

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO

Office of the City Attorney

City Hall

1 Dr. Carlton B. Goodlett Place, Room 234

San Francisco, California 94102

Attention: Mark Blake

LEASE AGREEMENT

By and Between

[TRUSTEE], as Trustee,
as Lessor

and

THE CITY AND COUNTY OF SAN FRANCISCO,
as Lessee

Dated as of [Dated Date]

NO DOCUMENTARY TRANSFER TAX IS DUE PURSUANT
TO REVENUE AND TAXATION CODE SECTION 11922
AND THIS DOCUMENT IS EXEMPT FROM RECORDING FEES
PURSUANT TO GOVERNMENT CODE SECTION 27383

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LEASE AGREEMENT

THIS LEASE AGREEMENT, dated as of [Dated Date] (this “Lease Agreement”), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the “City”), as lessee, and [TRUSTEE], a _____ banking association duly organized under the laws of the _____, solely in its capacity as trustee under the Project Trust (as defined in the hereinafter defined Trust Agreement), as lessor (the “Trustee”);

WITNESSETH:

WHEREAS, the City desires to provide for the acquisition, construction and installation of certain additions and improvements for a Rehabilitation Detention Facility located at [Address 2] (as further defined herein, the “201_ Project”), to be used primarily for governmental purposes, and the City is authorized pursuant to its charter and the laws of the State to enter into a lease for such purpose; and

WHEREAS, the City and the Trustee have entered into a Property Lease, dated as of [Dated Date] (the “Property Lease”), recorded concurrently herewith, pursuant to which the City has leased certain real property situated in the City and further described in Exhibit A hereto (the “Site”) and all works, property, improvements, structures and fixtures now situated or hereafter constructed thereon (collectively, the “Leased Property”) to the Trustee; and

WHEREAS, pursuant to this Lease Agreement, the Trustee shall lease the Leased Property back to the City; and

WHEREAS, the Trustee, as Certificates Trustee, is simultaneously executing and delivering certificates of participation pursuant to the Trust Agreement, dated the date hereof, between the City and the Trustee (the “Trust Agreement”), to provide funds for the Project;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1 shall, for all purposes of this Lease Agreement, have the meanings as set forth below. All other capitalized terms used herein without definition shall have the meanings as set forth in the Trust Agreement.

“201_ Project” has the meaning set forth in the recitals hereof.

“Additional Rental” means the amounts specified as such in Section 3.1(b) hereof.

“Base Rental” means the amounts specified as such in Section 3.1(a) hereof, as such amounts may be adjusted from time to time in accordance with the terms hereof, but does not include Additional Rental.

“Business Day” means any day other than a Saturday, a Sunday, a day on which banking institutions are authorized or required by law or executive order to be closed in the State for commercial banking purposes or a day on which trading on the New York Stock Exchange is suspended for more than four hours or a day on which the New York Stock Exchange is closed for a state or national holiday.

“Certificates” means the Certificates of Participation (Rehabilitation Detention Facility Project), Series 201_ and any Additional Certificates authorized by and at any time Outstanding under and pursuant to the Trust Agreement.

“City” means the City and County of San Francisco, and its successors and assigns.

“City Representative” means the Mayor, the Controller, the Director of Public Finance, or any other official of the City designated and authorized by the Controller of the City to act on behalf of the City under or with respect to this Lease Agreement, the Property Lease, the Trust Agreement and all other agreements related hereto and thereto.

“Director of Property” means the City’s Director of Real Property or any successor officer of the City who performs substantially the same duties as the Director of Real Property performs as of the date of this Lease Agreement.

“Fiscal Year” means the fiscal year of the City, which at the date of this Lease Agreement is the period from July 1 to and including the following June 30.

“Hazardous Substances” means any and all substances, wastes, pollutants and contaminants now or hereafter included within such (or any similar) term under federal, state or local statute, ordinance, code or regulation now existing or hereinafter enacted or amended.

“Leased Property” means the Site and the Facilities, as the same may be modified, substituted or supplemented in accordance with the terms of the Lease Agreement.

“Permitted Encumbrances” has the meaning provided in Section 4.1 hereof.

“Pro Forma Policy” means the Pro Forma Title Insurance Policy prepared by the Title Company with respect to the Site.

“Project” means the 201_ Project and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented from time to time in accordance with this Lease Agreement.

“Lease Agreement” means this Lease Agreement, including any amendments or supplements hereto made or entered into in accordance with the terms hereof and of the Trust Agreement.

“Lease Agreement Event of Default” means the occurrence and continuation of any event specified in Section 13(a) hereof.

“Lease Agreement Term” means the term of this Lease Agreement, as provided in Section 2 hereof.

“Lease Agreement Year” means the period from the Closing Date through [_____] and thereafter the period from each July 1 to and including the following June 30, during the Lease Agreement Term.

“Property Lease” means the Property Lease, dated as of the date hereof, by and between the City and the Trustee with respect to the Leased Property, including any amendments or supplements thereto.

“Rental Payments” means all Base Rental and Additional Rental payable hereunder.

“Risk Manager” means the Risk Manager of the City or any successor officer of the City performing substantially the same duties as the Risk Manager performs as of the date of this Lease Agreement.

“Site” means the real property described in Exhibit A hereto, including any real property substituted therefor or added thereto pursuant to Section 16 hereof, but excluding real property that has been released or for which new real property has been substituted in accordance with Section 16.

“State” means the State of California.

“Stated Termination Date” has the meaning provided in Section 2 hereof.

“Title Company” means [_____].

“Trust Agreement” means that certain Trust Agreement, dated as of the date hereof, by and between the City and the Trustee, including any amendments or supplements thereto made or entered into in accordance with its terms.

“Trustee” means [TRUSTEE], as lessor hereunder and as trustee under the Project Trust (as defined in the Trust Agreement), or as Certificates Trustee under the Trust Agreement, as appropriate, or any successor appointed as therein provided.

Section 2. Lease Agreement Term; Transfer of Title to City.

The Trustee hereby leases the Leased Property to the City, and the City hereby leases the Leased Property from the Trustee and agrees to pay the Base Rental and the Additional Rental as provided herein for the right to use and occupy the Leased Property, all on the terms and conditions set forth herein.

The term of this Lease Agreement shall begin on the Closing Date and end on the earliest of (a) [DATE] (the “Stated Termination Date”) or (b) at such earlier date as the Certificates and all other amounts due hereunder and under the Trust Agreement shall have been paid or provision for their payment shall have been made in accordance with Section 11.01 of the Trust Agreement, or (c) the date of termination of this Lease Agreement due to casualty or

condemnation in accordance with the terms of Section 5 or 6 hereof; provided, however, that to the extent permitted by law, if Base Rental has been abated in any year in accordance with Section 3.5 or has otherwise gone unpaid in whole or in part, the term of this Lease Agreement shall end on the earlier of [DATE plus up to 10 years] or the date on which no Certificates remain outstanding and all Additional Rental has been paid. The foregoing provisions may be modified in connection with Base Rental relating to Additional Certificates.

