, that certain hazardous substances (as such term is used in such Section 25359.7) may have come to be located in, on or beneath the Premises.

14.5 INDEMNITY. Tenant shall indemnify, protect, hold harmless and defend Landlord and Landlord's officers, directors, shareholders, partners, members, principals, employees, agents, representatives, and other related entities and individuals, and their respective successors and assigns, from and against any and all liabilities, claims, suits, judgments, actions, investigations, proceedings, costs and expenses (including attorneys' fees and costs) arising out of or in connection with any breach of any provisions of this Article or directly or indirectly arising out of the use, generation, storage, release, disposal or transportation of Hazardous Materials by Tenant, or any assignee or subtenant of Tenant, or their respective agents, contractors, employees, licensees, or invitees, on, under or about the Premises during the Lease Term or any other period of Tenant's actual or constructive occupancy of the Premises, including, but not limited to, all foreseeable and unforeseeable consequential damages and the cost of any Remedial Work. Any defense of Landlord pursuant to this Section shall be by counsel acceptable to Landlord. Neither the consent by Landlord to the use, generation, storage, release, disposal or transportation of Hazardous Materials nor the strict compliance with all Hazardous Materials Laws shall excuse Tenant from Tenant's indemnification obligations pursuant to this Article. The foregoing indemnity shall be in addition to and not a limitation of the indemnification provisions of Article 13 of this Lease. Tenant's obligations pursuant to this Article shall survive the termination or expiration of this Lease.

14.6 ENTRY AND INSPECTION; CURE. Landlord and its agents, employees and contractors, shall have the right (but not the obligation) to enter the Premises at all reasonable times to inspect the Premises and Tenant's compliance with the terms and conditions of this Article, or to conduct investigations and tests. No prior notice to Tenant shall be required in the event of an emergency, or if Landlord has reasonable cause to believe that violations of this Article have occurred, or if Tenant consents at the time of entry. In all other cases, Landlord shall give at least twenty-four (24) hours' prior notice to Tenant. Landlord shall have the right (but not the obligation) to remedy any violation by Tenant of the provisions of this Article pursuant to Section 22.3 of this Lease or to perform any Remedial Work. Tenant shall pay, upon demand, all costs incurred by Landlord in investigating any such violations or potential violations or performing Remedial Work, plus interest thereon at the rate specified in this Lease from the date of demand until the date paid by Tenant.

14.7 TERMINATION; EXPIRATION. Upon termination or expiration of this Lease, Tenant shall, at Tenant's cost, remove any equipment, improvements or storage facilities utilized in connection with any Hazardous Materials and shall clean up, detoxify, repair and otherwise restore the Premises to a condition free of Hazardous Materials, to the extent such condition is caused by Tenant or any assignee or subtenant of Tenant or their respective agents, contractors, employees, licensees or invitees.

14.8 EXIT ASSESSMENT. No later than ten (10) days after the expiration or earlier termination of this Lease, Tenant shall cause to be performed, at its sole expense, an environmental assessment (the "Exit Assessment") of the Premises. Landlord agrees to allow Tenant access to the Premises for such purpose. The Exit Assessment must be performed by a qualified environmental consultant acceptable to Landlord, and shall include without limitation the following, as applicable to the Premises and Tenant's activities: (a) inspection

of all floors, walls, ceiling tiles, benches, cabinet interiors, sinks, the roof and other surfaces for signs of contamination and/or deterioration related to Hazardous Materials, (b) inspection of any and all ducts, hoods and exhaust systems for signs of contamination, deterioration and/or leakage related or potentially related to Hazardous Materials, (c) inspection of all readily accessible drain lines and other discharge piping for signs of deterioration, loss of integrity and leakage, (d) Tenant interviews and review of appropriate Tenant records to determine the uses to which Tenant has put the Premises that involve or may have involved Hazardous Materials, and to determine if any known discharges to the Premises or ground or soils from Tenant's activities have occurred, (e) documentation in detail of all observations, including dated photographs, (f) if applicable a certification that all areas inspected are clean and free of any Hazardous Materials and that the investigation conducted by the consultant does indicate that any release of any Hazardous Materials has occurred in the Premises or the Center as a result of Tenant's activities, (g) if applicable, a detailed description of Hazardous Materials remaining in the Premises and of any contamination, deterioration and/or leakage observed, together with detailed recommendations for the removal, repair or abatement of the same, and (h) if applicable, a detailed description of evidence of possible or past releases of Hazardous Materials, together with detailed recommendations for the prevention of the same in the future. Landlord shall have the right to require additional evaluations or work in connection with the Exit Assessment based upon Tenant's use of the Premises, any actual or suspected Hazardous Materials issues, or other reasonable factors. The original of the Exit Assessment shall be addressed to Landlord and shall be provided to Landlord within twenty (20) days of the expiration or earlier termination of this Lease. In addition to Tenant's obligations under Section 14.7, Tenant agrees to fully implement and address all recommended actions contained in the Exit Assessment, at its sole cost, within thirty (30) days of the date thereof.

14.9 EVENT OF DEFAULT. The release or discharge of any Hazardous Material or the violation of any Hazardous Materials Law by Tenant or any assignee or subtenant of Tenant shall be a material Event of Default by Tenant under this Lease. In addition to or in lieu of the remedies available under this Lease as a result of such Event of Default, Landlord shall have the right, without terminating this Lease, to require Tenant to suspend its operations and activities on the Premises until Landlord is satisfied that appropriate Remedial Work has been or is being adequately performed; Landlord's election of this remedy shall not constitute a waiver of Landlord's right thereafter to declare an Event of Default and pursue any other available remedy.

15. ALTERATIONS; LIENS

15.1 ALTERATIONS BY TENANT. Tenant shall not make any alterations, additions or improvements ("Alterations") to the Premises without Landlord's prior written consent, except for nonstructural Alterations that cost \$5,000 or less and are not visible from the exterior of the Premises. All Alterations installed by Tenant shall be new or completely reconditioned. Landlord shall have the right to approve the contractor, the method of payment of the contractor, and the plans and specifications for all proposed Alterations. Tenant shall obtain Landlord's consent to all proposed Alterations requiring Landlord's consent prior to the commencement of any such Alterations. Tenant's request for consent shall be accompanied by information identifying the contractor and method of payment and two (2) copies of the proposed plans and specifications. All Alterations of whatever kind and nature shall become at once a part of the realty and shall be surrendered with the Premises upon expiration or earlier termination of the Lease Term, unless Landlord requires Tenant to remove the same as provided in Article 20. If Tenant demolishes or removes any then-existing tenant improvements or other portions of the Premises or the Building (including without limitation any previously-installed Alterations), Tenant shall promptly commence and diligently pursue to completion all Alterations then underway; provided, however, that if Tenant fails to do so, at the election of Landlord, Tenant shall restore the Premises and the Building to its condition and state of improvement prior to such demolition or removal. During the Lease Term, Tenant agrees to provide, at Tenant's expense, a policy of insurance covering loss or damage to Alterations made by Tenant, in an amount adequate to repair or replace the same, naming Landlord and Landlord's property manager (if any) as additional insureds. Provided, however, Tenant may install movable furniture, trade fixtures, machinery or equipment in conformance with applicable governmental rules or ordinances and remove the same upon expiration or earlier termination of this Lease as provided in Article 20.

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15.2 PERMITS AND GOVERNMENTAL REQUIREMENTS. Tenant shall obtain, at Tenant's sole cost and expense, all building permits and other permits of every kind and nature required by any governmental agency having jurisdiction in connection with the Alterations. Tenant shall indemnify, protect, hold harmless and defend Landlord and Landlord's officers, directors, shareholders, partners, members, principals, employees, agents, representatives, and other related entities and individuals, and their respective successors and assigns, from and against any and all claims, actions, damages, liability, costs, and expenses, including attorneys' fees and costs, arising out of any failure by Tenant or Tenant's contractor or agents to obtain all required permits, regardless of when such failure is discovered. Tenant shall do any and all additional construction, alterations, improvements and retrofittings required to be made to the Premises

and/or the Center, or any other property of Landlord as a result of, or as may be triggered by, Tenant's Alterations. Landlord shall have the right to do such construction itself; but in all instances Tenant shall pay all costs directly or indirectly related to such work and shall indemnify, protect, hold harmless and defend Landlord and Landlord's officers, directors, shareholders, partners, members, principals, employees, agents, representatives, and other related entities and individuals, and their respective successors and assigns, from and against any and all claims, actions, damages, liability, costs, and expenses, including attorneys' fees and costs, arising out of any such additionally required work. All payment and indemnification obligations under this Section shall survive the expiration or earlier termination of the Lease Term.

