

BOARD of SUPERVISORS



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MEMORANDUM

BUDGET AND FINANCE SUB-COMMITTEE SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Malia Cohen, Chair
Budget and Finance Sub-Committee

FROM: Linda Wong, Assistant Clerk

DATE: July 17, 2017

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, July 18, 2017

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, July 18, 2017, at 2:00 p.m. This item was acted upon at the Sub-Committee Meeting on Thursday, July 13, 2017, at 10:00 a.m., by the votes indicated.

Item No. 37 **File No. 170695**

Resolution authorizing a new lease to Crystal Springs Golf Partners, L.P., for the use of property owned by the City and County of San Francisco on property known as San Francisco Public Utilities Commission (SFPUC) Parcel No. 31, located at 6650 Golf Course Drive, Burlingame, California, for a term of 20 years to commence following Board approval, for rent equal to the greater of percentage rent or \$1,000,000 annual base rent; and authorizing the Director of Property and/or the SFPUC General Manager to execute documents, make certain modifications, and take certain actions in furtherance of this Resolution, as defined herein.

RECOMMENDED AS COMMITTEE REPORT

Vote: Supervisor Malia Cohen - Aye
Supervisor Norman Yee - Aye
Supervisor Katy Tang - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney
Alisa Somera, Legislative Deputy Director

File No. 170695

Committee Item No. _____
Board Item No. 317

COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee Date July 13, 2017

Board of Supervisors Meeting Date July 18, 2017

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Completed by: Linda Wong Date July 7, 2017
Completed by: Linda Wong Date _____

1 [Real Property Lease - Crystal Springs Golf Partners, L.P. - 6650 Golf Course Drive,
2 Burlingame, California - \$1,000,000 Annual Base Rent]

3 **Resolution authorizing a new lease to Crystal Springs Golf Partners, L.P., for the use of**
4 **property owned by the City and County of San Francisco on property known as San**
5 **Francisco Public Utilities Commission (SFPUC) Parcel No. 31, located at 6650 Golf**
6 **Course Drive, Burlingame, California, for a term of 20 years to commence following**
7 **Board approval, for rent equal to the greater of percentage rent or \$1,000,000 annual**
8 **base rent; and authorizing the Director of Property and/or the SFPUC General Manager**
9 **to execute documents, make certain modifications, and take certain actions in**
10 **furtherance of this Resolution, as defined herein.**

11
12 WHEREAS, The City and County of San Francisco ("City") owns in fee certain real
13 property presently under the jurisdiction of the San Francisco Public Utilities Commission
14 ("SFPUC") consisting of approximately 199 acres of SFPUC Parcel No. 31 located at 6650
15 Golf Course Drive in Burlingame, California ("Premises"), in the Peninsula Watershed; and

16 WHEREAS, The Peninsula Watershed surrounds the Crystal Springs Reservoir, which
17 the SFPUC maintains for use as a water supply; and

18 WHEREAS, In 1996, the SFPUC awarded a 20-year lease ("Original Lease") to Crystal
19 Springs Golf Partners, LP ("Tenant") as the successful bidder in a competitive bidding
20 process, for the operation of an 18-hole regulation-length municipal golf course and driving
21 range on the Premises; and

22 WHEREAS, The Original Lease expired on March 31, 2017, and Tenant desires to
23 obtain a new lease to continue operating the municipal golf course and driving range at the
24 Premises; and

1 WHEREAS, Since the Original Lease's inception in 1996, the golf market has softened
2 due to falling customer demand and an oversupply of new golf courses both nationally and in
3 the Bay Area, and in 2003, in response to these conditions, the SFPUC amended the Original
4 Lease to provide a rent reduction to Tenant; and

5 WHEREAS, In 2011, Tenant approached SFPUC staff with a request for an additional
6 rent reduction and a lease term extension in response to a further softening of customer
7 demand and worsening financial performance caused by the Great Recession; and

8 WHEREAS, The SFPUC did not act on Tenant's 2011 request at the time, but staff
9 agreed to consider the request after consulting with experts in the golf course industry; and

10 WHEREAS, To inform the SFPUC's economic decisions regarding the Premises,
11 SFPUC staff relied on the advice of consultants including Economic & Planning Systems, Inc.
12 ("EPS"), an economic consulting firm that is the primary consultant under the SFPUC's
13 Professional Services Contract CS-287, and Tenant's consultant, Pro Forma Advisors LLC, a
14 firm that specializes in market analysis, financial feasibility, economic impact studies and
15 appraisals for large-scale real estate developments, including golf courses ("Pro Forma
16 Advisors"); and

17 WHEREAS, The SFPUC's consultants found that after sharp declines in overall
18 economic performance of golf courses over the past 10 to 15 years due to a 20% decline in
19 the number of golfers, the Bay Area golf market has stabilized over the past three years; and

20 WHEREAS, The SFPUC's consultants further found that the financial performance of
21 Bay Area golf courses remains relatively flat, and the mid-to-long-term outlook for the regional
22 golf market is highly uncertain; and

23 WHEREAS, The high fixed cost nature of the golf business, coupled with the required
24 capital investment and the high uncertainty of future demand for golf translates to very high
25 risk for investors in the golf industry; and

1 WHEREAS, To minimize this risk, the SFPUC is seeking a lease rather than a fixed
2 management fee arrangement with an operator whereby the operator would retain all
3 operating revenues and costs and pay a percentage of gross revenue to the SFPUC with a
4 minimum base rent, requiring the operator to fund any operating shortfalls; and

5 WHEREAS, Golf operators prefer a contract fee model, whereby property owners
6 retain operating revenues and costs and pay the operator a fee, requiring the property owner
7 (SFPUC) to fund any operating shortfalls; and

8 WHEREAS, In 2014, SFPUC staff asked EPS to evaluate the likelihood of a successful
9 request for proposals ("RFP") process for a new golf course lease to replace the Original
10 Lease upon expiration; and

11 WHEREAS, EPS's analysis of recent RFP releases confirm golf course operator
12 preference for a contract fee structure in order to reduce financial risk, suggesting that an RFP
13 for a lease participation structure would not likely result in better deal terms for the SFPUC;
14 and

15 WHEREAS, Recent attempts by public agencies to lease courses have resulted in few
16 or no bids, and requested terms have included substantially reduced rent or rent credits for
17 rapid recovery of any invested capital; and

18 WHEAREAS, For example, the County of Los Angeles had no bids on the Marshall
19 Canyon golf course, the City of Portland received no qualified bids for the Heron Lake golf
20 course, and the Los Angeles Department of Airports received only one bid on the Westchester
21 golf course from its incumbent operator; and

22 WHEREAS, EPS concluded that given the ongoing soft economic conditions of the golf
23 industry, the continuing capital investment needs at the Golf Course, and the likelihood of low
24 tenant interest in responding to an RFP by the SFPUC due to golf operators' preference for a
25 management fee arrangement rather than a lease, especially a lease requiring tenant-funded

1 capital investments, there is a substantial risk that the SFPUC's issuance of a RFP will yield
2 disadvantageous rent terms to the SFPUC or a golf course tenant that does not suit the
3 SFPUC's needs; and

4 WHEREAS, Based on the advice of the SFPUC's consultants, SFPUC staff concluded
5 that it is impractical to competitively bid the new lease opportunity and instead negotiated with
6 Tenant proposed terms and conditions of a new 20-year lease, a copy of which is on file with
7 the Clerk of the Board of Supervisors under File No. 170695 ("New Long-Term Lease"), which
8 is incorporated herein by this reference; and

9 WHEREAS, The SFPUC and Tenant negotiated in good faith for over a year to finalize
10 the terms and conditions of the proposed New Long-Term Lease, and although lease
11 negotiations are completed, due to no fault of Tenant there was insufficient time to seek the
12 necessary City approvals of the proposed New Long-Term Lease prior to the expiration of the
13 Original Lease; and

14 WHEREAS, The SFPUC and Tenant entered into a new month-to-month lease so that
15 Tenant can continue to operate the golf course while seeking City approval of the proposed
16 New Long-Term Lease; and

17 WHEREAS, The New Long-Term Lease fair market rent structure was determined
18 using a comprehensive financial model developed by SFPUC staff ("SFPUC Model") that
19 determined the percentage rent and base rent structure based on an expected internal rate of
20 return ("IRR") on Tenant's required investment; and

21 WHEREAS, The SFPUC consulted with leading industry experts to validate the
22 proposed fair market rent structure throughout the negotiations with Tenant; and

23 WHEREAS, Under Professional Services Contract CS-287, Century Urban, a SFPUC
24 sub-consultant specializing in economic and feasibility analysis and asset management,
25 validated the SFPUC Model; and

1 WHEREAS, Pro Forma Advisors vetted the proposed fair market rent structure
2 reflected in the SFPUC Model, and in its view, concluded that given the current and
3 anticipated market conditions, and expected operating performance at Crystal Springs, the
4 proposed rent structure is well within the range of current fair market rental terms; and

5 WHEREAS, Pro Forma Advisors cited the annual Financing and Investment Survey
6 from the Society of Golf Course Appraisers, an organization dedicated to the advancement of
7 the golf course consulting and valuation profession, that showed that the expected IRR for
8 golf courses ranges from 10% to 22%, averaging 14%; and

9 WHEREAS, Given the above, SFPUC staff determined that the projected IRR of
10 13.95% under the SFPUC Model for Crystal Springs is consistent with current industry
11 investment criteria; and

12 WHEREAS, SFPUC staff have consulted with the Director of Property, who concurs
13 that the proposed rent structure reflects fair market rent; and given that such proposed rent is
14 less than \$45 per square foot, and the rent structure has been validated by an independent,
15 qualified golf course appraiser, Administrative Code, Section 23.30, does not require a formal
16 appraisal; and

17 WHEREAS, On April 24, 2017, the Planning Department issued a categorical
18 exemption for the New Long-Term Lease under Section 15301, Class 1 (Existing Facilities) of
19 the California Environmental Quality Act, Case Number 2017.005038ENV, a copy of which is
20 on file with the Clerk of the Board of Supervisors under File No. 170695, which is incorporated
21 herein by this reference; and

22 WHEREAS, Any future capital improvements not contemplated in the New Long-Term
23 Lease will be subject to prior SFPUC approval, and the New Long-Term Lease expressly
24 acknowledges that the SFPUC may not consider future capital improvements before
25 completion of all environmental review required by law; and

1 WHEREAS, Although there are no current SFPUC pipelines or other infrastructure
2 placed on or beneath the Premises, the Lease provides that the Premises will still be subject
3 to use by the City and the SFPUC for City uses, including the installation or maintenance of
4 pipelines or other infrastructure and, in such instance, requires Tenant to remove its
5 improvements as necessary to accommodate such City uses; and

6 WHEREAS, CourseCo. Inc. ("CourseCo."), a California-based professional golf course
7 management company, manages the Golf Course on Tenant's behalf, and several principals
8 of Tenant are also principals of CourseCo.; and

9 WHEREAS, CourseCo. has a proven track record of managing golf courses, including
10 Crystal Springs Golf Course, and has never had a golf course contract cancelled or not
11 renewed; and

12 WHEREAS, In 2014 CourseCo. entered into a contract with SEIU Local 265, the Golf
13 Courses and Greens Attendants Union, regarding the CourseCo maintenance workers, and
14 CourseCo. is the winner of a number of industry awards for environmental management and
15 sustainability, including an award from the City and County of San Francisco; and

16 WHEREAS, On May 23, 2017, by SFPUC Resolution No. 17-0123 ("SFPUC
17 Resolution"), a copy of which is on file with the Clerk of the Board of Supervisors under File
18 No. 170695, which is incorporated herein by this reference, SFPUC approved the New Long-
19 term Lease, and authorized the SFPUC General Manager and/or the Director of Property to
20 undertake the process to, following Board of Supervisors approval of the New Long-term
21 Lease, accept and execute the New Long-Term Lease and any other related documents
22 necessary to consummate the transactions contemplated therein, in the form approved by the
23 City Attorney; and

24 WHEREAS, Charter, Section 8B.121(a) grants the SFPUC Commission the exclusive
25 charge of the real property assets under the Commission's jurisdiction, and Charter, Section

1 9.118(c) requires that any City lease of real property having a term of ten or more years or
2 anticipated revenue to the City of \$1,000,000 or more be approved by resolution of the Board
3 of Supervisors; and

4 RESOLVED, The Board of Supervisors, having reviewed and considered the
5 proposed New Long-Term Lease and the SFPUC Resolution, finds that the proposed New
6 Long-Term Lease is in the best interest of the City and meets the requirements of the City
7 Charter and Administrative Code, Chapter 23; and, be it

8 FURTHER RESOLVED, That the Board of Supervisors finds that competitive
9 bidding procedures are impractical, given the soft economic conditions in the golf industry,
10 poor responses to other jurisdictions' recent RFP's for golf course leases, and golf
11 operators' general preference for a contract fee structure rather than SFPUC's preferred
12 lease participation structure; and, be it

13 FURTHER RESOLVED, That in accordance with the recommendations of the
14 SFPUC General Manager and the Director of Property, the Board of Supervisors hereby
15 approves the Lease and the transaction contemplated thereby in substantially the form of
16 such instrument presented to this Board; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
18 Property and/or the SFPUC's General Manager to enter into any additions, amendments,
19 or other modifications to the Lease that the Director of Property and/or the SFPUC's
20 General Manager determines are in the best interest of the City, do not materially increase
21 the obligations or liabilities of the City or materially diminish the benefits to the City, and are
22 necessary or advisable to complete the transaction contemplated in the Lease and
23 effectuate the purpose and intent of this resolution, such determination to be conclusively
24 evidenced by the execution and delivery by the Director of Property or the SFPUC's
25 General Manager of the Lease and any amendments thereto; and, be it