Upon the termination of this Lease Agreement (other than as provided in Section 6 or Section 13 hereof), all of the Trustee's right, title and interest with respect to the Leased Property, and any improvements thereon or additions thereto, shall be transferred directly to the City or, at the option of the City, to any assignee or nominee of the City, in accordance with the provisions of this Lease Agreement, free and clear of any interest of the Trustee. Upon such termination, the Trustee shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Section 3. Rent.

3.1 Rental Payments. The City hereby agrees, subject to the terms hereof, to pay to the Trustee the Base Rental and to pay to the parties entitled thereto Additional Rental in an aggregate amount not greater than the fair rental value of the Leased Property in each Lease Agreement Year. In satisfaction of its obligations hereunder, the City shall pay the Base Rental and Additional Rental in the amounts, at the times and in the manner hereinafter set forth, such amounts constituting the aggregate rent payable under this Lease Agreement.

(a) Base Rental. The City agrees to pay, from any legally available funds, aggregate Base Rental in the amounts set forth under the caption "Base Rental" in Exhibit B hereto, which constitutes the principal and interest represented by the Certificates. The Base Rental consists of annual rental payments with principal and interest components. The interest components of the Base Rental payments evidenced by the Certificates shall accrue and be calculated as provided in Section 2.02 of the Trust Agreement. The Base Rental payable by the City shall be due on [Payment Date 1] and [Payment Date 2] in each year and payable on each [____] and [____] during the Lease Agreement Term, commencing [____]. The Base Rental may be supplemented pursuant to the terms of a supplement to this Lease Agreement in connection with Additional Certificates as provided in Section 7.04 of the Trust Agreement.

The City shall deposit the Base Rental with the Trustee for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. In no event shall the amount of Base Rental payable exceed the aggregate amount of principal and interest required to be paid or prepaid on the corresponding Interest Payment Date as represented by the Outstanding Certificates, according to their tenor.

Notwithstanding any other provision of this Lease Agreement, the City shall receive a credit for any Base Rental payment if and to the extent (i) moneys are on deposit in the Base Rental Fund held under the Trust Agreement (or will be transferred from the Capitalized Interest Account or the Reserve Fund to the Base Rental Fund pursuant to Section 4.06(d) of the Trust Agreement) and are available for the payment of Base Rental evidenced by the Certificates or

(ii) investment earnings on Permitted Investments (as defined in the Trust Agreement) will be deposited in or credited to the Base Rental Fund on or after a Base Rental payment date but on or prior to the applicable Interest Payment Date.

(b) Additional Rental. In addition to the Base Rental set forth herein, the City agrees to pay as Additional Rental all of the following:

(i) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Property or upon any interest of the Trustee or the Owners therein or in this Lease Agreement;

(ii) Insurance premiums, if any, on all insurance required under the provisions of Section 4.3 hereof;

(iii) All fees, costs and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee and any paying agent in connection with the Trust Agreement;

(iv) Amounts required to be deposited in the Rebate Fund;

(v) Any other fees, costs or expenses incurred by the Trustee in connection with the execution, performance or enforcement of this Lease Agreement or any assignment hereof or of the Trust Agreement or any of the transactions contemplated hereby or thereby or related to the Leased Property; and

(vi) Amounts required to replace, maintain and repair the Leased Property pursuant to Section 4.1 hereof.

Amounts constituting Additional Rental payable hereunder shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 30 days after notice in writing from the Trustee to the City stating the amount of Additional Rental then due and payable and the purpose thereof.

3.2 Consideration. The payments of Rental Payments under this Lease Agreement for each Fiscal Year or portion thereof during the Lease Agreement Term shall constitute the total rental for such Fiscal Year or portion thereof and shall be paid by the City for and in consideration for the right to the use and occupancy, and the continued quiet use and enjoyment, of the Leased Property by the City for and during such Fiscal Year or portion thereof. The parties hereto have agreed and determined that such total rental in any Fiscal Year is not and will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year. In making such determination, consideration has been given to the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the parties by reason of this Lease Agreement and to the general public by reason of the City's use of the Leased Property. Further, the parties hereto agree and acknowledge that supplements to this Lease Agreement which provide for new schedules of Base Rental may be entered into in connection with Additional

Certificates and that the right to enter into such supplements is part of the consideration hereunder.

3.3 Budget. The City hereby covenants to take such action as may be necessary to include all Rental Payments due hereunder in its annual budget and to make the necessary annual appropriations for all such Rental Payments, subject to Section 3.5 hereof. The requirement to include the Rental Payments in the annual budget and to make the necessary appropriations therefor are deemed to be, and shall be construed as, ministerial duties imposed by law. Notwithstanding the foregoing, the obligation of the City to make Base Rental or Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

3.4 Payment; Credit. Amounts necessary to pay Base Rental shall be deposited by the City on the dates set forth in Section 3.1(a) hereof in lawful money of the United States of America, at the Principal Office of the Trustee, or at such other place or places as may be established in accordance with the Trust Agreement. Except as provided in Section 3.5 hereof, any amount necessary to pay any Base Rental or portion thereof that is not so deposited shall remain due and payable until received by the Trustee. Notwithstanding any dispute between the City and the Trustee hereunder, the City shall make all Rental Payments when due and shall not withhold any Rental Payments pending the final resolution of such dispute or for any reason whatsoever. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified hereunder shall be absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the provisions of Sections 3.1(a) and 3.5 hereof. Amounts required to be deposited with the Trustee pursuant to this Section 3.4 on any date set forth in Section 3.1(a) shall be reduced as permitted in the last paragraph of Section 3.1(a).

3.5 Rental Abatement. Except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for payments in respect of this Lease Agreement or to the Trustee for payments in respect of the Certificates, Rental Payments due hereunder shall be subject to abatement in accordance with this Section 3.5 during any period in which, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, noncompletion of the construction of the Facilities, or due to defects in title to the Leased Property, or any portion thereof, there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City. The amount of annual rental abatement shall be such that the resulting Rental Payments in any Lease Agreement Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement shall continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased

Property or portion thereof to tenantable condition or correction of the title defect. In the event of any such damage, destruction, condemnation or title defect, this Lease Agreement shall continue in full force and effect, except as set forth in Sections 5 and 6 hereof. Notwithstanding the foregoing, the City in its sole discretion may in lieu of abatement elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to Section 16 hereof.

3.6 Triple Net Lease. This Lease Agreement is intended to be a triple net lease. The City agrees that the Rental Payments provided for herein shall be an absolute net return to the Trustee free and clear of any expenses, charges or set-offs whatsoever.