15.3 LIENS. Tenant shall pay when due all claims for any work performed, materials furnished or obligations incurred by or for Tenant, and Tenant shall keep the Premises free from any liens arising with respect thereto. If Tenant fails to cause any such lien to be released within fifteen (15) days after imposition, by payment or posting of a proper bond, Landlord shall have the right (but not the obligation) to cause such release by such means as Landlord deems proper. Tenant shall pay Landlord upon demand for all costs incurred by Landlord in connection therewith (including attorneys' fees and costs), with interest at the rate specified in Section 22.4 from the date of payment by Landlord to the date of payment by Tenant. Tenant will notify Landlord in writing thirty (30) days prior to commencing any alterations, additions, improvements or repairs in order to allow Landlord time to file a notice of nonresponsibility.

15.4 REMODEL. Landlord may in the future remodel, renovate or refurbish ("remodel") all or any portion of the Center, which remodel may include the Premises. The remodeling will be done in accordance with design specifications prepared by the project architect and reviewed and approved by Landlord. Copies of such specifications will be made available to Tenant. Tenant shall not, through any act or omission on the part of Tenant, in any way impede, delay or prevent the completion of such remodeling in a timely manner.

16. DAMAGE AND DESTRUCTION

16.1 PARTIAL DAMAGE. If, during the Lease Term, the Premises are damaged or destroyed by fire or other casualty, or if the Building is damaged or destroyed by fire or other casualty and such damage or destruction affects Tenant's use of the Premises (collectively, "Premises Damage"), Landlord shall perform the necessary repairs (other than to Tenant's Alterations, trade fixtures, equipment, and personal property, the repair of which Tenant shall be solely responsible), and this Lease shall continue in full force and effect. Provided, however, that Landlord may, at its option, elect to terminate this Lease if (i) Landlord's repairs cannot reasonably be completed within sixty (60) days after the date of the Premises Damage in accordance with applicable laws and regulations, or (ii) the Replacement Cost (defined below) exceeds six (6) months' Minimum Monthly Rent, or (iii) Landlord does not receive sufficient insurance proceeds to pay the full Replacement Cost and the shortfall exceeds one (1) month's Minimum Monthly Rent. As used herein, "Replacement Cost" shall mean the cost to repair or rebuild the Premises, Building or Center (other than Tenant's Alterations, equipment, trade fixtures, and personal property) at the time of the damage or destruction to their condition existing immediately prior thereto, including without limitation all costs of demolition, debris removal, permits, fees and other governmental requirements, and upgrading the Premises, Building or Center as required by law or other requirements, without deduction for depreciation.

16.2 TOTAL DESTRUCTION. Notwithstanding any other provisions of this Lease, a total destruction (including any destruction required by any authorized public authority) of either the Premises or the Building shall, at the election of Landlord, terminate this Lease as of the date of such destruction.

16.3 PARTIAL DESTRUCTION OF CENTER OR BUILDING. Notwithstanding any other provision of this Lease, if fifty percent (50%) or more of the rentable area of the Building or the Center is damaged or destroyed, notwithstanding that the Premises may be unaffected, Landlord shall have the right to terminate this Lease.

16.4 INSURANCE DEDUCTIBLE. If Landlord is required or elects to repair any Premises Damage caused by an insured casualty as provided in Section 16.1, Tenant shall, within fifteen (15) days after receipt of written notice from Landlord, pay the amount of any deductible (or its Share thereof) under any insurance policy covering such Premises Damage, in accordance with Section 9.3 above.

16.5 DAMAGE NEAR END OF TERM. If at any time during the last twelve (12) months of the Lease Term there is Premises Damage for which Replacement Cost exceeds one (1) month's Minimum Monthly Rent, Landlord may, at its option, elect to terminate this Lease; provided, however, that if Tenant has any valid, unexercised option to extend the term of this Lease, Tenant may prevent Landlord's termination under this Section by exercising such option within five (5) business days of receipt of Landlord's election to terminate.

16.6 LANDLORD'S TERMINATION NOTICE; EFFECTIVE DATE; RELOCATION. If Landlord elects to terminate this Lease under any applicable provision of this Article 16, Landlord shall give notice of such election within forty-five (45) days of the date of the damage or destruction. In the case of a total destruction (Section 16.2) or Premises Damage that prevents Tenant from occupying the Premises for its permitted use, the effective date of such termination shall be the date of such Premises Damage; otherwise the effective date of termination shall be a date selected by Landlord not earlier than thirty (30) days from the date of Landlord's notice. If Tenant has any right to terminate this Lease as a result of any Premises Damage (whether provided in this Lease, by law or

otherwise) Landlord may prevent such termination by exercising, within forty-five (45) days of the Premises Damage, any right to relocate Tenant to new Premises in the Center provided in Section 24.24 of this Lease.

16.7 RENT ABATEMENT. If Landlord repairs the Premises or the Building after a Premises Damage as described in this Article 16, Minimum Monthly Rent and Additional Rent shall be equitably reduced from the date of the Premises Damage until the repairs are completed, based upon the extent to which such repairs interfere with the business carried on by Tenant in the Premises, but only to the extent Landlord receives proceeds from the rental income insurance described in Section 9.1. Landlord agrees to take reasonable steps to make a claim for and collect any rental income insurance proceeds that might be available.

16.8 TENANT'S OBLIGATIONS. Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any restoration or replacement of, any of Alterations, equipment, trade fixtures, and personal property owned, placed or installed in or about the Premises by or on behalf of Tenant. Unless this Lease is terminated pursuant to this Article, Tenant shall promptly repair, restore or replace the same in the event of any damage thereto. If all or any portion of the Premises, Building or Center is damaged or destroyed by reason of any act or omission of Tenant, except as provided in Section 9.4 (Waiver of Subrogation), Tenant shall either make the necessary repairs at Tenant's expense or pay to Landlord the Replacement Cost arising therefrom, regardless of whether this Lease is terminated. Nothing contained in this Article shall be construed as a limitation on Tenant's liability for any damage or destruction if such liability otherwise exists.

16.9 WAIVER OF INCONSISTENT STATUTES. The parties' rights and obligations in the event of damage or destruction shall be governed by the provisions of this Lease; accordingly, Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4), and any other statute, code or judicial decisions that grants a tenant a right to terminate a lease in the event of damage or destruction of a leased premises.

17. CONDEMNATION

17.1 EFFECT ON LEASE. If all of the Premises, or so much thereof that the remaining portion of the Premises cannot be used by Tenant for its permitted use, is taken under the power of eminent domain or sold under the threat of the exercise of such power (collectively "Condemnation"), this Lease shall terminate as of the earlier of the date title vests in the condemnor or the date the condemnor is entitled to possession of the interest condemned (the "Condemnation Date"). Notwithstanding the foregoing, Landlord may prevent such termination by exercising, within forty-five (45) days of the Condemnation, any right to relocate Tenant to new Premises in the Center provided in Section 24.24 of this Lease. In all other cases, Landlord may terminate this Lease as of the

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Condemnation Date if (i) the Condemnation affects any material portion of the Premises or the Building, (ii) Landlord receives insufficient funds from the condemnor to complete the restoration of the Premises required under this Section, or (iii) if the Condemnation affects such a substantial portion of the Center (including the Common Facilities, parking lots or access to the Center) that it is no longer economically appropriate in Landlord's business judgment to lease the Premises on the terms and conditions of this Lease. If such Condemnation affects the Premises and this Lease remains in effect, (a) this Lease shall terminate as to the portion of the Premises taken as of the Condemnation Date, (b) the Minimum Monthly Rent shall be equitably adjusted based upon the rental value of the Premises remaining after the Condemnation compared to the rental value of the Premises prior to Condemnation, (c) Tenant's Share shall be adjusted based on any changes in the Rentable Square Footage of the Premises and/or the Center, and (d) Landlord shall, within a reasonable period of time, undertake such construction or restoration as may be reasonably necessary to place the remaining Premises in a useable condition (provided that the cost of such construction or restoration does not exceed the amount awarded to Landlord by the condemnor for such purpose). Landlord shall not be responsible to restore or replace any of Tenant's Alterations, fixtures, equipment or personal property.

17.2 CONDEMNATION AWARD. All compensation, damages and other items of value awarded, paid or received in settlement or otherwise ("Award") upon any partial or total Condemnation shall be paid to Landlord, and Tenant shall have no claim thereto. Tenant hereby irrevocably assigns and transfers to Landlord, and fully waives, releases and relinquishes any and all claims to or interest in the Award, including, without limitation, any amount attributable to the amount, if any, by which rental value of the Premises exceeds the rent payable for the remainder of the Lease Term, to the value of any unexercised options to extend the term or expand the Premises, or to Tenant's goodwill. Notwithstanding the foregoing, Tenant shall have the right to make a separate claim and to recover from the condemning authority, but not from Landlord, so long as the Award payable to Landlord is not reduced thereby, such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of (a) the taking of the unamortized or undepreciated value of any leasehold improvements owned by Tenant that Tenant has the right to remove at the end of the Lease Term and the Tenant elects not to remove; (b) reasonable removal and relocation costs for any leasehold improvements that Tenant has the right to remove and elects to remove (if the condemning authority approves of the removal); and (c) relocation costs under Government Code Section 7262, the claim

for which Tenant may pursue by separate action independent of this Lease.