1 FURTHER RESOLVED, That the Director of Property and/or the General Manager
2 of the SFPUC are hereby authorized and urged, in the name and on behalf of the City and
3 County, to execute and deliver the Lease with Tenant, in substantially the form of such
4 instrument presented to this Board, and to take any and all steps (including, but not limited
5 to, the execution and delivery of any and all certificates, agreements, notices, consents,
6 and other instruments or documents) as the Director of Property or SFPUC General
7 Manager deems necessary or appropriate in order to consummate the Lease, or to
8 otherwise effectuate the purpose and intent of this Resolution, such determination to be
9 conclusively evidenced by the execution and delivery by the Director of Property or SFPUC
10 General Manager of any such documents; and, be it

11 FURTHER RESOLVED, That within thirty (30) days of the Lease being fully executed
12 by all parties, the SFPUC shall provide the final Lease to the Clerk of the Board for inclusion
13 into the official file.
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Recommended:



JOHN UPDIKE
Director of Property



HARLAN L. KELLY, JR.
General Manager of the SFPUC

<p>Item 7 File 17-0695</p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed resolution would authorize a new ground lease between SFPUC and Crystal Springs Golf Partners, L.P., to lease SFPUC’s 199 acre property at 6650 Golf Course Drive adjacent to the City of Burlingame for use as a golf course. The proposed ground lease is for (a) a term of 20 years (approximately July 2017 to July 2037), and (b) initial base rent equal to the greater of \$1,000,000 annually or a percentage of gross revenues. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The San Francisco Public Utilities Commission (SFPUC) owns approximately 199 acres of land adjacent to Burlingame surrounded by the SFPUC’s Crystal Springs Reservoir. • After a competitive Request for Proposals process in 1996, the SFPUC awarded a 20-year ground lease to Crystal Springs Golf Partners L.P. (Crystal Springs) through March 31, 2017 to operate an 18-hole regulation-length municipal golf course and driving. The lease was amended to provide a rent reduction in 2003 to reflect the softening of the golf market. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • Under the proposed lease, over the 20-year lease term, SFPUC projects that Crystal Springs will pay on average \$1,333,000 per year in rent, for total estimated rent of \$26,660,000 over 20 years. The projected average annual rent revenue of \$1,333,000 will be offset by SFPUC’s contribution to the capital improvement fund estimated to be \$156,732 per year, for net average annual rent revenue payment of \$1,176,268. • The projected average annual rent of \$1,333,000 under the proposed lease is \$136,790 less per year than the average annual rent of \$1,469,790 paid under the existing lease. • The proposed ground lease requires Crystal Springs to make a lump-sum capital investment of \$1.25 million in the first year, and an additional \$1.0 million in year 11, for a total of \$2.25 million. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> • The golf market has softened considerably over the past 10-15 years. The number of rounds played at Crystal Springs Golf Course decreased by 8.9 percent to approximately 67,117 paid rounds in 2016, and the average golf revenue per round has declined from \$51.09 to \$49.76 over this period. • The SFPUC staff also did not consider other uses for 6650 Golf Course Drive. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

The San Francisco Public Utilities Commission (SFPUC) owns approximately 199 acres of land located at 6650 Golf Course Drive adjacent to the City of Burlingame in an unincorporated area in San Mateo County. This property is the Peninsula Watershed, which surrounds the SFPUC's Crystal Springs Reservoir.

After a competitive Request for Proposals (RFP) process in 1996,¹ the SFPUC awarded a 20-year ground lease to Crystal Springs Golf Partners L.P. (Crystal Springs) through March 31, 2017 to operate an 18-hole regulation-length municipal golf course and driving range on the 199 acres of land. The lease was approved by the Board of Supervisors (Resolution 18-97).

In 2003, due to the softening of the golf market, the SFPUC amended the original lease to provide a rent reduction to Crystal Springs. In 2011, Crystal Springs asked SFPUC for a further reduction in rent due to the 2007-2009 Recession. In response to the request, as well as another request for relief from an SFPUC golf course tenant in Sunol,² the SFPUC obtained a new independent assessment of the economics of the original lease, as amended in 2003. Economics and Planning Systems, Inc., selected by SFPUC through an RFP process, conducted and subsequently completed the assessment in 2014. Due to the delay in the assessment, the SFPUC did not further amend the lease with Crystal Spring.

Based on the assessment by Economics and Planning Systems, as well as several high-profile attempts by public agencies to lease golf courses that resulted in one or no proposals, the SFPUC decided to negotiate a new 20-year lease for the Crystal Springs Golf Course with the current operator rather than conduct a competitive RFP process. During the process of negotiations, Crystal Springs and SFPUC entered into a month-to-month lease from April 1, 2017 until December 31, 2017, or until the Board of Supervisors approves a new lease.

¹ According to Mr. Anthony Bardo, Assistant Real Estate Director, the property was used as a golf course prior to 1996.

² The Sunol Valley Golf Course closed at the end of January 2017. SFPUC is currently using the golf course for temporary construction staging and offices during the redevelopment of the SFPUC's nearby Corporate Yard facility. SFPUC is exploring a number of uses that are unrelated to golf.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new ground lease between SFPUC and Crystal Springs Golf Partners, L.P., for Crystal Springs to lease SFPUC's 199 acre property at 6650 Golf Course Drive in San Mateo County adjacent to the City of Burlingame for use as a golf course. The proposed ground lease is for (a) a term of 20 years to commence following Board of Supervisors approval from approximately July 2017 to July 2037, and (b) initial base rent equal to the greater of \$1,000,000 annually or a percentage of gross revenues. The resolution would authorize the SFPUC General Manager to execute documents, make certain modifications, and take certain actions in furtherance of this resolution.

Table 1 below summarizes the key lease provisions.

Table 1: Summary of Key Ground Lease Provisions

	Proposed New Lease
Lease Term	20-Year Term from approximately July 2017 to July 2037
Options to extend	None
Base Rent paid by the Tenant	\$1,000,000 per year in years 1-3, then Base Rent is equal to 80% of the average preceding three years' actual Percentage Rent.
Percentage Rent	Food & Beverage Sales 7% Merchandise Sales: 5%, then 6% of sales over \$400,000. All Other (Revenue) Sources: 25% up to \$4,000,000, 30% of revenues above \$4,000,000.
Annual adjustments to Base Rent	\$1,000,000 per year in years 1-3, then equal to 80% of the average preceding three years' actual Percentage Rent.
Average Annual Total Rent Paid over the 20 year lease	\$1,333,000 (Projected)
Tenant improvement Allowance (Capital Improvements)	Tenant's lump-sum capital contribution of \$1.25 million in year one, and an additional \$1.0 million in year 11. Tenant's Contribution to Capital Improvement Fund is equal to 2% annually of gross revenues during the Lease Term. SFPUC's contribution is equal to 2% of gross revenues during the Lease Term.
Utilities and Services	Tenant pays 100%

The proposed ground lease requires Crystal Springs to make a lump-sum capital investment of \$1.25 million in the first year, and an additional \$1.0 million in year 11, for a total of \$2.25 million.

In addition, the proposed ground lease requires Crystal Springs to contribute two percent annually of the gross revenues during the lease term to the capital improvement fund, and

commits the SFPUC to commit an amount equal to two percent annually of the golf course's gross revenues to the capital improvement fund.

FISCAL IMPACT

Rent under the Original Lease

Under the existing lease, Crystal Springs paid to SFPUC the greater of base rent or rent equal to a percentage of gross revenues. Annual base rent paid by Crystal Springs to SFPUC was \$1,250,000 beginning in 1997, which increased to \$1,500,000 beginning in 2000. In the six-year period between 1997 and 2003, Crystal Springs paid average annual rent to SFPUC of \$1,393,251.

In 2003, SFPUC agreed to reduce the annual base rent paid by Crystal Springs from \$1,500,000 to \$1,200,000, which increased annually by formula beginning in 2006. Under the existing lease, in the 14-year period between 2003 and 2017, Crystal Springs paid average annual rent to SFPUC of \$1,469,790.

Crystal Springs has continued to operate the golf course at 6650 Golf Course Drive on a month-to-month lease since April 2017 and has paid base rent equivalent to \$1,000,000 per year since April 1, 2017.

Rent under the Proposed Lease

The proposed lease provides for annual base rent of \$1,000,000 for the first three years, and then adjusts to an amount equal to 80 percent of the average preceding three years' actual percentage rent. Under the proposed lease, over the 20-year lease term, SFPUC projects that Crystal Springs will pay SFPUC on average \$1,333,000 per year in rent, for total estimated rent to the SFPUC of \$26,660,000 over 20 years. The projected average annual rent revenue to SFPUC of \$1,333,000 will be offset by SFPUC's contribution to the capital improvement fund estimated to be \$156,732 per year, for net average annual rent revenue payment to the SFPUC of \$1,176,268. According to Mr. Bardo, any unused portion of the Capital Improvement Fund becomes the property of the SFPUC at the end of the lease.

The projected average annual rent of \$1,333,000 under the proposed lease is \$136,790 less per year than the average annual rent of \$1,469,790 paid under the existing lease. According to Mr. Bardo, SFPUC staff, together with Century Urban,³ an economic feasibility consultant, developed a 20-year pro forma that projected the annual rent under the proposed lease. Mr. Bardo states that the projected average annual rent to be paid by Crystal Springs under the proposed lease is higher than rents paid to other municipal golf courses, based on an evaluation of golf course rents structures prepared by Pro Forma Advisors, LLC, for Crystal Springs.

³ Century Urban is a sub-consultant under Real Estate Services' professional services contract with Economic and Planning Services, Inc. Century Urban specializes in economic feasibility analysis and asset management.

POLICY CONSIDERATION

According to the evaluation performed by Pro Forma Advisors LLC for Crystal Springs, the golf market has softened considerably over the past 10-15 years. The number of golfers in the U.S. declined from 30.4 million in 2003, when the contract between SFPUC and Crystal Springs was first amended, to 24.1 million in 2015, a reduction of over 20 percent. The largest departing golfer segment is the 18-34 age group, which, according to the analysis, "does not portend a near term recovery of the golf industry." In the Bay Area specifically, rounds on most public golf courses have declined approximately 25 percent over the past 15 years.

The number of rounds played at Crystal Springs Golf Course decreased by 6,537 per year or 8.9 percent from 73,654 paid rounds in 2007 to approximately 67,117 paid rounds in 2016. In addition, the average golf revenue per round, which is realized from greens fees, membership dues, and carts, has declined from \$51.09 to \$49.76 over this period.

According to Mr. Bardo, the SFPUC staff also did not consider other uses for 6650 Golf Course Drive. Based on the evaluation performed by Century Urban for SFPUC, SFPUC considers the Crystal Springs Golf Course to remain economically viable during the 20-year lease term. In the event that the number of paid golf rounds declines to below the number of paid rounds that would allow Crystal Springs to pay the minimum rent to SFPUC, the SFPUC has the right to terminate the lease.

RECOMMENDATION

Approve the proposed resolution.

MEMORANDUM

To: Anthony Bardo
From: James Musbach, Michael Nimon, and Edward Sullivan
Subject: Crystal Springs Golf Course Lease Renegotiation
Considerations; EPS #131057
Date: March 6, 2014

The Economics of Land Use



Economic & Planning Systems, Inc. (EPS) prepared this analysis for the San Francisco Public Utilities Commission (SFPUC) to inform the negotiation strategy and tenant selection process for the Crystal Springs Golf Course.

This memorandum builds on the financial analysis and lease negotiation support that EPS completed for the SFPUC in July 2013. It also reviews the overall responsiveness of golf course industry operators to requests for proposals (RFPs) recently issued by comparable publicly-owned golf course owners. This memorandum provides other considerations based on EPS interviews with comparable golf course owners and other EPS research.

Background

The SFPUC owns the Crystal Springs Golf Course (CS Golf Course), an 18-hole golf course located adjacent to the City of Burlingame in unincorporated San Mateo County. The SFPUC has a lease agreement with Crystal Springs Golf Partners, L.P. (CSGP), which operates the Crystal Springs Golf Course.¹ The lease term expires in March 2017.

*Economic & Planning Systems, Inc.
One Kaiser Plaza, Suite 1410
Oakland, CA 94612
510 841 9190 tel
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Los Angeles*

www.epsys.com

¹ Crystal Springs Golf Partners, L.P. has a management agreement with CourseCo for daily operations; CourseCo, in turn, entered a joint venture agreement with ZGolf in 2003, under which ZGolf manages food and beverage facilities at Crystal Springs. Both are referred to as "Tenant" or "CourseCo" in this document.

The SFPUC must renegotiate its current lease with CSGP to reflect recent changes to the leased premises necessary to accommodate new Pacific Gas and Electric Company (PG&E) easements for state-mandated gas line upgrades and testing. In addition, CSGP requests a rent reduction due to the decrease in the Crystal Springs Golf Course's performance and the overall contraction of the golf industry. At the same time, CSGP requests an extension of the lease term to accommodate CSGP's desire to make capital improvements to the Crystal Springs Golf Course and recoup such investment.

The SFPUC's key objectives are to continue generating revenue from the Crystal Springs Golf Course while minimizing its own financial risk, and to ensure that a qualified operator manages the Crystal Springs Golf Course to meet the SFPUC's mission to provide its customers with high-quality, efficient, and reliable water, power, and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to its care.

Within this context, the SFPUC also seeks to address the need for additional capital improvements that are expected to improve the course's attractiveness in an increasingly competitive industry. To achieve these objectives, the SFPUC seeks a lease agreement with a highly qualified operator with a demonstrated track record of successfully managing golf courses in an environmentally sensitive and sustainable manner.

Given the SFPUC's mission and the need to modify its existing lease with CSGP to accommodate new PG&E easements, the SFPUC is considering the following two approaches:

- 1) Engage in exclusive negotiations with CSGP to modify existing rental terms and extend the lease for 10 years to minimize operator and revenue risk to the SFPUC in response to CSGP's request for modification, and to address recent changes to the lease premises necessary to accommodate the new PG&E easements, or
- 2) Modify the lease at this time to reflect the new PG&E easements and issue an RFP at the expiration of the existing lease with CSGP with the hope of identifying a willing operator that can perform better than CourseCo.