Section 4. Affirmative Covenants of the Trustee and the City. The Trustee and the City are entering into this Lease Agreement in consideration of, among other things, the following covenants:

4.1 Replacement, Maintenance and Repairs. The City shall, at its own expense and as determined and specified by the Director of Property, during the Lease Agreement Term maintain the Leased Property, or cause the same to be maintained, in good order, condition and repair. The City shall replace any portion of the Leased Property that is destroyed or damaged to such an extent that there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City that would result in an abatement of Rental Payments or any portion thereof pursuant to Section 3.5 hereof; provided, however, that the City shall not be required to repair or replace any such portion of the Leased Property pursuant to this Section 4.1 if there shall be applied to the prepayment of Outstanding Certificates insurance or condemnation proceeds or other legally available funds sufficient to prepay (i) all of the Certificates Outstanding and to pay all other amounts due hereunder and under the Trust Agreement, or (ii) any portion thereof such that the resulting Rental Payments payable pursuant to Section 3.1 hereof in any Lease Agreement Year following such partial prepayment are sufficient to pay in the then current and any future Lease Agreement Year the principal and interest with respect to all Certificates to remain Outstanding and all other amounts due hereunder and under the Trust Agreement, to the extent it is due and payable in such Lease Agreement Year.

The City shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Property. It is understood and agreed that in consideration of the payment by the City of the Rental Payments herein provided for, the City is entitled to use and occupy the Leased Property and the Trustee shall have no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Property during the Lease Agreement Term. The Trustee shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Property. The City hereby expressly waives the right to make repairs or to perform maintenance of the Leased Property at the expense of the Trustee and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the California Civil Code relating thereto.

The City shall keep the Leased Property free and clear of all liens, charges, security interests and encumbrances that materially reduce the fair rental value of the Leased Property other than (i) those existing on or prior to the Closing Date, including the exceptions listed on Schedule B to the applicable Pro Forma Policy (ii) those existing on or prior to the date any property is substituted for the Leased Property or any portion thereof pursuant to Section 16 hereof or any property is added to the Leased Property in connection with Additional Certificates pursuant to Section 7.04 of the Trust Agreement, including the exceptions listed on Schedule B to the applicable Pro Forma Policy, (iii) any supplements or amendments to the Lease Agreement or Property Lease which are entered into pursuant to the terms hereof and thereof, including but not limited to supplements or amendments in connection with Additional Certificates delivered pursuant to Section 7.04 of the Trust agreement, (iv) any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed or materials furnished in connection with the Leased Property that are not due and payable or the amount, validity or application of which is being contested in accordance with Section 4.4 and (v) any encumbrances that do not materially reduce the fair rental value of the Leased Property hereof (collectively, the “Permitted Encumbrances”).

4.2 Taxes, Other Governmental Charges and Utility Charges. The City contemplates that the Leased Property will be used for a governmental purpose of the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to the Leased Property. Nevertheless, the City hereby agrees to pay during the Lease Agreement Term, as the same respectively become due, all taxes (except for income or franchise taxes of the Trustee), utility charges and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property; provided, however, that with respect to any governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as this Lease Agreement is in effect; and provided further, that the City may contest in good faith the validity or application of any tax, utility charge or governmental charge in any reasonable manner that, in the opinion of Independent Counsel does not adversely affect the right, title and interest of the Trustee in and to any portion of the Leased Property or its rights or interests under this Lease Agreement or subject any portion of the Leased Property to loss or forfeiture. Any such taxes or charges shall constitute Additional Rental under Section 3.1(b) hereof and shall be payable directly to the entity assessing such taxes or charges.

4.3 Insurance.

(a) The City shall maintain or cause to be maintained, throughout the Lease Agreement Term (but during the period of construction of the Facilities only the insurance described in paragraphs (i) and (vi) below shall be required and may be provided by the contractor under the construction contract for the Facilities):

(i) General liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, the Leased Property. Said policy or policies shall provide coverage in the following minimum amount: \$5,000,000 combined single limit for bodily and personal injury and property damage per occurrence. Such liability insurance may be maintained as part of or in conjunction with excess coverage or any other liability insurance coverage carried by the City.

(ii) All risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of Certificates (to the extent commercially available). Said insurance shall, as nearly as practicable, cover loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(iii) To the extent commercially available, earthquake insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates; provided that no such earthquake insurance shall be required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies.

(iv) Rental interruption insurance with the Trustee as a named insured, as its interests may appear, in an amount not less than the aggregate Base Rental payable by the City pursuant to this Lease Agreement for a period of at least 24 months (such amount to be adjusted annually on or prior to [_____] of each year, to reflect the actual scheduled Base Rental payments due under this Lease Agreement for the next succeeding 24 months), to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by clauses (ii) and (iii) above. Such insurance shall not be subject to any deductible.

(v) Boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than \$5,000,000 per accident.

All policies of insurance required under clauses (ii), (iii), (iv) and (v) above shall name the City and the Trustee as the insured parties and shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Risk Manager, and all amounts so paid to the Trustee shall be applied as provided in the Trust Agreement. All policies of insurance may provide for a deductible amount that is commercially reasonable (as determined by the Risk Manager).

(b) All policies of insurance required by this Lease Agreement shall be in a form or forms certified by the Risk Manager (as provided below) to be in compliance with the requirements of this Lease Agreement. The City shall pay when due the premiums for all insurance policies required by this Lease Agreement. All insurance under this Lease Agreement shall be primary to any other insurance available to the City, and shall apply separately to each insured against whom claim is made or suit is brought and shall provide that the Trustee shall be given 30 days' notice of cancellation (10 days if for nonpayment of premium) or intended non-renewal. All insurance required to be maintained pursuant to this Lease Agreement may be maintained either separately or as a part of any insurance carried by the City, but if maintained as part of other insurance carried by the City, shall specifically identify the Leased Property as being covered by such insurance, the amount of coverage applicable to the Leased Property, and the amount of the deductible applicable to the Leased Property. All insurance must be provided by a commercial insurer rated "A-, VIII" or higher by A.M. Best Company.

The City shall certify in writing to the Trustee by no later than [____] of each year, commencing [____], that there is in effect the insurance or self-insurance required by this Section 4.3. The Risk Manager will also, at that time, file the written recommendation required by Section 4.3(a)(3) if no earthquake insurance has been obtained by the City, and shall also certify that the insurance the City has obtained pursuant to this Lease Agreement is in a form or forms which are in compliance with the requirements of this Lease Agreement.