17.3 WAIVER OF INCONSISTENT STATUTES. The parties' rights and obligations in the event of Condemnation shall be governed by the provisions of this Lease; accordingly, Tenant waives the provisions of California Code of Civil Procedure Sections 1265.110 through 1265.150, and any other statute, code or judicial decisions that grants a tenant a right to terminate a lease in the event of the Condemnation of a leased premises.

18. ASSIGNMENT AND SUBLETTING

18.1 LANDLORD'S CONSENT REQUIRED. Tenant shall not voluntarily or involuntarily assign, sublease, mortgage, encumber, or otherwise transfer all or any portion of the Premises or its interest in this Lease (collectively, "Transfer") without Landlord's prior written consent, which consent Landlord shall not unreasonably withhold. Landlord may withhold its consent until Tenant has complied with the provisions of Sections 18.2 and 18.3. Any attempted Transfer without Landlord's written consent shall be void and shall constitute a noncurable Event of Default under this Lease. If Tenant is a corporation, any cumulative Transfer of more than twenty percent (20%) of the voting stock of such corporation shall constitute a Transfer requiring Landlord's consent hereunder; provided, however, that this sentence shall not apply to any corporation whose stock is publicly traded. If Tenant is a partnership, limited liability company, trust or other entity, any cumulative Transfer of more than twenty percent (20%) of the partnership, membership, beneficial or other ownership interests therein shall constitute a Transfer requiring Landlord's consent hereunder. Tenant shall not have the right to consummate a Transfer or to request Landlord's consent to any Transfer if any Event of Default has occurred and is continuing or if Tenant or any affiliate of Tenant is in default under any lease of any other real property owned or managed (in whole or in part) by Landlord or any affiliate of Landlord.

18.2 LANDLORD'S ELECTION. Tenant's request for consent to any Transfer shall be accompanied by a written statement setting forth the details of the proposed Transfer, including the name, business and financial condition of the prospective Transferee, financial details of the proposed Transfer (e.g., the term and the rent and security deposit payable), and any other related information that Landlord may reasonably require. Landlord shall have the right: (a) to withhold consent to the Transfer, if reasonable, (b) to grant consent, (c) to terminate this Lease as to the portion of the Premises affected by any proposed Transfer, in which event Landlord may enter into a lease directly with the proposed Transferee (which election to terminate shall not be construed to be a consent to the proposed Transfer), or (d) to consent on the condition that Landlord be paid fifty percent (50%) of all subrent or other consideration to be paid to Tenant under the terms of the Transfer in excess of the total rent due hereunder (including, if such Transfer is an assignment or if such Transfer is to occur directly or indirectly in connection with the sale of any assets of Tenant, fifty percent (50%) of the amount of the consideration attributable to the Transfer, as reasonably determined by Landlord). Landlord may require any permitted subtenant to make rental payments directly to Landlord, in the amount of rent due hereunder. The grounds on which Landlord may reasonably withhold its consent to any requested Transfer include, without limitation, that: (i) the proposed Transferee's contemplated use of the Premises following the proposed Transfer is not reasonably similar to the use of the Premises permitted hereunder, (ii) in Landlord's reasonable business judgment, the proposed Transferee lacks sufficient business reputation or experience to operate a successful business of the type and quality permitted under this Lease, (iii) in Landlord's reasonable business judgment, the proposed Transferee lacks sufficient net worth, working capital, anticipated cash flow and other indications of financial strength to meet all of its obligations under this Lease, (iv) the proposed Transfer would breach any covenant of Landlord respecting a radius restriction, location, use or exclusivity in any other lease, financing agreement, or other agreement relating to the Center, and (v) in Landlord's reasonable business judgment, the possibility of a release of Hazardous Materials is materially increased as a result of the Transfer or if Landlord does not receive sufficient assurances that the proposed Transferee has the experience and financial ability to remedy a violation of Hazardous Materials and to fulfill its obligations under Articles 13 and 14. In connection with any such Transfer, Landlord shall have the right to require Tenant, at Tenant's sole cost, to cause environmental testing meeting the requirements of an Exit Assessment described in Section 14.8 to be performed. Landlord need only respond to any request by Tenant hereunder within a reasonable time of not less than ten (10) business days after receipt of all information and other submission required in connection with such request.

18.3 COSTS; TRANSFER FEE. Tenant shall pay all costs and expenses in connection with any permitted Transfer, including any real estate brokerage commissions due with respect to the Transfer. Tenant shall pay all attorneys' fees and costs incurred by Landlord and a fee of \$500 to reimburse Landlord for costs and expenses incurred in connection with any request by Tenant for Landlord's consent to a Transfer. Such fee shall be delivered to Landlord concurrently with Tenant's request for consent. Such payment obligations shall apply regardless of whether Landlord ultimately grants or denies Tenant's request.

18.4 ASSUMPTION; NO RELEASE OF TENANT. Any permitted assignee shall assume in writing all obligations of Tenant under this Lease, utilizing a form of assumption agreement provided or approved by Landlord, and an executed copy of such assumption agreement shall be delivered to Landlord within fifteen (15) days after the effective date of the Transfer. The taking of possession of all or any part of the Premises by any such permitted assignee or subtenant shall

constitute an agreement by such person or entity to assume without limitation or qualification all of the obligations of Tenant under this Lease, notwithstanding any failure by such person to execute the assumption agreement required in the immediately preceding sentence. No permitted Transfer shall release or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of rent from any other person is not a waiver of any provision of this Article nor a consent to any Transfer. Consent to one Transfer shall not constitute a consent to any subsequent Transfer. If any transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent Transfers or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent, and such action shall not relieve Tenant of its liability under this Lease.

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18.5 NO MERGER. No merger shall result from any Transfer pursuant to this Article, any surrender by Tenant of its interest under this Lease, or any termination hereof in any other manner. In any such event, Landlord may either terminate any or all subleases or succeed to the interest of Tenant thereunder.

18.6 REASONABLE RESTRICTION. Tenant acknowledges that the restrictions on Transfer contained herein are reasonable restrictions for purposes of Section 22.2 of this Lease and California Civil Code Section 1951.4.

19. SUBORDINATION; ATTORNMEN; ESTOPPEL CERTIFICATE

19.1 SUBORDINATION. The lien and terms of this Lease are and shall be unconditionally junior and subordinate to the lien and terms of all ground leases, mortgages, deeds of trust, and other security instruments now or hereafter affecting the real property of which the Premises are a part, and to all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. If any mortgagee, beneficiary under deed of trust or ground lessor shall elect to have this Lease prior to its mortgage, deed of trust or ground lease, and gives written notice thereof to Tenant, this Lease shall be deemed prior thereto. Tenant agrees to execute any documents required to effectuate such subordination or to make this Lease prior to the lien of any such mortgage, deed of trust or ground lease, as the case may be. If Tenant fails to deliver such agreement within ten (10) days after written demand, (a) Tenant does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney-in-fact and in Tenant's name, place and stead, to do so, and (b) an Event of Default shall be deemed to have occurred and, in addition to all other liability, Tenant shall be liable for the immediate payment of all foreseeable and unforeseeable damages, penalties and attorneys' fees and costs incurred by Landlord as a result of such failure.

19.2 ATTORNMEN. If Landlord sells, transfers, or conveys its interest in the Premises or this Lease, or if the same is foreclosed judicially or nonjudicially, or is otherwise acquired, by a mortgagee, beneficiary under deed of trust or ground lessor, upon the request and at the sole election of Landlord's lawful successor, Tenant shall attorn to said successor. Tenant shall, upon request of Landlord, execute an attornment agreement in form and substance acceptable to Landlord agreeing in advance to such attornment to any such mortgagee, beneficiary, ground lessor or other successor. Such attornment agreement shall provide, among other things, that such mortgagee, beneficiary or ground lessor shall not be (a) bound by any prepayment of more than one (1) month's rent, (b) liable for the return of any Security Deposit or other sums not actually received by said successor, (c) bound by any act or omission of Landlord arising prior to the succession of such successor to the Landlord's interest in this Lease, or be subject to any offset, defense or counter-claim that Tenant may have previously accrued against Landlord, or (d) be bound by any material amendment of this Lease made after the later of the initial effective date of this Lease, or the date that such successor's lien or interest first arose, unless said successor shall have consented to such amendment in writing.