Tenant Overview

CourseCo is the largest golf operator in the Bay Area and is one of the 25 largest golf operators in the United States. Formed in 1989, it operates 25 golf courses, including 20 courses owned by public entities. It provides a full range of golf management services, including golf operations, course maintenance, environmental management, food and beverage services, marketing and accounting, capital budgeting, and construction management.

CourseCo successfully manages Boundary Oak Golf Course in Walnut Creek, Napa Golf Course, Metropolitan in Oakland, and Foxtail in Rohnert Park, all Bay Area municipal golf courses. It generates \$60 million in revenues and has over 1,000 employees. CourseCo is known for its community engagement efforts, leadership in environmental management, and sustainable golf course maintenance (see **Appendix A**).

Golf Operator Models

There are a large number of golf course operators in the United States with a wide range of company sizes, managed assets, and specializations. Privately held golf courses comprise the majority of the industry. This analysis focuses on publicly owned golf courses. There are many municipally owned golf courses in the Bay Area and beyond. While some of these golf courses generate revenues, most operate at a loss incurred by their respective municipalities.

Given the contraction of the golf industry as a whole and increased regional competition, revenue from food and beverage sales and banquet events has become a larger share of overall golf course revenues as special events tend to generate stronger economic performance. The special event volume varies widely by golf course, with the Callippe Preserve golf course in Pleasanton generating 14 percent of its revenue total from food and beverage sales, relative to the Crystal Springs Golf Course's 40 percent of revenue total. User experience features like soil conditions, clubhouse improvements, and other amenities have also become more important for competitiveness. Given its vital role in attracting special events users, clubhouse improvements could have a significant impact on the long-term competitiveness of Crystal Springs. Competitive golf course features underline the importance of investing in capital facilities and other performance related improvements designed to attract golf and special event users.

Typical Deal Terms

Municipal golf course management firms are typically compensated either through a lease participation model or a contract fee model. Under a lease participation model, managers retain all operating revenues and costs and pay a percentage of gross revenue to the owners with a minimum base rent that is independent of actual performance. Under a contract fee model, owners retain operating revenues and costs and pay an operator fee. While some publicly owned golf courses are operated based on the lease participation model, EPS research shows that contract fee compensation is more common.

Under a contract fee compensation structure, operators typically receive a base fee with additional performance incentives. Recent examples of this compensation structure include Boundary Oak Golf Course in Walnut Creek and Municipal Golf Course in Napa. Many municipalities choose the contract fee model to control fees, policies, budget levels, capital improvements, and other standards, while operators like this model due to lower risk relative to lease participation. Under a contract fee arrangement, owners retain the upside from better than expected performance. However, as mentioned earlier, present market conditions cause most municipal golf courses to operate at a loss incurred by their respective municipality.

In other cases, the lease participation model is preferred by municipalities, such as the SFPUC, to reduce financial risk in case of underperformance. This deal structure works when golf course performance generates net revenues with operators incentivized to maximize the upside. Comparison of owner benefits between the two deal structures is provided in **Table 1**.

Table 1 Key Municipal Benefits from Operator Compensation by Deal Structure

Lease Participation Model	Contract Fee Model
<ul style="list-style-type: none">• Reduces financial risk• Lowers overhead• Utilizes private capital for capital improvements through rent concessions	<ul style="list-style-type: none">• Greater owner control• Financial upside by owner• Better financing terms (lower cost, tax-exempt financing)• Potential possessory interest tax exemption (subject to short-term agreements)

Prior EPS Analysis

EPS completed a market analysis designed to inform the evaluation of the Crystal Springs Golf Course lease agreement with the Crystal Springs Golf Course operator in July 2013. It included a market overview of the golf industry and economic trends, financial forecast of the Golf Course's performance, analytic comparison of the existing and proposed rent structure, and a review of other lease terms for comparable golf courses. The EPS analysis reached the following conclusions:

- ***National golf activity has experienced a major decline, while competition from local courses and food and beverage/special event venues has increased.***
- ***Declining financial performance of the Crystal Springs golf course has resulted in revenue reductions and tenant losses under the existing rent structure. Going forward, the financial performance of Crystal Springs will likely remain flat, considering the golf course's strong location offset by the increasingly competitive landscape in a contracting industry.***
- ***CourseCo's proposal to restructure existing rent terms would improve the tenant's financial performance.***
- ***Reduced rent is likely necessary to justify the tenant's additional capital improvement investment.***

Key Findings

EPS has since conducted further research and analysis regarding recent RFP issuances and golf course compensation structures, as described above. This effort produced the following results:

1. Operator interest in RFPs seeking lease participation is uncertain, given several unsuccessful recent issuances where municipalities were seeking tenant capital investment.

- The lack of recently-issued RFPs that specify lease participation structure makes the level of operator interest unclear.² While operator contract fees are popular with public agencies seeking control over investment decisions and operators seeking lower risk positions, the structure creates more financial risk for the owners. Therefore, the level of interest for a lease participation structure is likely to be lower than that for a contract fee. Disappointing responses to lease participation structure RFPs that requested capital improvement investments by tenants has been recently experienced by multiple municipalities.³
- There have been a number of public RFP issuances for golf course management in recent years. Although the response to RFPs has generally been strong and public entities were happy with the issuance.⁴ The majority of the RFPs were seeking a contract fee operator arrangement, which is not directly comparable to the current Crystal Springs lease structure.

2. Given the economics of the golf industry, the capital investment needs at Crystal Springs, and the likelihood of low operator interest, there is a risk that an RFP issuance will yield disadvantageous rent terms or a golf course operator that does not suit the SFPUC's needs. The golf industry has experienced a major decline on a national level, and prospects for Crystal Springs are flat with the locational strengths of the Course off-setting declining interest in the sport. Given these trends, a range of potential rent terms resulting from the RFP process may fall below the level currently proposed by CourseCo.

3. As a practical matter, it could be potentially economically disadvantageous to issue an RFP for the Crystal Springs Golf Course. The current lease participation structure of the lease is advantageous to the SFPUC, particularly while prospects for the industry decline, as it seeks to reduce financial risk and provide a more certain revenue stream to the SFPUC. Recent RFP releases indicate operator preference for a contract fee structure, suggesting that

² In the case of the RFP issued for the Deer Park golf course in Texas in 2012, the compensation strategy was not specified. The RFP generated seven responses with six proposals for the contract fee structure and one for the lease participation structure with the contract fee structure proposal ultimately being picked.

³ Los Angeles County's Marshall Canyon course and Portland's Heron Lakes complex received no bids, while Westchester Golf Course in Los Angeles received one bid.

⁴ For example, an RFP issued by the City of Lemoore in 2010 generated 27 responses, while an RFP issued by the City of Walnut Creek for Boundary Oaks in 2008 generated 18 responses.

the lease participation structure with another operator would not likely result in better deal terms for the SFPUC. **Retention of CourseCo and extension of the existing lease will likely incentivize additional investments in capital facilities and improvements to the Crystal Springs Golf Course.** A tenant's willingness to invest in long-term capital improvements is tied to the length of the lease. Extending the time horizon for operation and amortization of investments and creating additional certainty will increase CourseCo's willingness to make additional capital investments.

- CourseCo has operated the Crystal Springs Golf Course since November 26, 1996, under a 20-year lease agreement set to expire on March 31, 2017. CourseCo has invested in capital facility improvements specified under the lease terms, estimated at over \$4 million since the beginning of its operation.
- CourseCo estimates that approximately \$1.3 million in additional capital improvements could improve the long-term competitiveness of the Crystal Springs Golf Course (see **Table 2**).⁵ A combination of funding sources, including CourseCo, the SFPUC rent credits, and the Crystal Springs' Capital Improvement Fund will cover capital facility costs. This estimate is somewhat uncertain, given the subjective nature of identifying necessary capital improvements, as well as estimating a financial return on their investment over an unspecified time horizon.

4. CourseCo has a successful history of managing the Crystal Springs Golf Course and has made the capital improvement investments specified under the existing lease.

CourseCo is the largest golf operator in the Bay Area and operates 20 publicly owned golf courses. It made capital improvements to the Crystal Springs Golf Course, despite the reduction in the Crystal Springs Golf Course's performance. However, CourseCo indicated it will be unable to continue making these investments unless the lease terms are amended and extended to provide additional certainty and investment incentives. A lack of investment in capital facility improvements could result in infrastructure deterioration that would affect long-term competitiveness of the site. Diminished competitiveness would affect the lease terms that could be negotiated at the expiration of the current lease.

5. CourseCo's operation of the Crystal Springs Golf Course satisfies the SFPUC's mission.

CourseCo won a number of industry awards, including environmental management and sustainability like the Governor's "Environmental and Economic Leadership Award" for outstanding contributions in sustainable practices, Environmental Leadership in Golf award, and the Land Use Planning & Management in Environmental Golf Courses award. CourseCo was the only golf organization to receive the Governor's Environmental and Economic Leadership Award. CourseCo has also made philanthropic, charitable, and youth development contributions as well as broader community investments.

⁵ July 2012 Evaluation of Market Rate Structure of the Crystal Springs Golf Course by Pro Forma Advisors.

Table 2
Crystal Springs Estimated Long-Term Capital Improvements and Cost Estimates*

Improvement	Total Cost
Maintenance Facility	\$100,000
Range Ball Dispenser	\$30,000
Gas Tank Removal	\$5,000
Sanitary Sewer Pumps	\$10,000
Clubhouse HVAC	\$50,000
Golf Course Entry	\$25,000
Parking Lot Paving	\$60,000
Entry Road Paving	\$100,000
Range Lighting	\$25,000
Clubhouse Solar Panels	\$50,000
Irrigation Pond Supply Line	\$45,000
Irrigation Pump Station	\$75,000
Parking Lot Signage/Lighting	\$50,000
Cart Paths	\$100,000
Property Signage	\$25,000
Clubhouse Improvements	\$200,000
Cart Storage	<u>\$50,000</u>
Subtotal	\$1,000,000
Soft Costs (1) (15%)	\$150,000
Contingency (10%)	\$100,000
Total Capital Improvement Costs	\$1,250,000

Note: exclude irrigation system and rebuilding greens based on the input from CourseCo.

(1) Includes planning, design, engineering, construction insurance, and other soft costs.

Sources: Pro Forma Advisors, CourseCo, and EPS.

Conclusion

Issuing an RFP for the operations of the Crystal Springs Golf Course may be impractical, as an RFP issuance could result in a less qualified operator for the Golf Course and with terms less favorable than those currently proposed by CourseCo. Issuing an RFP and evaluating responses is costly, particularly in terms of staff time and opportunity costs. Because it would also be expensive for CourseCo to respond to an RFP, it is not certain whether they would respond. Furthermore, even with an alternate qualified operator, transition is often costly and potentially disruptive to services and short-term revenues.

The SFPUC is satisfied with CourseCo as the operator of the Crystal Springs Golf Course and pleased with the capital investments that have been undertaken. CourseCo's operation of Crystal Springs has been consistent with the SFPUC's mission and objectives for management of its land.

APPENDIX A: COURSECO ACCOMPLISHMENTS, AWARDS, AND INVESTMENTS

Philanthropic, Charitable, Youth Development Accomplishments

- NCGA "Youth on Course" Program
- PGA's "Get Golf Ready" Program
- CourseCo Junior League
- Participation in the classroom at local elementary, middle, and high schools
- Oakland Turfgrass Education Initiative Founder (instrumental in founding four chapters of The First Tee in California)
- LPGA-USGA Girls Gold
- Home Club Junior Golf Programs
- Saving Strokes

Crystal Springs Initiatives

- Presents and sponsors LPGA Girls Golf – an initiative
- Sponsors NCGA free clinics for all golfers, mostly adults
- Presents/sponsors the PGA of America's Get Golf Ready, an attractive initiative that is particularly effective for women
- Hosts and sponsors a large annual Boys and Girls Clubs Tournament to raise funds for the organization
- Five local high school golf teams are sponsored for matches and practice at Crystal.

Awards

- First Tee Founders Award, its highest honor.
- First *Wildlife Habitat Council* certification in America
- Various *State of California* Waste Reduction awards
- Governor's Environmental and Economic Leadership Award" for outstanding contributions in sustainable practices. This is "the highest and most prestigious" environmental award of the *State of California* (CourseCo is the only golf organization to receive this recognition)
- Environmental Leadership in Golf Award Multiple Winner (National and Chapter)
- Award for Land Use Planning & Management in Environmental Golf Courses by *the Peninsula Conservation Center Foundation*

Bay Area Community Involvement

- Susan G. Komen Breast Cancer Fundraiser
- ILS Special Needs Tournament
- Blue Star Moms Tournament
- Blood drives
- Fundraisers for school supplies

Investment in Crystal Springs

Over the past 18 years, CourseCo has invested over \$4 million in capital facility improvements. These projects include:

- Clubhouse renovation
- New cart paths
- Driving range and practice area
- Irrigation and drainage
- Bunkers
- Parking, landscaping, and entry repairs

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

EDWIN M. LEE, MAYOR

GROUND LEASE

between

**CITY AND COUNTY OF SAN FRANCISCO,
as Landlord,**

and

**CRYSTAL SPRINGS GOLF PARTNERS, L.P.,
as Tenant,**

**For the lease of
approximately 199 acres in San Mateo County, California**

August 1, 2017

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

**Anson B. Moran – President
Ike Kwon – Vice President
Ann Moller Caen – Commissioner
Francesca Vietor – Commissioner
Vince Courtney – Commissioner**

**Harlan L. Kelly, Jr.
General Manager of San Francisco Public Utilities Commission**

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LIST OF EXHIBITS

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EXHIBIT D	Proposed Work
EXHIBIT E	Maintenance Guidelines

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

GROUND LEASE No. 3736A

THIS GROUND LEASE (this “Lease”) dated for reference purposes only as of _____, 2017, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“City”), acting by and through its Public Utilities Commission (“SFPUC”), and CRYSTAL SPRINGS GOLF PARTNERS, L.P., a California limited partnership (“Tenant”).