Notwithstanding anything herein to the contrary, the City shall have the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under this Lease Agreement, including a program of self-insurance (other than rental interruption insurance and title insurance), in whole or in part; provided that (i) any such alternative risk management program has been approved as reasonable and appropriate risk management by the Risk Manager, and (ii) any reserves set aside for such program shall be certified at least annually on each [____], commencing [____], as to their adequacy by the Risk Manager in a certificate delivered to the Trustee. In addition, any of the Mayor, Controller, Director of Property or Director of Public Finance of the City may, if in the best interests of the City, approve such other types of insurance, including any increases in the insurance coverage required by this Lease Agreement, upon the recommendation of the Risk Manager, or in connection with obtaining or maintaining any rating on the Certificates. The Trustee shall not be responsible for the adequacy, sufficiency or coverage of the insurance or self-insurance required or allowed by this Section 4.3.

(c) The City shall deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Certificates, showing fee title of the Site in the name of the City and a leasehold interest in the Leased Property in the name of the Trustee, and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates.

4.4 Liens. The City promptly shall pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Property and that may be secured by any mechanic's, materialman's or other lien against the Leased Property, or the interest of the Trustee therein, and shall cause each such lien to be fully discharged and released; provided, however, that the City or the Trustee (i) may contest in good faith any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the City shall forthwith pay and discharge such judgment or lien, or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture.

4.5 Laws and Ordinances. The City agrees to observe and comply with all rules, regulations and laws applicable to the City with respect to the Leased Property and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the City, and the Trustee shall not be liable therefor. The City agrees further to place, keep, use, maintain and

operate the Leased Property in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

4.6 Performance. The City shall faithfully observe all covenants and other provisions contained in the Financing Documents (as defined in the Trust Agreement) to which it is a party.

4.7 Tax Matters.

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds. The City and the Trustee intend to syndicate the beneficial ownership of this Lease Agreement through the issuance of certificates of participation, and agree that should such syndication occur in connection with the execution and delivery of this Lease Agreement, the City will treat all proceeds of such syndication as sale proceeds of this Lease Agreement.(within the meaning of said section 1.148-1(b)).

"Investment" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of this Lease Agreement are invested and which is not acquired to carry out the governmental purposes of this Lease Agreement.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to this Lease Agreement. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of

(1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(2) this Lease Agreement has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Lease Agreement as Obligation of the City; Not to Cause Interest to Become Taxable. The City represents and warrants that it intends that for federal income tax purposes and for California personal income tax purposes this Lease Agreement is to be treated as an

obligation of the City, that the interest components and principal components of each Base Rental is intended to be treated as the corresponding payment of interest on and principal of such obligation, respectively, and that the interest on such obligation is intended to be excluded pursuant to section 103(a) of the Code from the gross income of the Trustee or its assigns. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest component on any Base Rental to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest component of any Base Rental, the City shall comply with each of the specific covenants in this Section. The covenants set forth in this Section shall survive the defeasance under Section 11.01 of the Trust Agreement.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the Stated Termination Date:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds (including property financed with Gross Proceeds of any obligations refunded by this Lease Agreement), and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds (including property financed with Gross Proceeds of any obligations refunded by this Lease Agreement), other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved

with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the Stated Termination Date directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, exceeds the Yield of this Lease Agreement.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause this Lease Agreement to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The City shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the Stated Termination Date. However, to the extent permitted by law, the City may commingle Gross Proceeds with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the execution and delivery of this Lease Agreement until six years after the final Computation Date.

(3) In order to assure the excludability of the interest components of the Base Rental from the gross income for federal income tax purposes, the City shall pay to the Trustee for deposit into the Rebate Fund established pursuant to the Trust Agreement an amount sufficient to permit the City timely to pay to the United States the amount that when added to the future value of previous rebate payments made hereunder equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form

8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the Stated Termination Date, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Section 4.7(h) because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of this Lease Agreement not been relevant to either party.

(j) Elections. The City hereby directs and authorizes the _____ and _____, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Tax Certificate or similar or other appropriate certificate, form or document.

4.8 Continuing Disclosure. The City hereby covenants and agrees that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; however, the Trustee may (and, at the request of the Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Outstanding Certificates, shall) or any holder or Beneficial Owner (as defined in the Continuing Disclosure Certificate), may take such actions as may be necessary and appropriate to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

4.9 Acquisition, Construction and Renovation of the Facilities. The City shall use its commercially reasonable best efforts to cause the construction, renovation and installation to be performed diligently to the end that the Facilities will be substantially completed in accordance with the aforesaid plans and specifications. The City shall cause the acquisition, construction, renovation, installation or improvement to the Facilities to be completed in accordance with any applicable requirements of governmental authorities and law.

Section 5. Application of Insurance Proceeds.

(a) General. Proceeds of insurance, if any, received in respect of destruction of or damage to any portion of the Leased Property by fire or other casualty or event, or proceeds of, earthquake insurance, if such earthquake insurance is obtained, shall be paid to the Trustee for application in accordance with the provisions of Section 4.09(a) of the Trust Agreement. If there

is an abatement of Rental Payments pursuant to Section 3.5 hereof as a result of such casualty or event, and the City elects pursuant to Section 4.09(a) of the Trust Agreement to apply such insurance proceeds and such other sums as are deposited pursuant to such section to the prepayment of Certificates rather than to the replacement or repair of the destroyed or damaged portion of the Leased Property, then this Lease Agreement shall terminate with respect to the destroyed or damaged portion of the Leased Property as of the later of the date of such election by the Trustee or the date the amount required by Section 4.09(a) of the Trust Agreement is received by the Trustee and in either case, after payment of any Additional Rental owed hereunder. If the City elects, pursuant to Section 4.09(a) of the Trust Agreement, to apply such proceeds to the repair or replacement of the portion of the Leased Property that has been damaged or destroyed and there has been an abatement of Rental Payments pursuant to Section 3.5 hereof, then Rental Payments shall again begin to accrue with respect thereto upon repair or replacement of such portion of the Leased Property.

(b) Title Insurance. Proceeds of title insurance received with respect to the Leased Property shall be paid to the Trustee for application in accordance with the provisions of Section 4.10 of the Trust Agreement.

Section 6. Eminent Domain.

6.1 Total Condemnation. If the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under this Lease Agreement, shall be taken under the power of eminent domain, then this Lease Agreement shall terminate as of the later of the day possession shall be so taken and the date of entry of the interlocutory judgment and in either case, after payment of any Additional Rental owed hereunder. Notwithstanding the foregoing, the City may, at its option, but is not obligated to apply the proceeds relating to the condemnation to the replacement of the condemned Leased Property, and in the event there has been an abatement of Rental Payments pursuant to Section 3.5 hereof, then Rental Payments shall again begin to accrue with respect thereto upon replacement of the Leased Property.