19.3 ESTOPPEL CERTIFICATES. Within ten (10) days after written request from Landlord, Tenant at Tenant's sole cost shall execute, acknowledge and deliver to Landlord a written certificate in favor of Landlord and any prospective lender or purchaser of the Center or any part thereof, (a) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modifications and certifying that this Lease is in full force and effect as so modified), (b) the amount of any rent paid in advance, and (c) that there are no uncured defaults on the part of Landlord, or specifying the nature of such defaults if any are claimed. In addition to the foregoing, such certificate shall include Tenant's certification to such other matters of fact, and be on such form, as Landlord or such prospective lender or purchaser shall reasonably require. If Tenant fails to deliver such certificate within said 10-day period, an Event of Default shall be deemed to have occurred and, in addition to all other liability, Tenant shall be liable for the immediate payment of all foreseeable and unforeseeable damages, penalties and attorneys' fees and costs incurred by Landlord as a result of such failure. Tenant's failure to deliver such certificate within said 10-day period shall constitute a conclusive acknowledgment by Tenant: (i) that this Lease is in full force and effect without modification except as may be represented by Landlord, (ii) that not more than one month's rent has been paid in advance, and (iii) that there are no uncured defaults in Landlord's performance.

20. SURRENDER OF PREMISES

20.1 CONDITION OF PREMISES. Upon the expiration or earlier termination of

this Lease, Tenant shall surrender the Premises to Landlord, broom clean and in the same condition and state of repair as at the commencement of the Lease Term, except for ordinary wear and tear that Tenant is not otherwise obligated to remedy under the provisions of this Lease. Tenant shall deliver all keys to the Premises and the Building to Landlord. Upon Tenant's vacation of the Premises, Tenant shall remove all portable furniture, trade fixtures, machinery, equipment, signs and other items of personal property (unless prohibited from doing so under Section 20.2), and shall remove any Alterations (whether or not made with Landlord's consent) that Landlord may require Tenant to remove. Tenant shall repair all damage to the Premises caused by such removal and shall restore the Premises to its prior condition, all at Tenant's expense. Such repairs shall be performed in a manner satisfactory to Landlord and shall include, but are not limited to, the following: capping all plumbing, capping all electrical wiring, repairing all holes in walls, restoring damaged floor and/or ceiling tiles, and thorough cleaning of the Premises. If Tenant fails to remove any items that Tenant has an obligation to remove under this Section when required by Landlord or otherwise, such items shall, at Landlord's option, become the property of Landlord and Landlord shall have the right to remove and retain or dispose of the same in any manner, without any obligation to account to Tenant for the proceeds thereof. Tenant waives all claims against Landlord for any damages to Tenant resulting from Landlord's retention or disposition of such Alterations or personal property. Tenant shall be liable to Landlord for Landlord's costs of removing, storing and disposing of such items.

20.2 REMOVAL OF CERTAIN ALTERATIONS, FIXTURES AND EQUIPMENT PROHIBITED. All Alterations, fixtures (whether or not trade fixtures), machinery, equipment, signs and other items of personal property that Landlord has not required Tenant to remove under Section 20.1 shall become Landlord's property and shall be surrendered to Landlord with the Premises, regardless of who paid for the same. In particular and without limiting the foregoing, Tenant shall not remove any of the following materials or equipment without Landlord's prior written consent, regardless of who paid for the same and regardless of whether the same are permanently attached to the Premises: power wiring and power panels; piping for industrial gasses or liquids; laboratory benches, sinks, cabinets and casework; fume hoods or specialized air-handling and evacuation systems; drains or other equipment for the handling of waste water or hazardous materials; computer, telephone and telecommunications wiring, panels and equipment; lighting and lighting fixtures; wall coverings; drapes, blinds and other window coverings; carpets and other floor coverings; heaters, air conditioners and other heating or air conditioning equipment; fencing; security gates and systems; and other building operating equipment and decorations.

20.3 HOLDING OVER. Tenant shall vacate the Premises upon the expiration or earlier termination of this Lease, and Tenant shall indemnify, protect, hold harmless and defend Landlord against all liabilities, damages and expenses incurred by Landlord as a result of any delay by Tenant in vacating the Premises. If Tenant remains in possession of the Premises or any part thereof after the expiration of the Lease Term with Landlord's written permission, Tenant's occupancy shall be a tenancy from month-to-month only, and not a renewal or extension hereof. All provisions of this Lease (other than those relating to the term) shall apply to such month-to-month tenancy, except that the Minimum Monthly Rent shall be increased to 150% of the Minimum Monthly Rent in effect during the last month of the Lease Term. No acceptance of rent, negotiation of rent checks or other act or omission of Landlord or its agents shall extend the Expiration Date of this Lease other than a writing executed by Landlord giving Tenant permission to remain in occupancy beyond the Expiration Date under the terms of the immediately preceding sentence.

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21. DEFAULT BY TENANT

The occurrence of any of the following shall constitute an "Event of Default" under this Lease by Tenant:

21.1 Failure to pay when due any Minimum Monthly Rent, Additional Rent or any other monetary sums required to be paid by Tenant under the terms of this Lease.

21.2 Failure to perform any other material agreement or obligation of Tenant hereunder, if such failure continues for fifteen (15) days after written notice by Landlord to Tenant, except as to those Events of Default that are noncurable, in which case no such grace period shall apply. Landlord's notice described herein is intended to satisfy, and is not in addition to, any and all legal notices required prior to commencement of an unlawful detainer action, including without limitation the notice requirements of California Code of Civil Procedure Sections 1161 et seq.

21.3 Abandonment or vacation of the Premises by Tenant, or failure to occupy the Premises for a period of ten (10) consecutive days.

21.4 If any of the following occurs: (i) a petition is filed for an order of relief under the federal Bankruptcy Code or for an order or decree of insolvency or reorganization or rearrangement under any state or federal law, and such petition is not dismissed within thirty (30) days after the filing thereof; (ii) Tenant makes a general assignment for the benefit of creditors; (iii) a receiver or trustee is appointed to take possession of any substantial part of Tenant's assets, unless such appointment is vacated within thirty (30) days after the date thereof; (iv) Tenant consents to or suffers an attachment, execution or other judicial seizure of any substantial part of its assets or its

interest under this Lease, unless such process is released or satisfied within thirty (30) days after the occurrence thereof; or (v) Tenant's net worth, determined in accordance with generally accepted accounting principles consistently applied, decreases, at any time during the Lease Term, below Tenant's net worth as of the date of execution of this Lease. If a court of competent jurisdiction determines that any of the foregoing events is not a default under this Lease, and a trustee is appointed to take possession (or if Tenant remains a debtor in possession), and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive the difference between the rent (or other consideration) paid in connection with such transfer and the rent payable by Tenant hereunder. Any assignee pursuant to the provisions of any bankruptcy law shall be deemed without further act to have assumed all of the obligations of the Tenant hereunder arising on or after the date of such assignment. Any such assignee shall, upon demand, execute and deliver to Landlord an instrument confirming such assumption.

21.5 The occurrence of any other event that is deemed to be an Event of Default under any other provision of this Lease, or any other lease to which Landlord (or any affiliate of Landlord) and Tenant (or any affiliate of Tenant) are parties.

22. REMEDIES

Upon the occurrence of any Event of Default by Tenant, Landlord shall have the following remedies, each of which shall be cumulative and in addition to any other remedies now or hereafter available at law or in equity:

22.1 TERMINATION OF LEASE. Landlord can terminate this Lease and Tenant's right to possession of the Premises by giving written notice of termination, and then re-enter the Premises and take possession thereof. No act by Landlord other than giving written notice to Tenant of such termination shall terminate this Lease. Upon termination, Landlord has the right to recover all damages incurred by Landlord as a result of Tenant's default, including:

(a) The worth at the time of award of any unpaid rent that had been earned at the time of such termination; plus

(b) The worth at the time of award of the amount by which the unpaid rent that would have been earned after the date of termination until the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; plus

(c) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(d) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's default, including, but not limited to (i) expenses for cleaning, repairing or restoring the Premises, (ii) expenses for altering, remodeling or otherwise improving the Premises for the purpose of reletting, (iii) brokers' fees and commissions, advertising costs and other expenses of reletting the Premises, (iv) costs of carrying the Premises, such as taxes, insurance premiums, utilities and security precautions, (v) expenses in retaking possession of the Premises, (vi) attorneys' fees and costs, (vii) any unearned brokerage commissions paid in connection with this Lease, and (viii) reimbursement of any previously waived or abated Minimum Monthly Rent, Additional Rent or other charges; plus

(e) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time under applicable law. As used in paragraphs (a) and (b) above, the "worth at the time of award" shall be computed by allowing interest at the maximum permissible legal rate. As used in paragraph (c) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

22.2 CONTINUATION OF LEASE. Landlord has the remedy described in California Civil Code Section 1951.4 (Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations), as follows:

(a) Landlord can continue this Lease in full force and effect without terminating Tenant's right of possession, and Landlord shall have the right to collect rent and other monetary charges when due and to enforce all other obligations of Tenant hereunder. Landlord shall have the right to enter the Premises to do acts of maintenance and preservation of the Premises, to make alterations and repairs in order to relet the Premises, and/or to undertake other efforts to relet the Premises. Landlord may also remove personal property from the Premises and store the same in a public warehouse at Tenant's expense and risk. No act by Landlord permitted under this paragraph shall terminate this Lease unless a written notice of termination is given by Landlord to Tenant or unless the termination is decreed by a court of competent jurisdiction.