RECITALS

A. Tenant and City are parties to a lease dated November 26, 1996 (“Original Lease”) for Tenant’s use of approximately 199 acres of land located in Burlingame, California pursuant to which Tenant operates a regulation length, 18-hole public golf course and related facilities (“Premises”). The Original Lease is currently scheduled to expire on March 31, 2017.

B. In 2002, Tenant requested modifications to the Original Lease due to the declining economy and golf market. In response to Tenant’s request, the City obtained an independent assessment of the economics of the Original Lease.

C. On June 1, 2003 the Original Lease was amended to: (1) reduce the Base Rent and Percentage Rent; (2) establish a Capital Improvement Plan; (3) establish a Capital Improvement Reserve to fund the Capital Improvement Plan; (4) provide for the City’s contribution to the Capital Improvement Reserve; and (5) reduce the required Security Deposit and apply the excess then held by City to the Capital Improvement Reserve.

D. In 2013, in response to the Recession of 2007-2009, and a further decline in the golf market, Tenant requested a lease modification to further reduce the rent and extend the term of the Original Lease in order for Tenant to recover its capital investment in the Lease. In response to Tenant’s request, the City obtained a new independent assessment of the economics of the Original Lease, as amended in 2013. Because the Original Lease is close to expiring, the City also obtained an independent assessment by an economic consulting firm of the likelihood of a successful competitive bidding process for a new golf course lease, and based on that assessment, determined that a competitive bidding process would be impractical.

AGREEMENT

NOW, THEREFORE, IN CONSIDERATION of the foregoing recitals, City and Tenant hereby agree as follows:

1. BASIC LEASE INFORMATION

The following is a summary of basic lease information (the “Basic Lease Information”). Each item below shall be deemed to incorporate all of the terms set forth in this Lease pertaining to such item. In the event of any conflict between the information in this Section and any more specific provision of this Lease, the more specific provision shall control.

Lease Reference Date: _____, 2017

Landlord: CITY AND COUNTY OF SAN FRANCISCO, acting by and through its Public Utilities Commission

Tenant: CRYSTAL SPRINGS GOLF PARTNERS, L.P.

Premises (Section 3.1): That real property located in Burlingame, California, as more particularly described in the attached **Exhibit A** and shown in the attached **Exhibit B**, together with the City's existing improvements which include an 18-hole golf course; a driving range; a parking lot; a two-story building housing the golf pro shop and administrative offices; a two-story clubhouse which includes locker rooms, a restaurant, lounge and banquet space; a maintenance and golf cart storage facility; restrooms and small structures at the driving range.

Term (Section 4.1): Commencement Date: _____

Expiration Date: _____

Base Rent (Section 5.1): For the period beginning on the Commencement Date and ending on the last day of the third Lease Year, Base Rent will be payable in equal monthly installments of Eighty-Three Thousand Three Hundred Thirty-Three and 33/100 Dollars (\$83,333.33).

For the period commencing on the first day of the fourth Lease Year and ending on the expiration of the Term, Base Rent for each Lease Year shall be equal to eighty percent (80%) of the average of the annual accrued Gross Percentage Rent for the three (3) immediately preceding Lease Years, as calculated and paid in accordance with and subject to the terms of **Section 5.2**.

Adjustment Dates (Section 5.2): First (1st) day of the fourth Lease Year, the first day of each subsequent Lease Year during the Term, the first day of any Holdover, and the yearly anniversary of such date during any Holdover.

Gross Percentage Rent (Section 5.3) Seven percent (7%) of Gross Revenues derived from food and beverage sales; plus

Five percent (5%) of Gross Revenues derived from Merchandise Sales up to and including the Merchandise Revenue Threshold (as defined below), and six percent (6%) of Gross Revenues derived from Merchandise Sales that exceed the Merchandise Revenue Threshold; plus

Twenty-five percent (25%) of Gross Revenues derived from all other sources up to and including the Other

Sources Revenue Threshold (as defined below), and thirty percent (30%) of Gross Revenues derived from all other sources that exceed the Other Sources Revenue Threshold.

Use (Section 7.1): Operation of a regulation length, 18-hole golf course and related facilities.

Security Deposit (Section 24): \$300,000

Tenant's Share of Property Taxes (Section 6.1):

APN 093-050-040	21%
APN 093-050-130	1%
APN 093-050-120	60%
APN 093-060-130	23%
APN 093-060-120	25%

Notice Address of City (Section 25.1):

Real Estate Services
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 10th Floor
San Francisco, California 94102
Attn: Real Estate Director
Re: Lease No. 3736A

with a copy to:

Office of the City Attorney
City and County of San Francisco
Room 234, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4682
Attn: Real Estate & Finance Team
Re: SFPUC Lease No.3736A

Key Contact for City: Real Estate Director
Real Estate Services Division
San Francisco Public Utilities Commission

Telephone No.: (415) 487-5210

SFPUC Peninsula Watershed
Manager: Joe Naras
Telephone and email: (650) 652-3201; jnaras@sfwater.org (any contact with Mr. Naras shall be via *both* telephone and email)

Notice Address of Tenant (Section 25.1):

Tom Isaak
President and CEO
CourseCo
1670 Corporate Circle Ste.201
Petaluma, CA 94954

With a copy to: John C. Telischak
President
Telischak & Company
45 Koch Road, Suite A
Corte Madera, CA 94925

Key Contact for Tenant: Tom Isaak
Telephone No.: (707) 763-0335
Email Address: tisaak@courseco.com
Alternate Key Contact for Tenant: John Telischak
Telephone No.: (415) 945-9982
Email Address: jct@telischakco.com
Brokers (Section 25.8): N/A

2. DEFINITIONS

For purposes of this Lease, initially capitalized terms shall have the meanings ascribed to them in this Section:

“**Additional Charges**” means any and all real and personal property taxes, possessory interest taxes, and other costs, impositions, and expenses described in **Section 6** (Taxes, Assessments, and Other Expenses) or otherwise payable by Tenant under this Lease.

“**Adjustment Date**” means the annual date for adjusting the Monthly Base Rent as specified in Basic Lease Information and **Section 5.2** (Adjustments in Base Rent).

“**Agents**” means, when used with reference to either Party to this Lease, the officers, directors, employees, agents, and contractors of such Party, and their respective heirs, legal representatives, successors, and assigns.

“**Alterations**” means any Improvements, as defined below, made, constructed, installed, or placed on, over, or under the Premises by or on behalf of Tenant under this Lease or the Original Lease, including any modifications of pre-existing Improvements.

“**Assignment**” has the meaning given in **Section 16.1** (Restriction on Assignment and Subletting).

“**Award**” means all compensation, sums, or value paid, awarded, or received for a Taking, whether pursuant to judgment, agreement, settlement, or otherwise.

“**Basic Lease Information**” means the information with respect to this Lease summarized in **Section 1** (Basic Lease Information).

“**Base Rent**” means the annual Base Rent, payable in monthly installments, as specified in the Basic Lease Information and described in **Section 5.1** (Base Rent), and as adjusted periodically pursuant to **Section 5.2** (Adjustments to Base Rent).

“**City**” means the City and County of San Francisco, a municipal corporation.

“**CMD**” means the San Francisco Contract Monitoring Division (formerly known as the San Francisco Human Rights Commission).

“**Commencement Date**” means the date on which the Term commences as described in **Section 4.1** (Commencement Date and Expiration Date). The Commencement Date is specified in the Basic Lease Information.

“**Date of Taking**” means the earlier of (i) the date upon which title to the portion of the Premises taken passes to and vests in the condemnor or (ii) the date on which Tenant is dispossessed.

“**Effective Date**” means the date on which this Agreement becomes effective pursuant to **Section 4.4** (Effective Date).

“**Encumber**” means create any Encumbrance; “**Encumbrance**” means any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance.

“**Encumbrancer**” means a mortgagee, beneficiary of a deed of trust, or other holder of an Encumbrance.

“**Environmental Laws**” means any present or future federal, state, or local Laws or policies relating to Hazardous Material (including its use, handling, transportation, production, disposal, release, discharge, storage, or cleanup) or to human health and safety, industrial hygiene, or environmental conditions in, on, under, or about the Premises (including any permitted Alterations) and any other property, including soil, air, and groundwater conditions.

“**Event of Default**” means any one of the events of default described in **Section 17.1** (Events of Default).

“**Expiration Date**” means the date on which the Term will expire, unless terminated earlier pursuant to the terms of this Lease. The Expiration Date is specified in the Basic Lease Information.

“**General Manager**” means the General Manager of the SFPUC.

“**Gross Percentage Rent**” means the sum equal to the percentages of Gross Revenues in the categories described in the Basic Lease Information made from or upon the Premises and from any Improvements during each Lease Year as specified in the Basic Lease Information.

“**Gross Revenues**” has the meaning given in **Section 5.3(a)**.

“**Hazardous Material**” means any material that, because of its quantity, concentration, or physical or chemical characteristics, is deemed by any federal, state, or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes any material or substance defined as a “hazardous substance,” “pollutant,” or “contaminant” pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA,” also commonly known as the “Superfund” law), as amended, (42 U.S.C. Sections 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any “hazardous waste” listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of any existing Improvements on the Land, any Alterations to be constructed on the Land by or on behalf of Tenant, or are naturally occurring substances on, in, or about the Land; and petroleum, including crude oil or any crude-oil fraction, and natural gas or natural gas liquids.

“Hazardous Material Claims” means any and all enforcement, Investigation, Remediation, or other governmental or regulatory actions, agreements, or orders threatened, instituted, or completed pursuant to any Environmental Laws, together with any and all Losses made or threatened by any third party against City, the SFPUC, their respective Agents, or the Premises or any Alterations, relating to damage, contribution, cost recovery compensation, loss, or injury resulting from the presence, release, or discharge of any Hazardous Material, including Losses based in common law. Hazardous Material Claims include Investigation and Remediation costs, fines, natural resource damages, damages for decrease in value of the Premises or any Alterations, the loss or restriction of the use of any amenity of the Premises or any Alterations, attorneys' fees and costs, consultants' fees and costs, and experts' fees and costs.

“Holdover” means any period after the expiration of the Term during which the Premises continue to be occupied by or on behalf of Tenant (whether with or without City’s consent).

“Improvements” means any and all buildings, structures, fixtures, and other improvements (including Alterations) made, constructed, installed, or placed on, over or under the Premises, including signs, billboards, or other advertising materials, roads, trails, driveways, parking areas, curbs, walks, fences, walls, stairs, poles, plantings, utility infrastructure, and landscaping. “Improvements” includes any trailers, mobile homes, and permanent tent facilities that are affixed to the Premises so that they cannot be removed without structural or other material damage to the Premises.

“Indemnify” means indemnify, protect, defend, and hold harmless forever.

“Indemnified Parties” means City, including, but not limited to, all of its boards, commissions, departments, agencies, and other subdivisions, including its SFPUC, and all of its and their respective Agents, and their respective heirs, legal representatives, successors, and assigns, and each of them.

“Investigation” when used with reference to Hazardous Material means any activity undertaken to determine the nature and extent of Hazardous Material that may be located in, on, under, or about any portion of the Premises or any Alterations or that have been, are being, or threaten to be Released into the environment. Investigation shall include preparation of site history reports and sampling and analysis of environmental conditions in, on, under, or about the Premises or any Alterations.

“Invitees” when used with respect to Tenant means Tenant’s clients, customers, invitees, guests, members, licensees, assignees, and subtenants.

“IPM” and **“IPM Ordinance”** have the meanings given in **Section 7.2(j)**.

“Land” means the land described in the attached **Exhibit A**.

“Landlord” means the City and County of San Francisco, a municipal corporation.

“Law” means any law, statute, ordinance, resolution, regulation, proclamation, order, or decree of any municipal, county, regional, state, or federal government or other governmental or regulatory authority with jurisdiction over any portion of the Premises, whether currently in effect or adopted in the future and whether or not in the contemplation of the Parties.

“Lease” means this Lease as it may be amended in accordance with its terms.

“Lease Year” is a calendar year, except that the first Lease Year shall commence on the Commencement Date and end on December 31 of the same calendar year, and the last Lease

Year shall end on the date this Lease expires or terminates, regardless of whether such first and last Lease Years comprise full calendar years.

“Losses” means any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits, and other proceedings, judgments and awards, and costs and expenses, including reasonable attorneys' and consultants' and experts' fees and costs.

“Merchandise Revenue Threshold” means Four Hundred Thousand Dollars (\$400,000) for Lease Years one and two, increasing by 1.5% for each Lease Year thereafter. If the first Lease Year or the final Lease Year is less than twelve full calendar months, the Merchandise Revenue Threshold for such partial year shall be prorated based on a 365-day year.

“Merchandise Sales” means (i) sales or rentals of apparel, equipment, magazines, newspapers, golf supplies, and other merchandise from the pro shop, (ii) sales or rentals of lockers, golf clubs and other golf equipment and supplies (excluding power golf carts), (iii) rental fees for the use of any clubhouse facilities, and (iv) fees charged for golf instruction, net of amounts paid to golf professional staff.

“Official Records” means the official real estate records of the county in which the Premises are located.

“Other Sources Revenue Threshold” means Four Million Dollars (\$4,000,000) for Lease Years one and two, increasing by 1.5% for each Lease Year thereafter. If the first Lease Year or the final Lease Year is less than twelve full calendar months, the Other Sources Revenue Threshold for such partial Lease Year shall be prorated based on a 365-day year.

“Party” means City or Tenant;

“Parties” means both City and Tenant.

“Percentage Rent” means rent in the sum equal to (i) the Gross Percentage Rent, as defined above, during each Lease Year, less (ii) Base Rent payable by Tenant during such Lease Year as provided in Sections 5.1 and 5.2. Percentage Rent is payable as provided in Section 5.3.

“Percentage Rent Period” means periods within each Lease Year ending on March 31, June 30, September 30 and December 31, whether or not consisting of three (3) full months.