6.2 Partial Condemnation. If less than a substantial portion of the Leased Property shall be taken under the power of eminent domain, and the remainder is useable for the City's purposes, then this Lease Agreement shall continue in full force and effect as to the remaining portions of the Leased Property, subject only to such rental abatement as is required by Section 3.5 hereof. The City and the Trustee hereby waive the benefit of any law to the contrary. Any award made in eminent domain proceedings for the taking shall be paid to the Trustee for application in accordance with the provisions of Section 4.09 of the Trust Agreement. If the City elects, pursuant to Section 4.09(b) of the Trust Agreement, to apply such proceeds to the repair or replacement of the condemned portion of the Leased Property, and in the event there has been an abatement of Rental Payments pursuant to Section 3.5 hereof, then Rental Payments shall again begin to accrue with respect thereto upon the completion of repair or replacement of such portion of the Leased Property.

Section 7. Prepayment of Rental Payments.

(a) The City may prepay, or may cause to be prepaid, from eminent domain proceeds or net insurance proceeds received by it, all or any portion of the principal component of Base Rental payments then unpaid, in whole on any date, or in part on any date in amounts which result in Certificates being prepaid in integral multiples of \$5,000 so that the aggregate annual amount of Certificates maturing in each year after such prepayment date shall each be in an integral multiple of \$5,000, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment, without premium. Such prepayment shall be apportioned among Base Rental payments as directed by the City in a certificate of a City Representative, provided that at the time of such apportionment, the City shall deliver to the Trustee a certificate of a City Representative to the effect that the resulting Base Rental payments and Additional Rental payable during the remaining Lease Agreement Term shall not exceed the fair rental value of the Leased Property during each subsequent Lease Agreement Year and that the resulting Base Rental payments are sufficient to pay the scheduled principal and interest components evidenced by the Certificates.

(b) The City may prepay, from any source of available funds, all or any portion of the Base Rental payments due on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to Section 5.01(a) of the Trust Agreement. Such optional prepayment may be made (i) in whole in an amount not exceeding the amount of the Certificates then Outstanding (including accrued and unpaid interest and any premium on the Certificates) on any date on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to Section 5.01(a) of the Trust Agreement, or (ii) in part in amounts that result in the Certificates being prepaid in integral multiples of \$5,000 on any date on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to Section 5.01(a) of the Trust Agreement, from such Base Rental payments as are selected by the City as set forth in a request of the City in each case at a prepayment price equal to the sum of the Certificates to be prepaid plus accrued interest thereon to the date of prepayment plus any premium on the Certificates as set forth in the Trust Agreement. As a condition to prepaying Base Rental payments under this paragraph (b), the City shall first deliver to the Trustee a certificate of a City Representative to the effect that the resulting Base Rental payments are sufficient to pay the remaining scheduled principal and interest components evidenced by the Certificates. Base Rental Payments due hereunder may also be defeased in whole or in part pursuant to Section 11.01 of the Trust Agreement.

(c) The City may prepay, from any source of available funds, the Base Rental payments due on or after the Base Rental payment date immediately preceding the date on which the Certificates are subject to mandatory prepayment pursuant to Section 5.01(c) of the Trust Agreement.

(d) Before making any prepayment pursuant to this Lease Agreement, the City shall give written notice to the Trustee describing such event and specifying the amount of the prepayment and the date on which the prepayment will be made.

Section 8. Assignment. The City shall not sell, mortgage, pledge, assign or transfer any interest of the City in this Lease Agreement or in the Leased Property by voluntary act or by operation of law, or otherwise; provided, however, that the City may grant concessions (including by sublease) to others involving the use of any portion of the Leased Property whether or not such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Property. Any such concession shall be, and shall specifically state that it is, subject and subordinate in all respects to this Lease Agreement. Subject to the limitations set forth herein, the City shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under this Lease Agreement, notwithstanding any granting of concessions which may be made. Nothing herein contained shall be construed to relieve the City of its primary obligation to pay Rental Payments as provided in this Lease Agreement or to relieve the City of any other obligations contained herein. In no event shall the City sublease to or permit the use of all or any part of the Leased Property by any person so as to cause the interest component with respect to the Certificates to be includable in gross income for federal income tax purposes or to be subject to State personal income tax.

The City hereby expressly approves and consents to the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under the Lease Agreement, including the right to receive Base Rental Payments thereunder.

Section 9. Additions and Improvements; Removal. The City shall have the right during the Lease Agreement Term to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair rental value of the Leased Property is not thereby materially reduced. Title to all fixtures, equipment or personal property placed by the City on the Leased Property shall remain in the City to the extent that such items may be removed from the Site without damage. Title to any personal property, improvements or fixtures placed on any portion of the Leased Property by any sublessee or licensee of the City shall be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement shall not be inconsistent with this Lease Agreement.

Section 10. Right of Entry. Representatives of the Trustee shall, subject to reasonable security precautions, have the right (but not the duty) to enter upon the Leased Property during reasonable business hours (and in emergencies at all times) (i) to inspect the same, (ii) for any purpose connected with the rights or obligations of the Trustee under this Lease Agreement, or (iii) for all other lawful purposes.

Section 11. Quiet Enjoyment. The Trustee covenants and agrees that the City, upon keeping and performing the covenants and agreements herein contained, shall, at all times during the Lease Agreement Term, peaceably and quietly have, hold, and enjoy the Leased Property.

Section 12. Indemnification and Hold Harmless Agreement. To the extent permitted by law, the City hereby agrees to indemnify and hold the Trustee and its officers, directors and employees harmless against any costs, expenses, claims and all other liabilities (other than the negligence or willful misconduct of the Trustee and its officers, directors and employees) that might arise out of or are related to the Leased Property or any portion thereof (including, without

limitation, arising out of any use, storage, release, presence or disposal of any Hazardous Substances on or about the Leased Property and the acquisition, transfer, delivery and use of the Leased Property) and the Certificates. The provisions of this Section 12 shall survive the termination of this Lease Agreement.

Section 13. Default by City.

(a) Events of Default. The following shall be events of default hereunder: (i) the City shall fail to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to Section 3.1(a) hereof by the related Interest Payment Date; (ii) the City shall fail to pay any item of Additional Rental as and when the same shall become due and payable pursuant to Section 3.1(b) hereof; or (iii) the City shall breach any other terms, covenants or conditions contained herein, in the Property Lease or in the Trust Agreement, and shall fail to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee, or its assignee to the City, or, if such breach cannot be remedied within such 60-day period, shall fail to institute corrective action within such 60-day period and diligently pursue the same to completion; provided, however, that failure to comply with the Continuing Disclosure Certificate shall not constitute an event of default hereunder.

(b) Remedies on Default. The Trustee shall have the right, at its option, without any further demand or notice, so long as the Trustee does not terminate this Lease Agreement or the City's possession of the Leased Property, to enforce all of its rights and remedies under this Lease Agreement, including the right to recover Base Rental payments as they become due under this Lease Agreement pursuant to Section 1951.4 of the California Civil Code by pursuing any remedy available in law or in equity, except as expressly provided herein. The Trustee or any assignee of the rights of the Trustee hereunder shall not exercise its remedies hereunder so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or the interest with respect to the Certificates to be subject to State personal income tax. Notwithstanding any other provision of this Lease Agreement or the Trust Agreement, in no event shall the Trustee have the right to accelerate the payment of any Base Rental hereunder.