(b) In furtherance of the remedy set forth in this Section, Landlord may relet the Premises or any part thereof for Tenant's account, for such term (which may extend beyond the Lease Term), at such rent, and on such other terms and conditions as Landlord may deem advisable in its sole discretion. Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises. Any rents received by Landlord from such reletting shall be applied to the payment of: (i) any indebtedness other than rent due hereunder from Tenant to Landlord, (ii) the costs of such reletting, including brokerage and attorneys' fees and costs, and the cost of any alterations and repairs to the Premises, and (iii) the payment of rent due and unpaid hereunder, including any previously waived or abated rent. Any remainder shall be held by Landlord and applied in payment of future amounts as the same become due and payable

hereunder. In no event shall Tenant be entitled to any excess rent received by Landlord after an Event of Default by Tenant and the exercise of Landlord's remedies hereunder. If the rent from such reletting during any month is less than the rent payable hereunder, Tenant shall pay such deficiency to Landlord upon demand.

(c) Landlord shall not, by any re-entry or other act, be deemed to have accepted any surrender by Tenant of the Premises or Tenant's interest therein, or be deemed to have terminated this Lease or Tenant's right to possession of the Premises or the liability of Tenant to pay rent accruing thereafter or Tenant's liability for damages under any of the provisions hereof, unless Landlord shall have given Tenant notice in writing that it has so elected to terminate this Lease.

(d) Tenant acknowledges and agrees that the restrictions on the Transfer of this Lease set forth in Article 18 of this Lease constitute reasonable restrictions on such transfer for purposes of this Section and California Civil Code Section 1951.4.

22.3 PERFORMANCE BY LANDLORD. If Tenant fails to pay any sum of money or perform any other act to be performed by Tenant hereunder, and such failure continues for fifteen (15) days after notice by Landlord, Landlord shall have the right (but not the obligation) to make such payment or perform such other

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act without waiving or releasing Tenant from its obligations. All sums so paid by Landlord and all necessary incidental costs, together with interest thereon at the rate specified in Section 22.4, shall be payable to Landlord on demand. Landlord shall have the same rights and remedies in the event of nonpayment by Tenant as in the case of default by Tenant in the payment of the rent.

22.4 LATE CHARGE; INTEREST ON OVERDUE PAYMENTS. The parties acknowledge that late payment by Tenant of Minimum Monthly Rent, Additional Rent or other charges hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impractical to determine, including, but not limited to, processing and accounting charges, administrative expenses, and additional interest expenses or late charges that Landlord may be required to pay as a result of late payment on Landlord's obligations. Therefore, if any installment of Minimum Monthly Rent, Additional Rent or other charges is not received by Landlord on the date due, and without regard to whether Landlord gives Tenant notice of such failure or exercises any of its remedies upon an Event of Default, Tenant shall pay a late charge equal to the greater of ten percent (10%) of the overdue amount or One Hundred Dollars (\$100). The parties hereby agree that such late charge represents a fair and reasonable estimate of the damages Landlord will incur by reason of late payment by Tenant. In addition, any amount due from Tenant that is not paid when due shall bear interest at a rate equal to two percent (2%) over the then current Bank of America prime or reference rate or ten percent (10%) per annum, whichever is greater, but not in excess of the maximum permissible legal rate, from the date such payment is due until the date paid by Tenant. Landlord's acceptance of any interest or late charge shall not constitute a waiver of Tenant's default or prevent Landlord from exercising any other rights or remedies available to Landlord.

22.5 LANDLORD'S RIGHT TO REQUIRE ADVANCE PAYMENT OF RENT; CASHIER'S CHECKS. If Tenant is late in paying any component of rent more than three (3) times during the Lease Term, Landlord shall have the right, upon notice to Tenant, to require that all rent be paid three (3) months in advance. Additionally, if any of Tenant's checks are returned for nonsufficient funds, or if Landlord at any time serves upon Tenant a Three Day Notice to Pay Rent or Quit (pursuant to California Civil Code Sections 1161 et seq. or any successor or similar unlawful detainer statutes), Landlord may, at its option, require that all future rent (including any sums demanded in any subsequent three (3) day notice) be paid exclusively by money order or cashier's check.

23. DEFAULT BY LANDLORD

23.1 NOTICE TO LANDLORD. Landlord shall not be in default under this Lease unless Landlord fails to perform an obligation required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord and to each Mortgagee as provided in Section 23.2, specifying the nature of the alleged default; provided, however, that if the nature of the obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such 30-day period and thereafter diligently prosecutes the same to completion.

23.2 NOTICE TO MORTGAGEES. Tenant agrees to give each mortgagee or trust deed holder on the Premises or the Center ("Mortgagee"), by certified mail, a copy of any notice of default served upon Landlord, provided that Tenant has been previously notified in writing of the address of such Mortgagee. Tenant further agrees that if Landlord fails to cure such default within the time provided for in this Lease, then the Mortgagees shall have an additional thirty (30) days after Tenant's notice within which to cure such default, or if such default cannot reasonably be cured within that time, then such additional time as may be necessary if, within said 30-day period, any Mortgagee has commenced and is diligently pursuing the remedies necessary to cure the default (including but not limited to commencement of foreclosure proceedings if necessary to affect such cure), in which event this Lease shall not be terminated while such remedies are being so diligently pursued.

23.3 LIMITATIONS ON REMEDIES AGAINST LANDLORD. In the event Tenant has any claim or cause of action against Landlord: (a) Tenant's sole and exclusive remedy shall be against Landlord's interest in the Building, and neither Landlord nor any of Landlord's officers, directors, shareholders, partners, members, principals, employees, agents, representatives, or other related entities or individuals, or their respective successors and assigns (collectively, "Landlord's Related Entities"), nor any other property of Landlord or Landlord's Related Entities shall be liable for any deficiency, (b) none of Landlord's Related Entities shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction over Landlord), (c) no service of process shall be made against any of Landlord's Related Entities (except as may be necessary to secure jurisdiction), and none of Landlord's Related Entities shall be required to answer or otherwise plead to any service of process, (d) no judgment shall be taken against any of Landlord's Related Entities and any judgment taken against any of Landlord's Related Entities may be vacated and set aside at any time, and (e) no writ of execution will ever be levied against the assets of any of Landlord's Related Entities. The covenants and agreements set forth in this Section shall be enforceable by Landlord and/or by any of Landlord's Related Entities. If Landlord fails to give any consent that a court later holds Landlord was required to give under the terms of this Lease, Tenant shall be entitled solely to specific performance and such other remedies as may be specifically reserved to Tenant under this Lease, but in no event shall Landlord be responsible for monetary damages (including incidental and consequential damages) for such failure to give consent.

24. GENERAL PROVISIONS

24.1 ACTION OR DEFENSE BY TENANT. Any claim, demand or right of defense of any kind by Tenant that is based upon or arises in any connection with this Lease or negotiations prior to its execution shall be barred unless Tenant commences an action thereon or initiates a legal proceeding or defense by reason thereof within six (6) months after the date of the occurrence of the event, act or omission to which the claim, demand or right of defense relates. Tenant acknowledges and understands that, after having had an opportunity to consult with legal counsel, the purpose of this paragraph is to shorten the time period within which Tenant would otherwise have to raise such claims, demands or rights of defense.

24.2 ARBITRATION AND MEDIATION; WAIVER OF JURY TRIAL. Except as provided in this Section, if any dispute ensues between Landlord and Tenant arising out of or concerning this Lease, and if said dispute cannot be settled through direct discussions between the parties, the parties shall first attempt to settle the dispute through mediation before a mutually acceptable mediator. The cost of mediation shall be divided equally between the parties. Thereafter, any remaining, unresolved disputes or claims shall be resolved by binding arbitration in accordance with the rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court of competent jurisdiction. The prevailing party in any such arbitration shall be entitled to recover reasonable costs and attorneys' fees and costs as determined by the arbitrator; provided, however, that the foregoing provisions regarding mediation and arbitration shall not apply to (a) any issue or claim that might properly be adjudicated in an unlawful detainer proceeding, or (b) to any issue or claim that Landlord elects not to have resolved through arbitration and with respect to which Landlord commences an action in law or equity to determine the same. Without limiting the foregoing, Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim (including any claim of injury or damage and any emergency and other statutory remedy in respect thereof) brought by either against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises.