“Premises” has the meaning given in Section 3.1 (Leased Premises). The Premises shall include any existing and permitted future Improvements, together with any additions or Alterations to, or modifications of, the Premises or Improvements permitted under this Lease. Notwithstanding anything to the contrary in this Lease, however, the Premises do not include (i) the SFPUC Facilities, or (ii) any water, water rights, riparian rights, water stock, mineral rights, or timber rights relating to the Premises.

“Project Review” is the process by which construction projects or other activities proposed to be conducted within SFPUC's watershed lands or rights of way are presented to and reviewed by SFPUC's Project Review Committee. An applicant initiates the Project Review process by submitting an application available on the Project Review Committee page of sfwater.org.

“Project Review Certificate” means a Certificate of Completion of the Project Review Process issued by SFPUC following completion of Project Review.

“Release” when used with respect to Hazardous Material means any actual or imminent spilling, leaking, migrating, pumping, pouring, emitting, emptying, discharging, injecting,

escaping, leaching, dumping, or disposing into or inside any existing improvements or any Alterations constructed by or on behalf of Tenant, or in, on, under, or about any portion of the Premises or any of the SFPUC Facilities.

“Remediation” when used with reference to Hazardous Material means any activities undertaken to clean up, remove, contain, treat, stabilize, monitor, or otherwise control any Hazardous Material located in, on, under, or about the Premises or the SFPUC Facilities or that have been, are being, or threaten to be Released into the environment. Remediate includes those actions included within the definition of “remedy” or “remedial action” in California Health and Safety Code Section 25322 and “remove” or “removal” in California Health and Safety Code Section 25323.

“Rent” means the Base Rent plus Percentage Rent, together with any and all Additional Charges.

“SFPUC” means the Public Utilities Commission of the City and County of San Francisco.

“SFPUC Facilities” means any and all water pipelines, drainage pipelines, hatch covers, wells, electrical or telecommunications lines, conduits, and any other overhead, surface and subsurface facilities and appurtenances of any kind owned by City or the SFPUC and now or later located in, under, on, or about the Premises for the conveyance, transmission, storage, transportation, or distribution of water, power, or telecommunication for municipal purposes, together with all associated appurtenances and monuments.

“SFPUC’s Real Estate Guidelines” means the written Real Estate Guidelines adopted by SFPUC and in effect during the Term with respect to the polices, practices, and procedures to be used in the administration, lease, and use of real property (including any interests or rights in real property) subject to SFPUC jurisdiction, as such Real Estate Guidelines may be amended, supplemented, or replaced by SFPUC from time to time.

“Sublease” has the meaning given in **Section 16.1** (Restriction on Assignment and Subletting).

“Taking” means a taking or damaging, including severance damage, by eminent domain, inverse condemnation, or for any public or quasi-public use under Law. A Taking may occur pursuant to the recording of a final order of condemnation, by voluntary sale or conveyance in lieu of condemnation, or in settlement of a condemnation action.

“Tenant” means the Party identified as Tenant in the Basic Lease Information and at the beginning of this Lease. Except when immediately followed by the word “itself,” the term “Tenant” shall also refer to the successors and assigns of Tenant's interests under this Lease, provided that the rights and obligations of Tenant's successors and assigns shall be limited to only those rights and obligations that this Lease permits to be transferred and that have been transferred in accordance with this Lease.

“Tenant’s Annual Statement” has the meaning given in **Section 5.3(c)**.

“Tenant's Personal Property” has the meaning given in **Section 8.6** (Tenant’s Personal Property).

“Term” means the term of this Lease as determined under **Section 4.1** (Term of Lease).

“Transfer” means any Assignment or Sublease.

“Transferee” means an assignee under an Assignment or a subtenant under a Sublease, as described in **Section 16** (Assignment and Subletting).

“Unmatured Event of Default” means any default by Tenant under this Lease that, with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Lease.

3. PREMISES; ACCESSIBILITY DISCLOSURES; AS IS CONDITION

3.1 Leased Premises

Subject to the terms, covenants, and conditions of this Lease, City leases to Tenant and Tenant leases from City, the real property described in the attached **Exhibit A**, together with City’s existing improvements which include an eighteen hole golf course; a driving range; a parking lot; a two-story building housing the golf pro shop and administrative offices; a two-story clubhouse which includes locker rooms, a restaurant, a lounge and banquet space; a maintenance and golf cart storage facility; restrooms and small structures at the driving range. (the **“Premises”**), excluding from such lease and reserving during the Term unto City and its successors and assigns the rights described in **Section 3.2** (Rights Reserved to City). The Premises are shown generally on the attached **Exhibit B**. Any acreage stated in this Lease with respect to the Premises is an estimate only, and City does not warrant it to be correct. For all purposes of this Lease, however, the Parties agree that any such acreage shall be deemed to be correct. Nothing in this Lease is intended to grant Tenant any right whatsoever to possess, use, or operate any portion of the SFPUC Facilities.

3.2 Rights Reserved to City

Notwithstanding anything to the contrary in this Lease, City reserves and retains all of the following rights relating to the Premises:

(a) Any and all water and water rights, including, but not limited to (i) any and all surface water and surface water rights, including riparian rights and appropriative water rights to surface streams and the underflow of streams, and (ii) any and all groundwater and subterranean water rights, including the right to export percolating groundwater for use by City or its water customers;

(b) Any and all timber and timber rights, including all standing trees and downed timber;

(c) Any and all minerals and mineral rights of every kind and character now known to exist or hereafter discovered in, on, or under the Premises, including, but not limited to, oil and gas and rights, together with the sole, exclusive, and perpetual right to explore for, remove, and dispose of those minerals by any means or methods suitable to City or its successors and assigns, but without entering upon or using the surface of the lands of the Premises and in such manner as not to damage the surface of the Premises or to interfere with the permitted use of the Premises by Tenant, without Tenant's prior written consent;

(d) All rights to use, operate, maintain, repair, enlarge, modify, expand, replace, and reconstruct the SFPUC Facilities;

(e) The right to grant future easements and rights-of-way over, across, under, in, and upon the Premises as City determines to be in the public interest, provided that any such easement or right-of-way shall be conditioned upon the grantee's assumption of liability to Tenant for damage to its property that Tenant may sustain as a result of the grantee's use of such easement or right-of-way;

(f) Without limiting the generality of Subsection (e) above, the right to grant future easements, rights-of-way, permits, and/or licenses over, across, under, in, and upon the Premises for the installation, operation, maintenance, repair, and removal of (i) equipment for furnishing cellular telephone, radio, or other telecommunications services, including antennas, radio, devices, cables, and other equipment associated with a telecommunications cell site, and (ii) commercial billboards, signs, and/or advertising kiosks, provided that any such easement or right-of-way shall not materially interfere with Tenant's permitted use of the Premises as authorized by this Lease, and provided further that the grant of any such easement or right-of-way shall be conditioned upon the grantee's assumption of liability to Tenant for damage to its property that Tenant may sustain as a result of the grantee's use of such easement or right-of-way; and

(g) All rights of access provided for in **Section 20** (Access by City).

3.3 Subject to Municipal Uses

Tenant acknowledges that the property of which the Premises are a part constitutes a portion of City's right-of-way for the SFPUC Facilities or the SFPUC water, power, or wastewater enterprise, which City holds for the purposes of transporting and distributing water and/or power or for other municipal uses. Tenant's rights under this Lease are subject to City's use of the Premises for such purposes and for other City uses. So long as there is no Event of Default or Unmatured Event of Default on the part of Tenant outstanding under this Lease, however, and subject to the terms and conditions of this Lease, City shall use reasonable efforts to avoid interfering with Tenant's quiet use and enjoyment of the Premises. The use of the term "right-of-way" or similar terms in this Lease shall not be deemed to imply that City holds less than fee title to the Premises or otherwise call into question the nature of City's title to any of its property. City shall in no way be liable for any damage to or destruction of Tenant's property and/or improvements resulting from any pipeline break or other malfunction with respect to the SFPUC Facilities or from any repair or maintenance activities with respect to the SFPUC Facilities. At City's request, Tenant shall remove immediately any property or improvements on the Premises to allow City's access to the SFPUC Facilities. If City deems it necessary, at City's sole discretion, City may remove any such property or improvements and City shall not be responsible for restoring or returning the same to its prior condition.

3.4 Accessibility Disclosures

(a) California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements. The law does not require landlords to have the inspections performed. Tenant is hereby advised that the Premises have not been inspected by a CASp.

(b) Tenant acknowledges that prior to the execution of this Lease, City provided Tenant with, and Tenant signed, the Disability Access Obligations Notice described in Section 38.3 of the San Francisco Administrative Code. Tenant and City each agree to use reasonable efforts to notify the other Party if making any Alterations that might impact accessibility to the Premises under any disability access laws.

3.5 As-Is Condition of Premises

(a) Inspection of Premises

Tenant acknowledges that it has occupied the Premises for approximately 20 years and is thoroughly familiar with the condition of the Premises and the golf course operations on the Premises. Tenant represents and warrants that Tenant has conducted a

thorough and diligent inspection and investigation, either independently or through Agents of Tenant's own choosing, of the Premises and the suitability of the Premises for Tenant's intended use. Tenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses.

(b) As Is; Disclaimer of Representations

Tenant acknowledges and agrees that the Premises are being leased and accepted strictly in their "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, and subject to all applicable Laws governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Lease is made subject to any and all covenants, conditions, restrictions, easements, and other title matters affecting any portion of the Premises, whether or not of record. Tenant acknowledges and agrees that neither City, SFPUC, nor any of their Agents have made, and City hereby disclaims, any representations or warranties, express or implied, concerning: (i) title or survey matters affecting the Premises; (ii) the physical, geological, seismological, or environmental condition of the Premises; (iii) the quality, nature, or adequacy of any utilities serving the Premises; (iv) the present or future suitability of the Premises for Tenant's business and intended uses; (v) the feasibility, cost, or legality of constructing any Alterations on the Premises if required for Tenant's use and permitted under this Lease; or (vi) any other matter whatsoever relating to the Premises or their use, including any implied warranties of merchantability or fitness for a particular purpose.

3.6 Energy Consumption

[NOTE: The regulations requiring a Disclosure Summary Sheet, Statement of Energy Performance, Data Checklist, and Facility Summary (all as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Premises have been suspended. This year, the California Energy Commission is working on new disclosure regulations pursuant to AB 802. The new rules are expected to be effective sometime in 2017. For now, keep this bracketed note as a placeholder. If the new rules are not in effect when the Lease is executed, we may omit this Section 3.6.]

4. TERM

4.1 Term of Lease

The Premises are leased for a term (the "Term") commencing on the date specified in the Basic Lease Information as the Commencement Date, subject to this Lease becoming effective pursuant to Section 4.4 (Effective Date) and expiring on the Expiration Date specified in the Basic Lease Information, unless sooner terminated pursuant to the terms of this Lease.

4.2 Commencement Date and Expiration Date

The dates on which the Term commences and expires pursuant to this Lease are referred to respectively as the "Commencement Date" and the "Expiration Date" as specified in the Basic Lease Information.

4.3 Possession; Termination of Original Lease

Prior to the Commencement Date Tenant is in possession of the Premises under the Original Lease. City and Tenant agree that the Original Lease shall terminate effective upon the Commencement Date of this Lease.

4.4 Effective Date

This Lease shall become effective on the last to occur of the following (the “**Effective Date**”): (a) the date SFPUC adopts a resolution approving this Lease, (b) the effective date of a Board of Supervisors resolution approving this Lease, and (c) the date the Parties have duly executed and delivered this Lease.

5. RENT

5.1 Base Rent

Beginning on the Commencement Date and throughout the Term, Tenant shall pay to City the monthly installment of Base Rent specified in the Basic Lease Information (the “**Base Rent**”), subject to periodic adjustment as provided in **Section 5.2** (Adjustments to Base Rent). The Base Rent shall be payable in monthly installments on or before the first day of each month, in advance, at the San Francisco Public Utilities Commission, Customer Service Bureau, Attention: Real Estate Billing, 525 Golden Gate Avenue, 3rd Floor, San Francisco, California 94102 [*reference SFPUC Lease Number 3736A*], or such other place as City may designate in writing. If the Commencement Date occurs on a day other than the first day of a calendar month, or if the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30) day month.

5.2 Adjustments to Base Rent

Effective as of each Adjustment Date, as defined in the Basic Lease Information, the annual Base Rent payable during the Lease Year or Holdover period commencing on such Adjustment Date shall be equal to eighty percent (80%) of the average of the annual accrued Gross Percentage Rent for the three (3) immediately preceding Lease Years. For purposes of determining such average accrued Gross Percentage Rent, the Gross Percentage Rent for any preceding Lease Year consisting of less than 12 months shall be annualized. Tenant shall continue to pay Base Rent at the monthly rate that was payable during the preceding Lease Year (disregarding any temporary abatement of rent that may have been in effect during such preceding Lease Year or Holdover period) (“Interim Monthly Base Rent Payment” until the Gross Revenues for such preceding Lease Year have been determined in accordance with **Section 5.3(c)**). If the adjusted monthly Base Rent calculated as provided above exceeds the Interim Monthly Base Rent Payment, Tenant shall pay the deficiency to Landlord no later than two (2) months after the Adjustment Date. If the adjusted Base Rent calculated as provided above is less than the Interim Monthly Base Rent Payments made, the excess paid shall be applied to the next installment(s) of Base Rent falling due or, if any unused excess exists at the Expiration Date or other termination of the Lease, the unused excess shall be applied toward Percentage Rent, if any, payable for the final Lease Year, and any remaining excess shall be refunded by City to Tenant.

5.3 Percentage Rent

In addition to the Base Rent, Tenant shall pay to City Percentage Rent under the following terms and conditions:

(a) Gross Revenues.