Each and every remedy of the Trustee or any assignee of the rights of the Trustee hereunder is cumulative and the exercise of one remedy shall not impair the right of the Trustee or its assignee to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Trustee or any assignee of the rights of the Trustee, the Trustee or its assignee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

[The Trustee hereby waives any right of the Trustee to re-let the Leased Property. or, alternatively, depending on market requirements for remedy on Default, include right to re-let.]

All damages and other payments received by the Trustee pursuant to this Section 13 shall be applied in the manner set forth in Section 9.07 of the Trust Agreement.

Section 14. Waiver. The waiver by the Trustee of any breach by the City, and the waiver by the City of any breach by the Trustee of any term, covenant or condition hereof shall

not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition hereof.

Section 15. Disclaimer of Warranties. NEITHER THE TRUSTEE NOR ANY PERSON ACTING ON ITS BEHALF HAS MADE OR MAKES ANY WARRANTY OR REPRESENTATION AS TO THE PAST, PRESENT OR FUTURE CONDITION OF THE LEASED PROPERTY NOT HEREIN EXPRESSED, AND THE CITY HAS ENTERED INTO THIS LEASE AGREEMENT WITHOUT REPRESENTATIONS OR WARRANTIES WITH RESPECT THERETO ON THE PART OF THE TRUSTEE, ITS AGENTS, REPRESENTATIVES OR EMPLOYEES.

Section 16. Addition, Release and Substitution. If no Lease Agreement Event of Default has occurred and is continuing hereunder, this Lease Agreement may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from this Lease Agreement any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, provided that the City shall have delivered to the Trustee, and to the Rating Agencies all of the following:

(i) Executed copy of this Lease Agreement and, if applicable, the Property Lease or amendments hereto or thereto containing the amended legal description of the Leased Property;

(ii) Evidence that a copy of this Lease Agreement and, if applicable, the Property Lease or amendments hereto or thereto containing the amended legal description of the Leased Property have been duly recorded in the official records of the County Recorder of the County of San Francisco;

(iii) A certificate of a City Representative stating that the annual fair rental value of the Leased Property and/or improvements that will constitute the Leased Property after such addition, release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Lease Agreement Year or in any subsequent Lease Agreement Year;

(iv) In the case of the addition or substitution of property for the then existing Leased Property, a title policy or policies meeting the requirements of Section 4.3(b) hereof, or a commitment or commitments for such policies or amendments or endorsements to existing policies resulting in the issuance of a title insurance policy with respect to the Leased Property after such addition or substitution in an amount at least equal to the amount of such insurance provided with respect to the Leased Property prior to such addition or substitution. Each such insurance instrument, when issued, shall insure such added or substituted project subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such added or substituted project and as will not result in an abatement of Base Rental payments payable by the City under this Lease Agreement;

(v) A certificate of a City Representative stating that such addition, release or substitution does not materially adversely affect the ability of the City to perform its obligations under this Lease Agreement or the Property Lease;

(vi) (A) An opinion of counsel stating that such amendment or modification (1) is authorized or permitted by the Constitution and laws of the State and by this Lease Agreement, the Property Lease and the Trust Agreement; (2) complies with the terms of the Constitution and laws of the State and of this Lease Agreement, the Property Lease and the Trust Agreement; and (3) will, upon the execution and delivery thereof, be valid and binding upon the Trustee and the City in accordance with its terms; and (B) an opinion of Independent Counsel stating that such amendment or modification will not cause the interest component of the Base Rental payments relating to the Certificates to be included in gross income for federal income tax purposes or the interest component of the Base Rental payments relating to the Certificates to be subject to State personal income tax;

(vii) A certificate of a City Representative stating that the useful life of the project that will constitute the Leased Property after such addition, release or substitution meets or exceeds the remaining term of the Certificates; and

(viii) A certificate of the Director of Property stating the useful life of the project that will constitute the Leased Property after such addition, release or substitution and that such project is not encumbered by any prior liens (other than Permitted Encumbrances and liens which do not, in the aggregate, prohibit the use of such project in the manner intended by the City).

Section 17. Notices. All notices, requests, demands and other communications under this Lease Agreement shall be in writing (unless otherwise specified herein) and shall be sufficiently given on the date of service if served personally upon the person to whom notice is to be given or if mailed by first class registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

if to the City: City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place,
Room 316
San Francisco, California 94102
Attention: City Controller

with copies to: City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place,
Room 336
San Francisco, California 94102
Attention: Director of Public Finance

Office of the City Attorney
City Hall, 1 Dr. Carlton B. Goodlett Place
Room 234

San Francisco, California 94102
Attention: Special Projects/Finance Team

if to the Trustee: [Trustee]

or to such other address or addresses as any such person shall have designated to the others by notice given in accordance with the provisions of this Section 17.

Section 18. Validity. If any one or more of the terms, provisions, promises, covenants or conditions of this Lease Agreement shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the remaining terms, provisions, promises, covenants and conditions of this Lease Agreement shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this Lease Agreement shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the Trustee or by the City, or if for any reason it is held by such a court that any of the covenants and agreements of the City hereunder, including the covenant to pay Rental Payments hereunder, is unenforceable for the full term hereof, then and in such event for and in consideration of the right of the City to possess, occupy and use the Leased Property, which right in such event is hereby granted, this Lease Agreement shall thereupon become and shall be deemed to be a lease from year to year under which the annual Base Rental payments and Additional Rental payments herein specified will be paid by the City.

Section 19. Law Governing. This Lease Agreement is made in the State under the Constitution and laws of the State and is to be so construed.

Section 20. Amendment. This Lease Agreement may be amended only in accordance with and as permitted by the terms of Section 7.02 of the Trust Agreement. Any amendment in connection with the execution and delivery of Additional Certificates shall be substantially in the form of Exhibit C.

Section 21. Excess Payments. Notwithstanding anything contained herein or in the Trust Agreement to the contrary, if for any reason, including but not limited to damage, destruction, condemnation, transfer, sale or disposition, the City or the Trustee receives payments, proceeds or awards with respect to the Leased Property in excess of the amount necessary to pay or prepay or provide in accordance with the Trust Agreement for the payment or prepayment of all of the Outstanding Certificates and all other amounts due hereunder and under the Trust Agreement, such excess shall represent the City's equity interest in the Leased Property and shall all be paid to the City.