24.3 ATTORNEYS' FEES. If Landlord or Tenant brings any legal action or proceeding, declaratory or otherwise, arising out of this Lease, including any suit by Landlord to recover rent or possession of the Premises or otherwise to enforce this Lease, the prevailing party shall pay the other party's costs and attorneys' fees and costs incurred in such proceeding. As used herein, "attorneys' fees and costs" include without limitation attorneys' fees and costs, printing, photocopying, duplicating and other expenses, air freight charges, fees billed for law clerks, paralegals and other persons not admitted to the bar but performing services under the supervision of an attorney, experts' fees, appraisers' fees, accountants' fees, court costs, the fees of other professionals, costs incurred in connection with any and all arbitrations, mediations, post-judgment motions, contempt proceedings, garnishments, levies, debtor and third party examination, discovery and bankruptcy litigation. If Landlord issues notice(s) to pay rent, notice(s) to perform covenant, notice(s) of abandonment or similar documents as a result of Tenant's default under this

Lease, and if Tenant cures such default, Tenant shall pay to Landlord within fifteen (15) days of demand, the reasonable costs incurred by Landlord in preparing and delivering the same, including Landlord's attorneys' fees and costs.

24.4 AUTHORITY OF TENANT. Tenant represents and warrants that it has full power and authority to execute and fully perform its obligations under this Lease pursuant to its governing instruments, without the need for any further action, and that the person(s) executing this Agreement on behalf of Tenant are

the duly designated agents of Tenant and are authorized to do so. Prior to execution of this Lease, Tenant shall supply Landlord with such evidence as Landlord may request regarding the authority of Tenant to enter into this Lease. Any actual or constructive taking of possession of the Premises by Tenant shall constitute a ratification of this Lease by Tenant.

24.5 BINDING EFFECT; PARTIES BENEFITED. Subject to the provisions of Article 18 restricting transfers by Tenant and subject to Section 24.26 regarding transfer of Landlord's interest, all of the provisions of this Lease shall bind and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. Except for Landlord's employees and agents (including without limitation any property manager or property management firm engaged by Landlord with respect to the Premises), each of whom shall be entitled to the benefits of and shall be third party beneficiaries of the provisions of Articles 12 and 13, no third person shall be entitled to enforce or be entitled to any rights hereunder or be a third party beneficiary of any term or provision this Lease.

24.6 BROKERS. Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this transaction except only the broker(s) set forth in Section 1.11 of the Basic Lease Provisions, and it knows of no other real estate broker or agent who is entitled to a commission in connection with this transaction. Tenant agrees to indemnify, protect, hold harmless and defend Landlord from and against any obligation or liability to pay any commission or compensation to any other party arising from the act or agreement of Tenant. Tenant acknowledges that certain partners, affiliates or members of Landlord, or their respective officers, directors, shareholders, members or employees, may hold real estate sales person or broker licenses, and additionally may be employees of Asset Management Group and as such may have negotiated, or may have a financial interest in, this transaction.

24.7 CONSTRUCTION. The headings and captions used in this Lease are for convenience only and are not a part of the terms and provisions of this Lease. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant, its subtenants and assigns and their respective agents, employees, contractors, and invitees, and any others using the Premises with Tenant's express or implied permission.

24.8 COUNTERPARTS. This Lease may be executed in multiple copies, each of which shall be deemed an original, but all of which shall constitute one Lease binding on all parties after all parties have signed such a counterpart.

24.9 COVENANTS AND CONDITIONS. Each provision to be performed by Tenant shall be deemed to be both a covenant and a condition.

24.10 ENTIRE AGREEMENT. This Lease, together with any and all exhibits, schedules, riders and addenda attached or referred to herein, constitutes the entire agreement between the parties with respect to the subject matter hereof. There are no oral or written agreements or representations between the parties hereto affecting this Lease, and this Lease supersedes, cancels and merges any and all previous verbal or written negotiations, arrangements, representations, brochures, displays, models, photographs, renderings, floor plans, elevations, projections, estimates, agreements and understandings if any, made by or between Landlord and Tenant and their agents, with respect to the subject matter, and none thereof shall be used to interpret, construe, supplement or contradict this Lease. This Lease and all amendments thereto is and shall be considered to be the only agreement between the parties hereto and their representatives and agents. There are no other representations or warranties between the parties, and all reliance with respect to representations is solely based upon the representations and agreements contained in this Lease.

24.11 EXHIBITS. Any and all exhibits, schedules, riders and addenda attached or referred to herein are hereby incorporated herein by reference.

24.12 FINANCIAL STATEMENTS. Within ten (10) days after written request from Landlord, Tenant shall deliver to Landlord such financial statements as are reasonably requested by Landlord to verify the net worth of Tenant, or any assignee, subtenant, or guarantor of Tenant. In addition, Tenant shall deliver to any proposed or actual lender or purchaser of the Premises designated by Landlord any financial statements required by such party to facilitate the sale, financing or refinancing of the Premises, including the past three (3) years' financial statements. Tenant represents and warrants to Landlord that: (a) each such financial statement is a true and accurate statement as of the date of such statement; and (b) at all times during the Lease Term or any extension thereof, Tenant's net worth shall not be reduced below Tenant's net worth as of the date of execution of this Lease. All such financial statements shall be received in confidence and shall be used only for the purposes set forth herein. Tenant hereby irrevocably authorizes Landlord to conduct credit checks and other investigations into Tenant's financial affairs.

24.13 FORCE MAJEURE. If Landlord is delayed in or prevented from the performance of any act required under this Lease by reason of strikes, lock-outs, labor troubles, inability to procure standard materials, failure of power, restrictive governmental laws, regulations or orders, governmental action or inaction (including failure, refusal or delay in issuing permits, approvals and/or authorizations), riots, civil unrest or insurrection, war, terrorism, bioterrorism, fire, earthquake, flood or other natural disaster, unusual and unforeseeable delay that results from an interruption of any public utilities, or other unusual and unforeseeable delay not within the reasonable control of Landlord, then performance of such act will be excused for the period of the delay and the period for the performance of any such act will be extended for a period equivalent to the period of such delay.

24.14 GOVERNING LAW. This Lease shall be governed, construed and enforced in accordance with the laws of the State of California.

24.15 JOINT AND SEVERAL LIABILITY. If more than one person or entity executes this Lease as Tenant, each of them is jointly and severally liable for all of the obligations of Tenant hereunder.

24.16 MODIFICATION. The provisions of this Lease may not be modified or amended, except by a written instrument signed by all parties.

24.17 MODIFICATION FOR LENDER. If, in connection with obtaining financing or refinancing for the Premises or the Center, Landlord's lender requests reasonable modifications to this Lease, Tenant will not unreasonably withhold or delay its consent thereto, provided that such modifications do not increase the obligations of Tenant hereunder or materially and adversely affect Tenant's rights hereunder.

24.18 NONDISCRIMINATION. Tenant for itself and its officers, directors, shareholders, partners, members, principals, employees, agents, representatives, and other related entities and individuals, and their respective successors and assigns, agrees to comply fully with any and all laws and other requirements prohibiting discrimination against any person or group of persons on account of race, color, religion, creed, sex, marital status, sexual orientation, national origin, ancestry, age, physical handicap or medical condition, in the use occupancy or patronage of the Premises and/or of Tenant's business. Tenant shall indemnify, protect, hold harmless and defend Landlord and Landlord's officers, directors, shareholders, partners, members, principals, employees, agents, representatives, and other related entities and individuals, and their respective successors and assigns, from and against all damage and liability incurred by Landlord in the event of any violation of the foregoing covenant or because of any event of or practice of discrimination against any such persons or group of persons by Tenant or its officers, directors, shareholders, partners, members, principals, employees, agents, representatives, and other related entities and individuals, and their respective successors and assigns, in accordance with the indemnification provisions of Article 13.

24.19 NOTICE. Any and all notices to either party shall be personally delivered, sent by recognized courier service (such as Federal Express or United Parcel Service), or sent by certified mail, return receipt requested, postage prepaid, addressed to the party to be notified at the address specified in Section 1.1, or at such other address as such party may from time to time designate in writing. Notice shall be deemed delivered on the date of personal delivery, on the date scheduled for delivery by such courier service, or three (3) business days after deposit in the U.S. Mail, certified, return receipt requested. Provided, however, that any notice required pursuant to California

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Code of Civil Procedure Sections 1161 et seq. may be given as provided in such sections. Any and all notices provided herein that Landlord may give setting forth or alleging any default or breach of this Lease, or of any failure of Tenant to perform its obligations hereunder shall be deemed to satisfy, and shall not be in addition to, any and all legal notices required prior to the commencement of an unlawful detainer action, including without limitation the notices required pursuant to California Code of Civil Procedure Sections 1161 et seq.