As used herein below, the term “**Gross Revenues**” means the gross selling price of all merchandise or services sold, leased, licensed or delivered in or from the Premises and any Improvements by Tenant, any Affiliate of Tenant, or any of its or their subtenants, licensees, or concessionaires, whether for cash or on credit (whether collected or not), including the gross

amount received by reason of orders taken on the Premises and any Improvements although filled elsewhere, and whether made by store personnel or vending machines, or whether made by catalog or Internet sales. Gross Revenues shall include, without limitation, all revenues and income derived from (i) admission fees, entry fees, green fees, driving range fees, tournament fees, instructional fees (net of amounts paid to the golf professional staff), advance booking fees, membership and club dues and other fees and dues of any kind (including nonrefundable deposits); (ii) rental fees for lockers, golf carts, golf clubs and other equipment and supplies (without deduction for any rent, interest or other payments made by Tenant, any Affiliate of Tenant, or any of its or their subtenants, licensees or concessionaires, for any such golf carts, clubs, equipment or supplies which are subject to equipment leases, installment sales contracts or other financing devices); (iii) the operation of restaurants, bars, cocktail lounges, banquet facilities, pro shops and parking facilities; (iv) proceeds from business interruption insurance, loss of earnings insurance or other insurance of a similar kind; and (v) pay telephone, stamp machines, music machines, amusement machines or public toilet locks. Any transaction made or fees paid on an installment basis, including without limitation any "lay-away" sale, installment or deferred payments of dues or fees, or like transactions, or any transaction otherwise involving the extension of credit, shall be treated as a sale for the full price at the time of the transaction, irrespective of the time of payment or when title passes. Gross Revenues in credit card transactions shall include only the actual amount received by Tenant from the credit card issuer. Gross Revenues shall not include the full retail price of California State Lottery tickets sold from the Premises, but shall include the full amount of compensation or any incentive bonuses paid to and received by Tenant for such sales, as such compensation and bonuses are determined from time to time by the State Lottery PUC and Director under California Government Code Section 8880.51 and other applicable California Laws. Gross Revenues shall not include, or if included there shall be deducted (but only to the extent they have been included), the following: (a) the selling price of all merchandise returned by customers and accepted for full credit, or the amount of discounts, refunds, and allowances made on such merchandise; (b) merchandise returned to sources or transferred to another store or warehouse owned by or affiliated with Tenant; (c) sums and credits received in the settlement of claims for loss of or damage to merchandise; (d) the price allowed on all merchandise traded in by customers for credit or the amount of credit for discounts and allowances made instead of acceptance of merchandise; (e) any sums paid to third parties (excluding, without limitation, any Affiliate of Tenant) for the use or rental of pay telephones, stamp machines, music machines, amusement machines, or public toilet locks; (f) gift certificates, or similar vouchers, until such time as they shall have been converted into a sale by redemption; (g) sales and use taxes, so-called luxury taxes, consumers' excise taxes, gross receipts taxes, and other similar taxes now or in the future imposed on the sale of merchandise or services; and (h) sales of fixtures, trade fixtures or personal property that are not merchandise as allowed in this Lease.

(b) Payment.

Tenant shall pay to City, as Percentage Rent, a sum equal to the amount by which the Gross Percentage Rent during each Lease Year as specified in the Basic Lease Information exceeds the Base Rent paid by Tenant during such Lease Year. Tenant shall compute Percentage Rent for each Percentage Rent Period, and on or before the twentieth (20th) day of the calendar month immediately following the close of each Percentage Rent Period, Tenant shall pay to City the amount by which the Gross Percentage Rent during the Percentage Rent Period exceeds the Base Rent that Tenant has paid during such Percentage Rent Period. Within sixty (60) days after receipt of Tenant's Annual Statement, as defined in **Section 5.3(c)**, City shall determine the amount of Percentage Rent based on the Gross Revenues during the Lease Year as disclosed by the reports delivered to City pursuant to **Section 5.3(c)** below, and the sums paid to City as Base Rent and Percentage Rent for the Lease Year. At such time, an adjustment shall be made between City and Tenant to the end that the total Percentage Rent paid to City for such Lease Year shall be a sum equal to the Gross Percentage Rent, as defined in the Basic Lease Information and **Section 2**, for such Lease Year, less the Base Rent paid pursuant to

Section 5.1 (as adjusted periodically pursuant to **Section 5.2**) for such Lease Year, so that the Percentage Rent, although payable quarterly, shall be computed and reconciled on an annual basis. If such annual calculation determines that Tenant has paid to City Percentage Rent in an amount greater than the Percentage Rent it is obligated to pay for the Lease Year as determined in accordance with this Section, then the excess amount shall be applied against the next Percentage Rent due to City, except that if any unused excess exists at the Expiration Date or other termination of the Term, the sum of the unused excess shall be refunded by City to Tenant. If the annual calculation determines that Tenant has paid to City an amount of Percentage Rent less than Tenant is required to pay for the Lease Year, Tenant shall pay the difference to City within forty-five (45) days after delivery of City's invoice.

(c) Reports.

Tenant shall furnish to City a statement of Gross Revenues within twenty (20) days after the end of each Percentage Rent Period, and an annual statement of Gross Revenues ("**Tenant's Annual Statement**") within forty-five (45) days after the end of each Lease Year. Such statements shall be in a form acceptable to City. Each statement shall be signed and certified to be correct by Tenant's general partner or, if Tenant's general partner is a corporation, by a duly authorized officer of Tenant's general partner. In addition, each annual statement shall be audited by an independent certified public accountant reasonably acceptable to City, as provided in **Section 25.16** hereof. Tenant shall keep at the Premises complete and accurate books of account, records, cash receipts and other pertinent data, in accordance with generally accepted accounting principles or on a tax basis, and in a form approved by City, showing its Gross Revenues, including without limitation, accurate records of every sale and other transaction made from the Premises and any Improvements. If Tenant does not install receipt-printing cash registers, Tenant may use serialized sales slips provided that such sales slips are kept and maintained as required in this paragraph and Tenant records every sale and other transaction made from the Premises on such sales slips. Such books of account, records, cash receipts and other pertinent data shall be kept for a period of three (3) years after the end of each Lease Year. The receipt by City of any statement, or any payment of Percentage Rent for any period, shall not bind City as to the correctness of the statement or payment.

(d) Inspection and Audit.

City shall be entitled at any time and from time to time during the Term and within three (3) years after the Expiration Date or other termination of this Lease, to inspect, examine, copy and audit all of Tenant's books of account, records, cash receipts, tax returns and underlying tax preparation documents, financial statements and other pertinent data. The primary purpose of such examination is to enable City to ascertain, clearly and accurately, Tenant's Gross Revenues and to verify that the form and method of Tenant's record keeping provide adequate and proper control and check of all such revenues. Tenant shall cooperate fully with City and City's Agents in making the examination. City shall also be entitled at City's option, once during each Lease Year and once after the Expiration Date or other termination of this Lease, to cause an independent audit to be performed by a certified public accountant designated by City. The audit shall be conducted during usual business hours at the Premises. If the audit shows that there is a deficiency in the payment of any Percentage Rent, then Tenant shall immediately upon notice pay the deficiency to City, together with interest thereon at the Default Rate, which interest shall accrue from the date on which such deficient amount would have been due until such deficiency is paid. City shall pay the costs of the audit unless the audit shows that Tenant understated Gross Revenues by more than two percent (2%), in which case Tenant shall pay all City's costs of the audit.

(e) Efforts to Maximize Revenue.

Subject to the express terms and conditions of this Lease, Tenant shall use its best efforts to maximize the production of Gross Revenues from the Premises and any improvements thereon permitted hereunder.

(f) Covenant not to Compete.

Without the prior written consent of the General Manager, which consent shall not be unreasonably withheld, neither Tenant nor any Affiliate of Tenant shall own, operate, or become financially interested in a business similar to the one conducted by Tenant on the Premises within ten (10) miles in any direction from the Premises, the mileage to be measured on a straight-line basis on a map, not following contours of the land and streets. If Tenant defaults in performance under this Section, City can elect to include the Gross Revenues from such other business in the Gross Revenues made from or upon the Premises for the purpose of computing Percentage Rent payable under this Lease .

5.4 Late Charge

If Tenant fails to pay any Rent within five (5) days after the date the same is due and payable, such unpaid amount will be subject to a late payment charge equal to six percent (6%) of the unpaid amount in each instance. This late payment charge has been agreed upon by City and Tenant, after negotiation, as a reasonable estimate of the additional administrative costs and detriment that City will incur as a result of any such failure by Tenant, the actual costs of any such failure being extremely difficult if not impossible to determine. The late payment charge constitutes liquidated damages to compensate City for its damages resulting from such failure to pay and Tenant shall promptly pay such charge to City, together with such unpaid amount.

5.5 Default Interest

If any Rent is not paid within five (5) days following the due date, such unpaid amount shall bear interest from the due date until paid at the rate of ten percent (10%) per year or, if a higher rate is legally permissible, at the highest rate an individual is permitted to charge under Law. Interest shall not be payable on late charges incurred by Tenant nor on any amounts on which late charges are paid by Tenant, however, to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Tenant.

5.6 Net Lease

This Lease is a “**net lease.**” Accordingly, Tenant shall pay to City the Base Rent, Percentage Rent, Additional Charges, and any other payments required by this Lease without prior demand and without abatement, deduction, counterclaim, or setoff. Under no circumstances, whether now existing or subsequently arising, and whether or not beyond the present contemplation of the Parties, shall City be expected or required to make any payment of any kind whatsoever with respect to Tenant's use or occupancy of the Premises and any permitted Alterations or this Lease, except as may otherwise be expressly set forth in this Lease. Without limiting the foregoing, Tenant shall be solely responsible for paying each item of cost or expense of every kind and nature whatsoever, the payment of which City otherwise would be or could become liable by reason of its estate or interests in the Premises and any Alterations, any rights or interests of City in or under this Lease, or the ownership, leasing, operation, management, maintenance, repair, rebuilding, remodeling, renovation, use, or occupancy of any portion of the Premises or any permitted Alterations. Except as may be specifically and expressly provided otherwise in this Lease, no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall

relieve Tenant from its liability to pay all of the sums required by any of the provisions of this Lease, or otherwise relieve Tenant from any of its obligations under this Lease, or give Tenant any right to terminate this Lease in whole or in part. Tenant waives any rights now or subsequently conferred upon it by any existing or future Law to terminate this Lease or to receive any abatement, diminution, reduction, or suspension of payment of such sums on account of any such occurrence or situation.

5.7 Processing Fee

Upon execution of this Lease, Tenant shall pay City a one-time non-refundable sum of Three Thousand Dollars (\$3,000.00) as a fee for processing this Lease. Tenant shall also reimburse City for all fees and costs, including attorney's fees and costs, incurred by City in seeking the approvals necessary to enter into this Lease, including completion of environmental reviews and review and approval of this Lease by the Commissioners of the SFPUC, the San Francisco Board of Supervisors, and the Mayor of San Francisco, as applicable, within thirty (30) days following the date of City's invoice.

6. TAXES, ASSESSMENTS, AND OTHER EXPENSES

6.1 Taxes and Assessments, Licenses, Permit Fees, and Liens

(a) Payment Responsibility

Tenant shall pay any and all real and personal property taxes, general and special assessments, excises, licenses, permit fees, and other charges and impositions of every description levied on or assessed against all or any part of the Premises, any Alterations, Tenant's Personal Property, the leasehold estate, any subleasehold estate, or Tenant's use of the Premises or any Alterations. Tenant shall make all such payments directly to the charging authority when due and payable and at least ten (10) days before delinquency, subject to Tenant's right to contest the validity of such charge pursuant to Subsection (c) below. With respect to real property taxes and assessments levied on or assessed against the Premises for which City receives the tax bill directly from the taxing authority, however, Tenant shall reimburse City for payment of such sums immediately upon demand.

(b) Taxability of Possessory Interest

Without limiting the foregoing, Tenant recognizes and agrees that this Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest.

(c) No Liens

Tenant shall not allow or suffer a lien for any taxes payable by Tenant pursuant to this Lease to be imposed upon the Premises or upon any equipment or other property located on the Premises without promptly discharging the same. Tenant may have a reasonable opportunity to contest the validity of any such taxes provided Tenant, before commencement of any proceeding or contest, furnishes to City a surety bond issued by a surety company qualified to do business in California and acceptable to City's Controller. The amount of such bond shall be equal to one hundred twenty-five percent (125%) of the amount of taxes in dispute and shall be in such form as approved by the City Attorney. The bond shall insure payment of any judgment that may be rendered should Tenant be unsuccessful in any such contest. Tenant shall Indemnify City, the other Indemnified Parties, and the Premises from and against any Losses arising out of any such proceeding or contest. The foregoing Indemnity shall not be limited by the amount of the bond.

(d) Reporting Requirement

Tenant agrees to provide such information as City may request to enable City to comply with any tax reporting requirements applicable to this Lease.

6.2 Other Expenses

Tenant shall be responsible for any and all other charges, costs, and expenses related to its use, occupancy, operation, or enjoyment of the Premises or any Alterations permitted by this Lease, including the cost of any utilities or services necessary for Tenant's permitted use of the Premises.

6.3 Evidence of Payment

Upon City's request, Tenant shall furnish to City, within ten (10) days after the date when any charges are due and payable, official receipts of the appropriate taxing authority or other evidence reasonably satisfactory to City, evidencing payment of such charges.

7. USE; COVENANTS TO PROTECT PREMISES AND SFPUC FACILITIES

7.1 Tenant's Permitted Use

Tenant may use the Premises and any Alterations permitted by this Lease only for the use specified in the Basic Lease Information, and for no other purpose.

7.2 Covenants Regarding Use

As a material inducement to City to enter into this Lease, Tenant covenants with City as follows:

(a) No Unlawful Uses or Nuisances

Tenant shall not use or occupy any of the Premises or any Alterations, or permit their use or occupancy, in any unlawful manner or for any illegal purpose, or permit to be carried on any offensive, immoral, noisy, or hazardous use or any use in violation of the conditions of any certificate of occupancy. Tenant shall take all precautions to eliminate immediately any nuisances or hazards relating to its activities on or about the Premises or any Alterations permitted by this Lease.

(b) Covenant Against Waste

Tenant shall not cause or permit any waste, damage, or injury to the Premises.