Section 22. No Merger. If both the Trustee's and the City's estate under this or any other lease relating to the Leased Property or any portion thereof shall at any time for any reason become vested in one owner, this Lease Agreement and the estate created hereby shall not be

destroyed or terminated by the doctrine of merger unless the City so elects as evidenced by recording a written declaration so stating, and, unless and until the City so elects, the City shall continue to have and enjoy all of its rights and privileges as to the separate estates. The City hereby covenants not to permit or consent to any such merger as long as any Certificates are Outstanding.

Section 23. Further Assurances and Corrective Instruments. The City and the Trustee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased hereby or intended to be so leased or for carrying out the express intention of this Lease Agreement.

Section 24. Assignment. The services to be performed by the Trustee are personal in character and neither this Lease Agreement nor any duties or obligations hereunder may be assigned or delegated by the Trustee unless first approved by the City by written instrument executed and approved in the same manner as this Lease Agreement.

Section 25. City Contracting Provisions. The Trustee covenants and agrees to comply with the provisions set forth in Exhibit D to this Lease Agreement, which is incorporated in and made a part of this Lease Agreement by this reference.

Section 26. Concerning the Trustee. The Trustee is executing this Lease Agreement solely in its capacity as trustee under the Trust (as defined in the Trust Agreement), subject to the protections, indemnities and limitations from liability afforded to the Trustee thereunder, (ii) nothing contained herein shall be construed as creating any liability on the Trustee, individually or personally, to perform any covenant, duty or obligation of any kind contained in this Lease Agreement, and (iii) under no circumstances shall the Trustee be liable for the payment of any fees, costs, indebtedness or expenses related to or arising from this Lease Agreement or any documents related hereto except from amounts held under the Trust Agreement.

26.1 Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Agreement as of the date first above written.

[TRUSTEE], as Trustee

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

On _____ before me, _____ (insert name of the officer), Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ [Seal]

CERTIFICATE OF ACCEPTANCE BY CITY AND COUNTY OF SAN FRANCISCO

This is to certify that the interest in real property conveyed by the Lease Agreement, dated [Dated Date], from [Trustee] to the City and County of San Francisco, a charter city and county and municipal corporation, is hereby accepted by the undersigned on behalf of the Board of Supervisors pursuant to authority conferred by resolution of the Board of Supervisors adopted on [_____], and the grantee consents to recordation thereof.

Dated: [Dated Date]

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

EXHIBIT A
DESCRIPTION OF THE SITE

[To Come]

EXHIBIT B

BASE RENTAL PAYMENT SCHEDULE

<u>Payment Date*</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Base Rental</u>	<u>Annual Base Rental</u>
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*Base Rental is payable on each _____ and _____ prior to the Payment Date as provided under the Lease Agreement.

EXHIBIT C

**FORM OF SUPPLEMENT TO THE LEASE AGREEMENT RELATING TO
ADDITIONAL CERTIFICATES**

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO

Office of the City Attorney

City Hall

1 Dr. Carlton B. Goodlett Place, Room 234

San Francisco, California 94102

Attention: _____

SUPPLEMENT TO LEASE AGREEMENT

By and Between

[Trustee], as Trustee,
as Lessor

and

CITY AND COUNTY OF SAN FRANCISCO,
as Lessee

Dated as of _____ 1, 20__

NO DOCUMENTARY TRANSFER TAX DUE

This Lease Agreement is exempt pursuant to Section 27383 of the California Government Code.

THIS SUPPLEMENT TO LEASE AGREEMENT, dated as of _____1,_____ (this “Supplement to Lease Agreement”), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the “City”), as lessee, and [Trustee], a _____ banking association, solely in its capacity as Trustee under the hereinafter defined Trust Agreement, as lessor (the “Trustee”);

WITNESSETH:

WHEREAS, the City desires to provide for _____(as further defined herein, the “Project”), to be used primarily for governmental purposes, and the City is authorized pursuant to its charter and the laws of the State to enter into a lease for such purpose; and

WHEREAS, the City and the Trustee have entered into a Property Lease, dated as of [Dated Date] (the “Property Lease”), recorded concurrently with the Lease Agreement, pursuant to which the City has leased certain real property (the “Site”) and all works, property, improvements, structures and fixtures thereon (collectively, the “Leased Property”) to the Trustee; and

WHEREAS, pursuant to the Lease Agreement, dated as of [Dated Date], by and between the City and the Trustee (the “Original Lease Agreement”), the Trustee shall lease the Leased Property back to the City;

WHEREAS, the City and Trustee are entering into this Supplement to Lease Agreement to provide for additional Base Rental in connection with the financing of the 20__ Project and certain related matters; and

WHEREAS, the Trustee is simultaneously executing and delivering an additional series of certificates of participation (the “Additional Certificates”) pursuant to the Trust Agreement, dated [Dated Date], between the City and the Trustee (the “Trust Agreement”), to provide funds for the Project;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to supplement the Original Lease Agreement as follows:

Base Rental. The City agrees to pay, from any legally available funds, aggregate Base Rental in the amounts set forth under the caption “Base Rental Schedule” in Exhibit A to this Supplement to Lease Agreement, which constitutes the principal and interest represented by the Additional Certificates. The Base Rental consists of annual rental payments with principal and interest components, the interest components being paid semiannually as interest on the principal components computed on the basis of a 360-day year composed of twelve 30-day months. The Base Rental payable by the City shall be paid in arrears and shall be due on [Payment Date 1] and [Payment Date 2] in each year and payable on each ____ 1 and _____ 1 during the Lease Agreement Term, commencing_____. Base Rental payable on _____ and the following _____ shall be for the period from [Payment Date 2] of the prior year to _____of the current year; provided, however, that the aggregate Base Rental payable on _____ and _____shall be for the period from the Closing Date to _____. Such Base Rental provided in

Exhibit A is supplemented to the amounts due as provided in Section 3.1(a) and Exhibit A of the Original Lease Agreement.

The City shall deposit the Base Rental with the Trustee for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. In no event shall the amount of Base Rental payable exceed the aggregate amount of principal and interest required to be paid or prepaid on the corresponding Interest Payment Date as represented by the Outstanding Certificates, according to their tenor.

The parties hereto have agreed and determined that such total rental in any Fiscal Year is not and will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year. In making such determination, consideration has been given to the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the parties by reason of this Lease Agreement and to the general public by reason of the City's use of the Leased Property.

26.2 Amendments. The City and the Trustee hereby agree to amend the Lease Agreement as follows: [other amendments necessary or desirable in connection with Additional Certificates].

26.3 201 Certificates Subject to the Lease Agreement. Except as in this Supplement to Lease Agreement expressly provided, every term and condition contained in the Lease Agreement shall apply to this Supplement to Lease Agreement and to the 201_ Certificates with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplement to Lease Agreement.

This Supplement to Lease Agreement and all the terms and provisions herein contained shall form part of the Lease Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Lease Agreement. The Lease Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

26.4 Governing Law. This Supplement to Lease Agreement shall be governed by and construed in accordance with the laws of the State of California.