24.20 PARTIAL INVALIDITY. If any provision of this Lease is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby. Each provision shall be valid and enforceable to the fullest extent permitted by law.

24.21 QUIET ENJOYMENT. Landlord agrees that Tenant, upon paying the rent and performing the terms, covenants and conditions of this Lease, may quietly have the right to use and occupy the Premises as against Landlord during the Lease Term, subject, however, to the lien and provisions of any mortgage or deed of trust to which this Lease is or becomes subordinate.

24.22 RECORDING; NON-DISCLOSURE. Tenant shall not record this Lease or any memorandum hereof without Landlord's prior written consent. Tenant shall not, without the express written consent of Landlord, disclose the terms or provisions of this Lease to any person, except for Tenant's employees, agents, attorneys, officers and directors whose duties require such persons to be informed of such matters, or except as required by law.

24.23 RELATIONSHIP OF THE PARTIES. Nothing contained in this Lease shall be deemed or construed as creating a partnership, joint venture, principal-agent, or employer-employee relationship between Landlord and any other person or entity (including, without limitation, Tenant) or as causing Landlord to be responsible in any way for the debts or obligations of such other person or entity.

24.24 RELOCATION OF TENANT. In the event Landlord requires the Premises for use in conjunction with other premises or for other reasons related to the planning program for the Center, Landlord, upon delivering written notice to Tenant (the "Relocation Notice"), shall have the right to relocate Tenant to a substantially similar space in the Center, at Landlord's sole cost and expense (except that Tenant shall bear the cost of moving and installing telecommunication systems), and the terms and conditions of the original Lease shall remain in full force and effect, except that the Premises will be in a new location. However, if the new space does not meet with Tenant's reasonable approval, Tenant shall have the right to terminate this Lease upon delivering notice to Landlord within fifteen (15) days after Tenant's receipt of the Relocation Notice. If Tenant elects to terminate this Lease pursuant to this Section, the termination shall be effective on the effective date of the

proposed relocation of Tenant as indicated in the Relocation Notice.

24.25 TIME OF THE ESSENCE. Time is of the essence of each and every provision of this Lease.

24.26 TRANSFER OF LANDLORD'S INTEREST. In the event of a sale, assignment, exchange or other disposition of Landlord's interest in the Premises, other than a transfer for security purposes only, Landlord shall be relieved of all obligations and liabilities accruing hereunder after the effective date of said sale, assignment, exchange or other disposition, provided that any Security Deposit or other funds then held by Landlord in which Tenant has an interest are delivered to Landlord's successor. The obligations to be performed by Landlord hereunder shall be binding on Landlord's successors and assigns only during their respective periods of ownership.

24.27 WAIVER. No provision of this Lease or the breach thereof shall be deemed waived, except by written consent of Landlord. A waiver of any such breach shall not be deemed a waiver of any preceding or succeeding breach of the same or any other provision. No delay or omission by Landlord in exercising any of its remedies shall impair or be construed as a waiver thereof, unless such waiver is expressly set forth in a writing signed by Landlord. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any previous breach by Tenant, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such previous breach at the time of acceptance of such rent.

24.28 OFAC CERTIFICATION. Tenant and each Guarantor hereby jointly and severally certify, warrant, represent and covenant to and for the benefit of Landlord as follows: (a) Tenant and each of its subsidiaries, predecessors, agents, direct and indirect owners and their respective affiliates has at all applicable times been, is now and will in the future be, in compliance with U.S. Executive Order 13224 and no action, proceeding, investigation, charge, claim, report or notice has been filed, commenced or threatened against any of them alleging any failure to so comply; (b) neither Tenant nor any Guarantor or any of their respective agents, subsidiaries or other affiliates has, after due investigation and inquiry, knowledge or notice of any fact, event, circumstance, situation or condition which could reasonably be expected to result in any action, proceeding, investigation, charge, claim, report or notice being filed, commenced or threatened against any of them alleging any failure to comply with the Order, or the imposition of any civil or criminal penalty against any of them for any failure to so comply; (c) prior to any changes in direct or indirect ownership of Tenant or any Guarantor, Tenant shall give a written notice to Landlord signed by Tenant and each Guarantor advising Landlord in reasonable detail as to the proposed ownership change, and reaffirming that the representations and warranties herein contained will remain true and correct; and (d) Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing certification.

THE SUBMISSION OF THIS LEASE FOR EXAMINATION AND/OR SIGNATURE BY TENANT IS NOT A COMMITMENT BY LANDLORD OR ITS AGENTS TO RESERVE THE PREMISES OR TO LEASE THE PREMISES TO TENANT. THIS LEASE SHALL BECOME EFFECTIVE AND LEGALLY BINDING ONLY UPON FULL EXECUTION AND DELIVERY BY BOTH LANDLORD AND TENANT. UNTIL LANDLORD DELIVERS A FULLY EXECUTED COUNTERPART HEREOF TO TENANT, LANDLORD HAS THE RIGHT TO OFFER AND TO LEASE THE PREMISES TO ANY OTHER PERSON TO THE EXCLUSION OF TENANT.

EXECUTED, by Landlord and Tenant as of the date first written above.

LANDLORD:

Sorrento Business Complex, a California limited partnership

By: CDC Financial Investors GP I, LLC,
a Delaware limited liability company

By: CDC Financial Investors, LLC,
a Delaware limited liability company, its Manager

By: Collins Development Company, Inc.,
a California S corporation, its Manager

By: /S/ William Tribolet

Its: -----

By: /S/ Robert Petersen

Its:

TENANT:

Aethlon Medical, Inc., a Nevada corporation

By: /S/ Richard H. Tullis

Title: CSO

By: /S/ James B. Frakes

Title: SVP Finance

Driver's License No.: _____

SSN/EIN: _____

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EXHIBIT "A"
SITE/FLOOR PLAN OF PREMISES

[SHOWN HERE]

EXHIBIT "B"
RULES AND REGULATIONS

The following Rules and Regulations shall apply to the Center. Tenant agrees to comply with the same and to require its agents, employees, contractors, customers and invitees to comply with the same. Landlord shall have the right from time to time to amend or supplement these Rules and Regulations, and Tenant agrees to comply, and to require its agents, employees, contractors, customers and invitees to comply, with such amended or supplemented Rules and Regulations, provided that (a) notice of such amended or supplemental Rules and Regulations is given to Tenant, and (b) such amended or supplemental Rules and Regulations apply uniformly to all tenants of the Center. If Tenant or its subtenants, employees, agents, or invitees violate any of these Rules and Regulations, resulting in any damage to the Center or increased costs of maintenance of the Center, or causing Landlord to incur expenses to enforce the Rules and Regulations, Tenant shall pay all such costs to Landlord. In the event of any conflict between the Lease and these or any amended or supplemental Rules and Regulations, the provisions of the Lease shall control.

1. Tenant shall be responsible at its sole cost for the removal of all of Tenant's refuse or rubbish. All garbage and refuse shall be disposed of outside of the Premises, shall be placed in the kind of container specified by Landlord, and shall be prepared for collection in the manner and at the times and places specified by Landlord. If Landlord provides or designates a service for picking up refuse and garbage, Tenant shall use the same at Tenant's sole cost. Tenant shall not burn any trash or garbage of any kind in or about the Premises. If Landlord supplies janitorial services to the Premises, Tenant shall not, without Landlord's prior written consent, employ any person or persons other than Landlord's janitorial service to clean the Premises.
2. No aerial, satellite dish, transceiver, or other electronic communication equipment shall be erected on the roof or exterior walls of the Premises, or in any other part of the Center, without Landlord's prior written consent. Any aerial, satellite dish, transceiver, or other electronic communication equipment so installed without Landlord's prior written consent shall be subject to removal by Landlord without notice at any time and without liability to Landlord.
3. No loudspeakers, televisions, phonographs, radios, or other devices shall be used in a manner so as to be heard or seen outside of the Premises without Landlord's prior written consent. Tenant shall conduct its business in a quiet and orderly manner so as not to create unnecessary or unreasonable noise. Tenant shall not cause or permit any obnoxious or foul odors that disturb the public or other occupants of the Center. If Tenant operates any machinery or mechanical equipment that causes noise or vibration that is transmitted to the structure of the Building, or to other

parts of the Center, to such a degree as to be objectionable to Landlord or to any other occupant of the Center, Tenant shall install and maintain, at Tenant's expense, such vibration eliminators or other devices sufficient to eliminate the objectionable noise or vibration.