(c) Covenant to Protect SFPUC Facilities

At all times during the Term, Tenant shall protect the SFPUC Facilities from any damage, injury, or disturbance. If Tenant or any of its Agents or Invitees damages, injures, or disturbs any portion of the SFPUC Facilities (including monuments), Tenant shall immediately notify City of that occurrence. Without limiting any of its other rights under this Lease or at Law or equity, City may take all actions it deems proper to repair such SFPUC Facilities (including relocation of monuments) at Tenant's sole expense. Upon City's request, Tenant shall promptly remove or alter to City's satisfaction and at Tenant's sole cost, any Alterations or Tenant's Personal Property placed on the Premises by or on behalf of Tenant as necessary to avoid interference with City's use of the Premises for municipal utility purposes. Alternatively, subject

to the General Manager's approval at his or her sole discretion, Tenant may pay City for the costs determined by the General Manager that City will incur as a result of such interference.

City may adopt from time to time such rules and regulations with regard to Tenant's facilities and operations placed upon, or occurring on or about, the Premises as City may determine are necessary or appropriate to protect the SFPUC Facilities or prevent or safeguard against the corrosion or failure of the SFPUC Facilities. Upon receipt of a copy of such rules and regulations, Tenant shall fully comply with them.

(d) Covenant to Protect Water Courses

Tenant shall not cause any ponding on the Premises or any flooding on adjacent land. Tenant shall not engage in any activity that causes any change, disturbance, fill, alteration, or impairment to the bed, bank, or channel of any natural water course, wetland, or other body of water on, in, under, or about the Premises, nor shall Tenant engage in any activity that would pollute or degrade any surface or subsurface waters or result in the diminution or drainage of such waters.

(e) Covenant Against Dumping

Tenant shall not cause or permit the dumping or other disposal on, under, or about the Premises of landfill, refuse, Hazardous Material, or other materials that are unsightly or could pose a hazard to human health or safety, native vegetation or wildlife, or the environment.

(f) Covenant to Protect Trees and Native Vegetation

Tenant shall not engage in or permit the removal or destruction of trees or native vegetation without undergoing Project Review and obtaining prior SFPUC consent. However, if in Tenant's reasonable judgment a tree poses a significant risk of imminent harm to Tenant's staff, invitees, structures, or vehicles, and the risk cannot be satisfactorily mitigated through trimming or excluding people from the tree vicinity pending completion of Project Review, Tenant may remove the tree without completing Project Review. In that event, Tenant shall document the condition of the tree with photographs before taking action, if reasonably possible under the circumstances, and Tenant shall contact the SFPUC Peninsula Watershed Manager by email and telephone as directed in the Basic Lease Information (in advance if reasonably possible, or otherwise as soon as possible after eliminating the hazard). Tenant shall maintain all trees on the Premises in a safe condition at all times. On or before July 1, 2017, and on or before July 1 of each third year thereafter during the Term, Tenant shall provide SFPUC with a report on the status of golf course tree assets, prepared by a certified arborist or a member of the American Society of Golf Course Architects with qualifications reasonably acceptable to City. The report shall identify any diseased, hazardous or potentially problematic trees and Tenant's plan for addressing the problems. Provision of such reports shall not relieve Tenant of responsibility for eliminating any additional tree hazards that may develop during the intervals between reports. All tree trimming and any clearing of trees shall be conducted in accordance with applicable Law, including restrictions regarding nesting birds.

(g) No Tree Planting

Tenant shall not plant any trees on the Premises, nor plant any other vegetation on the Premises except as otherwise expressly provided in this Lease.

(h) Covenant Against Hunting or Fishing

Tenant shall not engage in or permit any hunting, trapping, or fishing on or about the Premises, except for hunting or trapping for the purpose of controlling predators or problem

animals by the appropriate use of selective control techniques approved in advance by SFPUC and provided such hunting and trapping is done in strict accordance with all applicable Laws. Whenever possible, all measures used for such control shall be limited in their application to the specific problem animals. Tenant shall not use poison bait, cyanide guns, traps, or other similar non-selective control techniques. In no event may Tenant use any prophylactic predator control measures. The restrictions of this Section applicable to the identification and control of predators and problem animals shall not apply to commensal rodents.

(i) Integrated Vegetation Management Policy

Tenant shall not perform any landscaping of the Premises or plant any plantings without first obtaining SFPUC's written consent pursuant to **Section 8.1**. All landscaping and plantings on the Premises must comply with SFPUC's Right of Way Integrated Vegetation Management Policy.

(j) Restrictions on the Use of Pesticides

Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or "**IPM Ordinance**") describes an integrated pest management ("**IPM**") policy to be implemented by all City departments. Tenant shall not use or apply or allow the use or application of any pesticides on the Premises or contract with any person or entity to provide pest abatement or control services to the Premises without first receiving City's written approval of an IPM plan that (i) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the Term of this Lease, (ii) describes the steps Tenant will take to meet the City's IPM Policy described in Section 300 of the IPM Ordinance and (iii) identifies, by name, title, address and telephone number, an individual to act as the Tenant's primary IPM contact person with the City. Tenant shall provide a copy of its IPM Plan to Joe Naras, SFPUC Peninsula Watershed Manager (at the contact information in the Basic Lease Information). Tenant shall comply, and shall require all of Tenant's contractors to comply, with the IPM plan approved by the City and shall comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g), and 306 of the IPM Ordinance, as if Tenant were a City department. Among other matters, such provisions of the IPM Ordinance: (a) provide for the use of pesticides only as a last resort, (b) prohibit the use or application of pesticides on property owned by the City, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City's Department of the Environment), (c) impose certain notice requirements, and (d) require Tenant to keep certain records and to report to City all pesticide use at the Premises by Tenant's staff or contractors.

If Tenant or Tenant's contractor will apply pesticides to outdoor areas at the Premises, Tenant must first obtain a written recommendation from a person holding a valid Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation ("**CDPR**") and any such pesticide application shall be made only by or under the supervision of a person holding a valid, CDPR-issued Qualified Applicator certificate or Qualified Applicator license. City's current Reduced Risk Pesticide List and additional details about pest management on City property can be found at the San Francisco Department of the Environment website, <http://sfenvironment.org/ipm>.

(k) Weed Control

Tenant shall not introduce any noxious weeds on or about the Premises. Tenant shall control noxious weeds, provided that Tenant may use chemical herbicides only if such use complies with the requirements of **Subsection (j)** above.

(l) Maintenance of Roads

Tenant shall keep all roads on the Premises open and in the same condition as such roads are now in, ordinary wear and tear excepted, and shall not interfere with any travel on such roads.

(m) Covenant Against Burning

Tenant shall not burn any weeds, debris, or other substances on or about the Premises.

(n) No Off-Road Vehicles

Tenant shall not use or permit the use of off-road vehicles on any portion of the Premises except on existing roads and in the manner for which such roads are intended.

(o) Restrictions on Heavy Equipment and Vehicles

To prevent damage to any subterranean SFPUC Utilities installed on or about the Premises, Tenant shall strictly adhere to the following restrictions when using, or allowing the use of, vehicles and equipment within twenty feet (20') of any subterranean SFPUC Facilities:

(i) The depth of soil cover over the tops of any subterranean SFPUC Facilities must be at least three feet (3') for steel cylinder pipe and four feet (4') for reinforced pre-stressed concrete cylinder pipe to accommodate the loading as defined below in Subsection (ii) below. If any equipment with axle loading exceeds the weight stated in Subsection (ii) below or if the depth of soil cover is less than stated above, Tenant shall submit to SFPUC for review and approval, engineering calculations prepared by a registered civil engineer to provide adequate protection of subterranean SFPUC Facilities showing that the subterranean SFPUC Facilities will not be adversely affected.

(ii) The effects of vehicle and equipment loads to subterranean SFPUC Facilities must not exceed the effects of the "AASHTO Standard H-10 Loading." H-10 loading is defined as loading caused by a two-axle truck with a gross weight of ten tons (20,000 lbs.), axles fourteen feet (14') apart, and rear axle carrying eight tons (16,000 lbs.). Tenant shall be responsible to provide SFPUC adequate evidence that Tenant's equipment and vehicles meet the foregoing requirements.

(iii) Tenant shall not use vibrating compaction equipment unless it first obtains SFPUC's written approval.

(iv) If the depth of the soil cover over any subterranean SFPUC Facilities (determined by potholing or other proof procedure) is less than the minimum stated in Subsection (i) above, unless SFPUC approves an alternate method, all excavation and grading over the subterranean SFPUC Facilities shall be performed manually. For any machinery equipment excavation and grading over and within twenty feet (20') on each side of the centerline of the subterranean SFPUC Facilities (measured on the surface), Tenant shall submit a written proposal together with all supporting calculations and data to SFPUC for review and approval. In any case, the two feet (2') of soil around the subterranean SFPUC Facilities shall be removed manually or by other methods approved by SFPUC with due care as provided above.

(p) Watershed Management Plan

Tenant shall comply with any and all other regulations or requirements resulting from City's development of a watershed management plan, and any modifications or additions to

such plan, provided that such regulations or requirements do not unreasonably interfere with Tenant's use and enjoyment of the Premises as contemplated by this Lease.

(q) Trespassing

Tenant shall exercise reasonable diligence and care to protect the Premises from trespass at all times. Tenant shall post signs and adopt rules that advise its employees, contractors, customers, guests, permittees, and licensees that trespassing on adjoining property of the City is not permitted. City reserves the right to take steps, either within or without the Premises to prevent trespassing onto adjoining property of the City.

(r) Sewage System

Tenant shall maintain the existing sewage system at its sole cost and expense, and in accordance with the direction of and to the satisfaction of the General Manager of the SFPUC. Tenant shall not permit any sewage or contaminated or waste water to be disposed of on the Premises by any means other than the existing sewage system except as otherwise required by **Section 23** [Hazardous Material] and/or applicable Laws.

(s) Golf Course Operation

Tenant shall maintain and operate the golf course and related facilities located on the Premises as a public golf course, and the general public shall not be wholly or permanently excluded from any portion of the Premises. Tenant may encourage, create and accommodate golfing organizations, so long as such organizations comply with the nondiscrimination covenant and Laws set forth in **Section 25.24** of this Lease. Tenant shall operate the golf course and related facilities located on the Premises every day of the year at least from dawn to dusk, except in the event of emergency or inclement weather. Tenant shall at all times operate the Premises and conduct all operations on the Premises in a good businesslike manner, and in such capacity shall provide the public with good quality products and efficient and courteous service. Tenant shall provide services customarily associated with the operation of a golf course and the related facilities located on the Premises, including the rental of golf-related equipment, provision of golf instruction, and sale of food, beverages (including alcoholic beverages), golf supplies, apparel, and equipment.

(t) Inventory and FF&E

Without limiting any other provision contained in this Lease, Tenant shall, at its sole expense, acquire and maintain throughout the Term sufficient furniture, fixtures, equipment, and inventory as are required to operate the golf course and related facilities located on the Premises as contemplated by this Lease.

(u) Golf Carts

Tenant shall provide, through purchase or lease at its sole cost and expense, a sufficient number of golf carts to meet the public demand for golf carts at the Premises. Tenant shall provide all maintenance, repair and service required by such golf carts, and shall replace them as reasonably required or appropriate, to maintain the fleet in good, clean condition and repair. Tenant shall charge a reasonable fee for the use of golf carts.

(v) Food and Beverage Service

Tenant, or its designee shall operate a restaurant, bar, banquet facilities and related facilities serving food and beverages (including alcoholic beverages) on the Premises throughout the Term. Tenant or its designee shall acquire and maintain throughout the Term

such furniture, equipment, Personal property and inventory as is required to operate a restaurant, bar, banquet facilities and related facilities serving food and beverage as contemplated by this Lease. All food and beverages sold on the Premises will be properly prepared and served in compliance with all applicable health and sanitary standards. The quality of food and service will be at least equal to that available at comparable golf courses in the San Francisco Bay Area. All dining facilities and adjacent areas will be maintained in a clean and sanitary manner. The prices to be charged by Tenant or its designee for all services, food, and beverages provided on the Premises shall be fair and reasonable.

(w) Name

Tenant shall use the name "Crystal Springs Golf Course" as the name of the golf course and related facilities located on the Premise. In connection with Tenant's use of the Premises during the Term, Tenant shall be entitled to use the name "Crystal Springs Golf Course" and any other logo, trademark, trade name, emblem, insignia, slogan, color scheme or distinguishing characteristic which belongs to City and relates only to the Premises. Upon the Expiration Date or any earlier termination of this Lease, Tenant shall have no further rights to any use of such logos, trademarks, trade names, emblems, insignia, slogans, color schemes or distinguishing characteristics associated with the Premises.

(x) Advertising

(i) Base Promotion Budget. Tenant shall at all times during the Term of this Lease expend annually not less than the sum of \$45,000 (as adjusted annually as provided below) (the "**Base Promotion Budget**") to promote and advertise the Crystal Springs Golf Course.

(ii) Annual Adjustment. The Base Promotion Budget shall be adjusted for the second and each subsequent Lease Year during the Term (each, an "**Adjustment Year**") as follows:

The Consumer Price Index Urban Wage Earners and Clerical Workers (base years 1982-1984 = 100) for San Francisco-Oakland-San Jose area published by the United States Department of Labor, Bureau of Labor Statistics ("**Index**") published most immediately preceding January 1 of the Adjustment Year ("**Adjustment Index**"), shall be compared with the Index published most immediately preceding the Commencement Date ("**Beginning Index**").

If the Adjustment Index has increased over the Beginning Index, the Base Promotion Budget for the Adjustment Year shall be set by multiplying the sum of \$45,000 by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Beginning Index. However, in no event shall the Base Promotion Budget in any Adjustment Year be less than the Base Promotion Budget in effect immediately prior to such CPI Adjustment Date.

If the Index is changed so that the base year differs from that used as of the date most immediately preceding the Commencement Date, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

(iii) Proposed Reduction of Budget. Upon written request by Tenant, the General Manager, in his or her reasonable discretion, may approve in advance a lower amount in any Lease Year.