26.5 Counterparts. This Supplement to Lease Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Supplement to Lease Agreement as of the date first above written.

[TRUSTEE], as Trustee

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

EXHIBIT A
BASE RENTAL SCHEDULE

ACKNOWLEDGMENT

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

On _____ before me, _____ (insert name of the officer), Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ [Seal]

EXHIBIT D

CITY AND COUNTY OF SAN FRANCISCO MANDATORY CONTRACTING PROVISIONS

The following provisions shall apply to this Lease Agreement as if set forth in the body thereof. Capitalized terms used but not defined in this Exhibit D shall have the meanings given in this Lease Agreement.

Section 1. Nondiscrimination; Penalties.

(i) *Nondiscrimination.* In the performance of this Lease Agreement, the Trustee agrees not to discriminate against any employee, City employee working with the Trustee, applicant for employment with the Trustee, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(ii) *Subcontracts.* The Trustee shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from the City) and shall require all subcontractors to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease Agreement.

(iii) *Nondiscrimination in Benefits.* The Trustee does not as of the date of this Lease Agreement and will not during the term of this Lease Agreement, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(iv) *Condition to Contract.* As a condition to this Lease Agreement, the Trustee shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(v) *Incorporation of Administrative Code Provisions by Reference.* The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Lease Agreement as though fully set forth herein. The Trustee shall comply fully with and be bound by all of the provisions

that apply to this Lease Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Trustee understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease Agreement may be assessed against the Trustee and/or deducted from any payments due the Trustee.

Section 2. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing this Lease Agreement, the person executing this Lease Agreement on behalf of the Trustee acknowledges and agrees that he or she has read and understood this Section.

Section 3. Tropical Hardwood and Virgin Redwood Ban. Pursuant to §804(b) of the San Francisco Environment Code, the City urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 4. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Lease Agreement.

Section 5. Compliance with Americans with Disabilities Act. The Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Trustee shall provide the services specified in this Lease Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Lease Agreement and further agrees that any violation of this prohibition on the part of the Trustee, its employees, agents or assigns will constitute a material breach of this Lease Agreement.

Section 6. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 7. Limitations on Contributions. Through execution of this Lease Agreement, the Trustee acknowledges that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Trustee's board of directors; the Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in the Trustee; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Trustee. Additionally, the Trustee acknowledges that the Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. The Trustee further agrees to provide to the City the names of each person, entity or committee described above.

Section 8. Requiring Minimum Compensation for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Lease Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Trustee's obligations under the MCO is set forth in this Section. The Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(i) The MCO requires the Trustee to pay the Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Trustee shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Trustee's obligation to ensure that any subcontractors of any tier under this Lease Agreement comply with the requirements of the MCO. If any subcontractor under this Lease Agreement fails to comply, the City may pursue any of the remedies set forth in this Section against the Trustee.

(ii) The Trustee shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the

MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) The Trustee shall maintain employee and payroll records as required by the MCO. If the Trustee fails to do so, it shall be presumed that the Trustee paid no more than the minimum wage required under State law.

(iv) The City, upon reasonable notice to the Trustee, is authorized to inspect the Trustee's job sites during normal business hours, conduct interviews with employees and conduct audits of the Trustee.

(v) The Trustee's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Lease Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Trustee fails to comply with these requirements. The Trustee agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for the Trustee's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Lease Agreement for violating the MCO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If the Trustee is exempt from the MCO when this Lease Agreement is executed because the cumulative amount of agreements with the City for the fiscal year is less than \$25,000, but the Trustee later enters into an agreement or agreements that cause the Trustee to exceed that amount in a fiscal year, the Trustee shall thereafter be required to comply with the MCO under this Lease Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to exceed \$25,000 in the fiscal year.

Section 9. Requiring Health Benefits for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to

time. The provisions of Section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Lease Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Lease Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Trustee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(iii) The Trustee's failure to comply with the HCAO shall constitute a material breach of this Lease Agreement. The City shall notify the Trustee if such a breach has occurred. If, within 30 days after receiving the City's written notice of a breach of this Lease Agreement for violating the HCAO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(iv) Any Subcontract entered into by the Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Trustee shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Trustee based on the Subcontractor's failure to comply, provided that the City has first provided the Trustee with notice and an opportunity to obtain a cure of the violation.

(v) The Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Trustee shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the Agreement.

(viii) The Trustee shall keep itself informed of the current requirements of the HCAO.

(ix) The Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(x) (x) The Trustee shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Trustee shall allow the City to inspect the Trustee's job sites and have access to the Trustee's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Trustee to ascertain its compliance with HCAO. The Trustee agrees to cooperate with the City when it conducts such audits.

(xiii) If the Trustee is exempt from the HCAO when this Lease Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but the Trustee later enters into an agreement or agreements that cause the Trustee's aggregate amount of all agreements with the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 10. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Lease Agreement. The Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Trustee violates the provisions of this Section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Lease Agreement, and (ii) prohibit the Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Trustee's use of profit as a violation of this Section.

Section 11. Protection of Private Information. The Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Trustee agrees that any failure of the Trustee to comply with the requirements of Section 12M.2 of this Chapter shall

be a material breach of this Lease Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Lease Agreement, bring a false claim action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

Section 12. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

The Trustee shall remove all graffiti from any real property owned or leased by the Trustee in the City and County of San Francisco within forty eight (48) hours of the earlier of the Trustee's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This Section is not intended to require the Trustee to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 *et seq.*) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq.*).

Any failure by the Trustee to comply with this section of this Lease Agreement shall constitute a material breach of this Lease Agreement.

Section 13. Reserved.

Section 14. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for penalties set forth in that Section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at <http://www.municode.com/Library/clientCodePage.aspx?clientID=4201>. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or

approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 15. Conflict of Interest. Through its execution of this Lease Agreement, the Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Lease Agreement.

Section 16. Food Service Waste Reduction Requirements. The Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Lease Agreement as though fully set forth. This provision is a material term of this Lease Agreement. By entering into this Lease Agreement, the Trustee agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Trustee agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Lease Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Trustee's failure to comply with this provision.

Section 17. Proprietary or Confidential Information of City. The Trustee understands and agrees that, in the performance of the work or services under this Lease Agreement or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Trustee agrees that all information disclosed by City to the Trustee shall be held in confidence and used only in the performance of this Lease Agreement. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 18. Earned Income Credit (EIC) Forms. Administrative Code Section 12O requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. The Trustee shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Lease Agreement becomes

effective (unless the Trustee has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Trustee; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Lease Agreement. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Trustee of the terms of this Lease Agreement. If, within thirty days after the Trustee receives written notice of such a breach, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Trustee fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Lease Agreement or under applicable law. Any Subcontract entered into by the Trustee shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section. Capitalized terms used in this Section and not defined in this Lease Agreement shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.