4. Tenant shall keep the outside areas immediately adjoining the Premises clean and free from dirt, rubbish, pallets and other debris to the satisfaction of Landlord. If Tenant fails to cause such outside areas to be maintained as required within twelve (12) hours after verbal notice that the same do not so comply, Tenant shall pay a fee equal to the greater of Fifty Dollars (\$50.00) or the costs incurred by Landlord to clean up such outside areas.
5. Tenant shall not store any merchandise, inventory, equipment, supplies, finished or semi-finished products, raw materials, or other articles of any nature outside the Premises (or the building constructed thereon if the Premises includes any outside areas) without Landlord's prior written consent.
6. Tenant and Tenant's subtenants, employees, agents, or invitees shall park only the number of cars allowed under the Lease and only in those portions of the parking area designated for that purpose by Landlord. Upon request by Landlord, Tenant shall provide the license plate numbers of the cars of Tenant and Tenant's employees in order to facilitate enforcement of this regulation. Tenant and Tenant's employees shall not store vehicles or equipment in the parking areas, or park in such a manner as to block any of the accessways serving the Center and its occupants.
7. The Premises shall not be used for lodging, sleeping, cooking, or for any immoral or illegal purposes, or for any purpose that will damage the Premises or the reputation thereof. Landlord reserves the right to expel from the Center any person who is intoxicated or under the influence of liquor or drugs or who shall act in violation of any of these Rules and Regulations. Tenant shall not conduct or permit any sale by auction on the Premises. No video, pinball, or similar electronic game machines of any description shall be installed, maintained or operated upon the Premises without the prior written consent of Landlord.
8. Neither Tenant nor Tenant's employees or agents shall disturb, solicit, or canvas any occupant of the Center, and Tenant shall take reasonable steps to discourage others from doing the same.
9. Tenant shall not keep in, or allow to be brought into, the Premises or Center any pet, bird or other animal, other than "seeing-eye" dogs or other animals under the control of and specifically assisting any disabled person.
10. 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 disposed of therein. The expense of any breakage, stoppage, or damage resulting from a violation of this provision shall be borne by Tenant. Tenant shall not waste or use any excessive or unusual amount of water.
11. Tenant shall use, at Tenant's cost, such pest extermination contractor as Landlord may direct and at such intervals as Landlord may require.
12. Tenant will protect the carpeting from undue wear by providing carpet protectors under chairs with casters, and by providing protective covering in carpeted areas where spillage or excessive wear may occur.
13. Tenant shall be responsible for repair of any damage caused by the moving of freight, furniture or other objects into, within, or out of the Premises or the Center. No heavy objects (such as safes, furniture, equipment, freight, etc.) shall be placed upon any floor without Landlord's prior written approval as to the adequacy of the allowable floor loading at the point where the objects are intended to be moved or stored. Landlord may

EXHIBIT "B"

specify the time of moving to minimize any inconvenience to other occupants of the Center. If the Building is equipped with a freight elevator, all deliveries to and from the Premises shall be made using the freight elevator during the time periods specified by Landlord, subject to such reasonable scheduling as Landlord in its discretion shall deem appropriate.

14. Without Landlord's prior written consent, no drapes or sunscreens of any nature shall be installed in the Premises and the sash doors, sashes, windows, glass doors, lights and skylights that reflect or admit light into the building shall not be covered or obstructed. Landlord shall have the right to specify the type of window coverings that may be installed, at Tenant's expense. Tenant shall not mark, drive nails, screw or drill into, paint, or in any way deface any surface or part of the building. Notwithstanding the foregoing, Tenant may hang pictures, blackboards, or

similar objects, provided Tenant repairs and repaints any nail or screw holes, and otherwise returns the premises to the condition required under the Lease and the expiration or earlier termination of the Lease Term. The expense of repairing any breakage, stoppage, or damage resulting from a violation of this rule shall be borne by Tenant.

15. No electrical wiring, electrical apparatus, or additional electrical outlets shall be installed in the Premises without Landlord's prior written approval. Any such installation not so approved by Landlord may be removed by Landlord at Tenant's expense. Tenant may not alter any existing electrical outlets or overburden them beyond their designed capacity. Landlord reserves the right to enter the Premises, with reasonable notice to Tenant, for the purpose of installing additional electrical wiring and other utilities for the benefit of Tenant or adjoining tenants. Landlord will direct electricians as to where and how telephone and affixed wires are to be installed in the Premises. The location of telephones, call boxes, and other equipment affixed to the Premises shall be subject to the prior written approval of Landlord.
16. If Tenant's use of the Premises involves the sale and/or preparation of food, Tenant shall at all times maintain a health department rating of "A" (or such other highest health department or similar rating as is available). Any failure by Tenant to maintain such "A" rating twice in any twelve (12) month period shall, at the election of Landlord, constitute a noncurable Event of Default under the Lease.
17. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.
18. Tenant assumes any and all responsibility for protecting its Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed.
19. If Tenant occupies any air-conditioned space, Tenant shall keep entry doors opening onto corridors, lobby or courtyard closed at all times. All truck and loading doors shall be closed at all times when not in use.
20. Tenant shall not paint any floor of the Premises without Landlord's prior written consent. Prior to surrendering the Premises upon expiration or termination of the Lease, Tenant shall remove any paint or sealer therefrom (whether or not previously permitted by Landlord) and restore the floor to its original condition as of the Commencement Date, reasonable wear and tear excepted. Tenant shall not affix any floor covering to the floor of the Premises in any manner except as approved by Landlord.

/S/ RT /S/ JBF

Tenant's Initials

EXHIBIT "B"

EXHIBIT "C"
SIGN CRITERIA

All proposed signs must be submitted to the Property Manager for approval prior to installation. For information regarding the signage, please contact:

Jelita Mayville
Property Manager
Asset Management Group
11750 Sorrento Valley Road
San Diego, CA 92121
(858) 481-7767

/S/ RT /S/ JBF

Tenant's Initials

EXHIBIT "C"

ADDENDUM TO STANDARD INDUSTRIAL NET LEASE
(Aethion Medical, Inc. --11585 Sorrento Valley Road, Suite 109)

This ADDENDUM TO STANDARD INDUSTRIAL NET LEASE ("Addendum") is attached to and made a part of that certain Standard Industrial Net Lease by and between SORRENTO BUSINESS COMPLEX, a California limited partnership, ("Landlord"), and AETHLON MEDICAL, INC., a Nevada corporation ("Tenant"), dated September 28, 2009 (the "Lease"), for premises located at 11585 Sorrento Valley Road, Suite 109, San Diego, California, 92121 (the "Premises"). Landlord and Tenant hereby agree that notwithstanding anything contained in the Lease to the contrary, the provisions set forth below shall be deemed to be a part of the Lease and shall supersede, to the extent appropriate, any contrary provision of the Lease. All references to the "Lease" in this Addendum shall be construed to mean the Lease, and any and all exhibits and/or other addenda thereto, as amended and supplemented by this Addendum. All capitalized terms used in this Addendum, unless specifically defined in this Addendum, shall have the same meaning as such terms have in the Lease.

25. TENANT IMPROVEMENTS. Landlord, at Landlord's sole cost and expense, shall install one new 220V outlet at a location specified by Tenant.

26. BROKERAGE COMMISSIONS. Landlord shall pay a leasing commission equal to 4.0% of the total lease consideration to Cushman & Wakefield. Tenant warrants that, except for Greg Bisconti of Cushman & Wakefield, it has had no dealings with any real estate broker or agent in connection with the negotiation of this transaction who is entitled to a commission. Tenant agrees to indemnify, protect, hold harmless and defend Landlord from and against any obligation or liability to pay any commission or compensation to any other party arising from the act or agreement of Tenant.

27. NO OTHER CHANGE. Except as specifically set forth in this Addendum, all of the terms and conditions of the Lease shall remain unchanged and in full force and effect.

EXECUTED, by Landlord and Tenant as of the date first written above. LANDLORD:

Sorrento Business Complex, a California limited partnership

By: CDC Financial Investors GP I, LLC, a Delaware limited liability company

By: CDC Financial Investors, LLC, a Delaware limited liability company, its Manager

By: Collins Development Company Inc., a California S corporation, its Manager

By: /s/ William Tribolet

Its: -----

By: /s/ Robert Petersen

Its: -----

TENANT:

Aethlon Medical, Inc., a Nevada corporation By:

By: /s/ Richard H. Tullis

Its: CSO

By: /s/ James B. Frakes

Its: SVP Finance

Driver's License No.: _____

SSN/EIN: _____

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James Joyce, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aethlon Medical, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2009

/S/ JAMES A. JOYCE

JAMES A. JOYCE
CHIEF EXECUTIVE OFFICER AND
CHIEF ACCOUNTING OFFICER
(PRINCIPAL EXECUTIVE OFFICER AND

PRINCIPAL ACCOUNTING OFFICER)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aethlon Medical, Inc. on Form 10-Q for the fiscal quarter ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof, I, James A. Joyce, Chief Executive Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. Based on my knowledge, the Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Aethlon Medical, Inc.

Date: November 16, 2009

By: /s/ James A. Joyce

James A. Joyce
Chief Executive Officer and Chief Accounting Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Aethlon Medical, Inc. and will be retained by Aethlon Medical, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.