(iv) Annual Report. Tenant shall provide an annual written report, on or before January 15 of each Lease Year, detailing and verifying the nature of actual advertising and promotion and all expenditures therefor, made during the preceding Lease Year.

(y) Tenant's Staff

Tenant, at its cost, shall maintain an adequate and proper staff with the skills and experience necessary to operate all services to be provided under this Lease. Without limiting the foregoing, Tenant shall employ a qualified Class "A" member of the Professional Golfers of America (or LPGA equivalent) at the Premises and all other appropriate personnel, which may include a superintendent, starters and instructors. Tenant shall discharge any employee whose conduct or activity, in Tenant's reasonable business judgment, shall be deemed to be detrimental or offensive to the public patronizing the Premises

8. IMPROVEMENTS AND ALTERATIONS

8.1 Construction or Installation of Alterations

(a) Conditions and Requirements for Alterations

Tenant shall not construct, install, or permit any Alterations (including modifying any existing Improvements) in, to, or about the Premises, without City's prior written consent in each instance, which City may give or withhold at its sole and absolute discretion. Tenant shall submit a project review application to City at least ninety (90) days before the proposed commencement of construction of proposed Alterations, and shall undergo SFPUC's Project Review process, unless the General Manager or his or her designee, in consultation with SFPUC's Bureau of Environmental Management, determines that the proposed project is appropriate for administrative review. The Parties acknowledge that City may not consider any proposed Alteration before any environmental review required under applicable Law, as defined in **Section 2** (Definitions), is completed. Tenant shall consult with SFPUC regarding environmental review and shall bear the cost of any investigations and studies needed for such environmental review. If the City approves any proposed Alterations, such approvals shall be conditioned upon Tenant obtaining any regulatory permits and approvals that may be required under applicable Law in accordance with **Section 11.2** (Regulatory Approvals). In considering any proposed Alterations, the City retains sole discretion to (1) make such modifications to any of the proposed Alterations as may be necessary to mitigate significant environmental impacts; (2) select feasible alternatives to the proposed Alterations that avoid significant adverse impacts; (3) require the implementation of specific measures to mitigate the significant adverse environmental impacts as part of the decision to approve the Alterations; (4) balance the benefits of the proposed Alterations against any significant environmental impacts before taking final actions to approve the proposed Alterations if such significant impacts cannot otherwise be avoided; or (5) determine not to approve the proposed Alterations. Subject to such approval, any allowed Alterations shall be done at Tenant's sole expense **(i)** in strict accordance with plans and specifications approved in advance by City in writing and any conditions and requirements specified by SFPUC in a Project Review Certificate, **(ii)** by duly licensed and bonded contractors or mechanics approved by City, **(iii)** in a good and professional manner, **(iv)** in strict compliance with all applicable Laws, and **(v)** subject to all other conditions that City may reasonably impose, including provision of such completion security as is acceptable to City. In no event shall the making, construction, or installation of any such Alterations impair the use or operation of any portion of the SFPUC Facilities, or City's

access to the Premises or the SFPUC Facilities. Before the commencement of any work on the Premises to construct any allowed Alterations, at its sole expense, Tenant shall procure all required permits and approvals and shall promptly upon receipt deliver copies of all such documents to City. No material change from the plans and specifications approved by City may be made without City's prior, written consent. City and its Agents may observe and inspect the course of such construction at all times. Tenant shall require from each contractor and subcontractor performing any work on or about the Premises insurance as specified in **Section 19** (Tenant's Insurance).

In no event shall City's approval of any plans, specifications or working drawings be deemed to constitute a representation or warranty by City concerning the suitability of the proposed Alterations or repairs for Tenant's purposes or that the work called for in the plans and specifications complies with applicable building codes or other applicable Laws or industry standards nor shall such approval release Tenant from Tenant's obligation to supply plans and specifications that conform to applicable codes, other Laws and industry standards.

Tenant shall construct, perform, complete and maintain all construction and installations covered by this Lease in a good and professional manner and with quality materials, and shall furnish all tools, equipment, labor and material necessary to perform and complete all construction and installations.

Upon completion of any Alterations, Tenant shall furnish City with two (2) complete sets of as-built construction drawings on mylar or its equivalent acceptable to the City, and an electronic copy in a software program acceptable to the City. Such drawings shall include, if applicable, all circuit breakers, mechanical equipment, switches, plumbing and fire sprinkler section and main valves plainly labeled and a master index. With the as-builts, Tenant shall provide the operating manuals for all building equipment and systems; and copies of all written warranties.

Upon termination of this Lease, whether upon expiration of the Term or sooner termination or cancellation, Tenant shall assign to City all express warranties furnished by other persons in connection with the provision of labor and/or material to the Improvements covered by this Lease.

(b) Local Hiring Requirements

If the estimated cost of an Alteration exceeds Seven Hundred Fifty Thousand Dollars (\$750,000), unless otherwise exempt, Tenant shall comply with the Local Hiring Policy set forth in San Francisco Administrative Code Section 6.22(G) (the "**Local Hiring Policy**") in the construction or performance of the Alteration. Before starting any such Alteration, Tenant shall contact City's Office of Economic Workforce and Development ("**OEWD**") to verify the Local Hiring Policy requirements that apply to the Alteration, and Tenant shall comply with all such requirements. Failure to comply shall be deemed a breach of this Lease, and may subject Tenant to penalties as set forth in the Local Hiring Policy.

Any capitalized term used in this Section that is not defined will have the meaning given to such term in the Local Hiring Policy.

(c) Tenant's Alterations that Disturb or Remove Lead Based Paint

Tenant, on behalf of itself and its Agents or Invitees, shall comply with all requirements of the San Francisco Building Code, Section 3407, and all other applicable present or future Laws (including the requirements of any board of fire underwriters or other similar body, any directive or occupancy certificate issued pursuant to any Law by any public officer or officers acting in their regulatory capacity, and the California and United States Occupational Health and Safety Acts and their implementing regulations) when the work of improvement or

alteration disturbs or removes exterior lead-based or "presumed" lead-based paint (as defined below). Tenant and its Agents or Invitees shall give City three (3) business days' prior, written notice of any disturbance or removal of exterior lead-based or presumed lead-based paint. Further, Tenant and its Agents or Invitees, when disturbing or removing exterior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (i) acetylene or propane burning and torching; (ii) scraping, sanding, or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (iii) hydroblasting or high-pressure wash without containment barriers; (iv) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (v) heat guns operating above 1,100 degrees Fahrenheit. Paint on the exterior of buildings built before December 31, 1978, is presumed to be lead-based paint unless lead-based paint testing, as defined in Section 3407 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on an exterior surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface. Notice to City under this Lease shall not constitute notice to the City's Department of Building Inspection required under Section 3407 of the San Francisco Building Code.

8.2 Proposed Work

(a) Tenant shall contribute a minimum of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) to repairs and Alterations to the Premises in consideration of City's leasing of the Premises to Tenant pursuant to this Lease. To implement such requirement, Tenant proposes to perform the Alterations and repairs described in attached **Exhibit D** (the "**Proposed Work**"), subject to and in accordance with **Section 8.1** and this **Section 8.2**. If the Proposed Work is approved in accordance with such Sections, and the actual cost of the Proposed Work turns out to be less than \$1,250,000, Tenant shall contribute the excess funds to the Capital Improvement Fund described in **Section 8.4** or perform additional repairs or Alterations, as approved by City.

(b) Within 60 days of the Commencement Date and prior to the commencement of the Proposed Work, Tenant shall download and complete a Project Review Application by visiting the Project Review Committee webpage at <http://sfwater.org/Project>. Tenant shall submit the completed application, along with any plans, specifications and construction cost estimates (together, an "**Initial Capital Improvement Plan**") for the Proposed Work to jmendoza@sfwater.org. At the next available Project Review Committee meeting Tenant shall present its Initial Capital Improvement Plan. During Project Review, the committee may require modifications to the project and/or implementation of avoidance and minimization measures related to performance of the Proposed Work. The Project Review Committee will issue a Project Review Certificate upon successful completion of its review and approval of the Initial Capital Improvement Plan.

(c) Tenant shall not approve any material changes from the SFPUC-approved plans and specifications and working drawings without the SFPUC's prior written approval. Where changes require SFPUC approval, said approval shall not be unreasonably withheld or delayed.

(d) Prior to the Commencement Date, Tenant shall furnish to the SFPUC suitable evidence of funds available, in an amount of not less than One Million Two Hundred Fifty Thousand Dollars (\$1,250,000), in order to complete all of the Proposed Work. Such evidence may take the form of any of the following, in form approved by City in consultation with the City Attorney: (i) a payment and performance bond naming City as a beneficiary; (ii) an irrevocable letter of credit; (iii) cash deposited in an escrow acceptable to the General Manager with interest to accrue to Tenant, but with instructions to the escrow agent that funds deposited

in the escrow may not be released or pledged without the written approval of the SFPUC General Manager or Deputy General Manager; (iv) another security arrangement acceptable to City, ensuring available funds sufficient to cover the cost of the unfinished Proposed Work; or (v) a combination of the foregoing. The foregoing shall be a condition precedent to the effectiveness of this Lease for the sole benefit of City. If such condition precedent is not satisfied before the Commencement Date, the General Manager, on behalf of City, shall have the right in its sole discretion either to waive it in writing (provided that the General Manager may reserve the right to require that such condition be satisfied after the Commencement Date) or, alternatively, terminate this Lease.

(e) If the form of the security is cash deposited in an escrow account described in **subparagraph (d)** above, following completion of each line item listed on **Exhibit D** and within 15 days following written request and notice thereof to City by Tenant, including satisfactory evidence of the completion of such work and the payment of all such costs and materials therefor by Tenant, City shall release to Tenant from the escrow an amount equal to the lesser of: (i) the actual cumulative cost for such completed work or (ii) the estimated cost of such work listed on **Exhibit D**. In addition, in the case of any line item listed on **Exhibit D** which exceeds \$100,000 and as to which the time to complete such work exceeds 30 days, City will release interim payments to Tenant from the escrow/security described in **subparagraph (d)** above, upon Tenant's request made at intervals of not less than 30 days, in an amount equal to 80% of the actual amounts which have been incurred and paid by Tenant for any portion of such line item as shown by satisfactory written evidence of payment by Tenant of such costs and materials. In no event shall total interim payments to Tenant for any line item exceed the estimated cost of such line item on **Exhibit D**.

(f) Upon completion of the Proposed Work, Tenant shall furnish the City with copies of as-built drawings, operating manuals and warranties, in accordance with **Section 8.1(a)**.

(g) At least ten (10) business days before the proposed commencement of the Proposed Work, Tenant shall submit the proposed construction schedule to Joe Naras, the SFPUC's Peninsula Watershed Manager (at the contact information in the Basic Lease Information) for approval. All work must be performed Monday through Friday between 8:00 a.m. and 4:30 p.m., excluding City holidays. Any work performed at any other time must be approved by the City in writing at least two (2) business days prior to the commencement of the work. The construction of the Proposed Work, may, at the discretion of Tenant be performed in phases, each phase being separated from the other by a period of time to be determined by Tenant. However, the nature of the construction to be performed in each phase, the commencement and completion dates of each phase, and the time interval between phases shall be subject to review and approval by the SFPUC. Subject to the provisions of subparagraph (i) below, if the Proposed Work is phased as herein provided, each phase shall be commenced on or before the SFPUC-approved date for commencement thereof, and all Proposed Work shall be completed no later than the two (2) year anniversary of the Commencement Date.

(h) Tenant agrees that City has the right to inspect the construction work at any time during the construction period, and Tenant shall provide access for any such inspections. City shall have the right to post any applicable notices of nonresponsibility on the Premises.

(i) The parties agree that any delay in the construction due to fire, earthquake, war, weather, unavailability of supplies or materials, labor dispute or other similar events beyond the reasonable control of Tenant shall extend the time in which construction must be completed by the length of time of such delay.

8.3 All-Gender Toilet Facilities

If applicable, Tenant shall comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of any new building on City-owned land and within existing buildings leased by the City where extensive renovations are made. An "all-gender toilet facility" means a toilet that is not restricted to use by persons of a specific sex or gender identity by means of signage, design, or the installation of fixtures, and "extensive renovations" means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by this section. If Tenant has any question about applicability or compliance, Tenant should contact the City's Director of Property for guidance.

8.4 Capital Improvement Fund

(a) Tenant established and maintains a separate, interest-bearing account (the "**Capital Improvement Fund**") pursuant to the Original Lease. Amounts in the Capital Improvement Fund are held by Tenant in trust for the benefit of the City's interest in the Premises, including its reversionary interest in the Premises upon the expiration or earlier termination of the Original Lease. City desires that Tenant continue to maintain the Capital Improvement Fund for the duration of the Lease Term under this Lease, and carry the balance remaining at the expiration of the Original Lease forward to the Capital Improvement Fund under this Lease in lieu of Tenant remitting the balance of the Capital Improvement Fund to City upon termination of the Original Lease.

(b) For the duration of the Term Tenant shall, on or before the twentieth day of each month, deposit an amount into the Capital Improvement Fund equal to two percent (2%) of the Gross Revenues from the preceding month. In addition to Tenant's contributions, City shall make contributions to the Capital Improvement Fund in the amount of two percent (2%) of Gross Revenues (the "City's Capital Improvement Fund Contribution"). The City shall make the City's Capital Improvement Fund Contribution in the form of monthly rent credits to Tenant, the amounts of which Tenant shall immediately deposit into the Capital Improvement Fund.

(c) Interest earned on funds held in Capital Improvement Fund account shall become part of the Capital Improvement Fund and all amounts remaining in the Capital Improvement Fund at the end of the Term or any earlier termination of this Lease shall be remitted to City.

(d) Funds held in the Capital Improvement Fund shall be used exclusively for the repair and replacement of capital items, including Alterations, fixtures, furniture or equipment, which are needed to repair or replace, over time, capital items which are subject to wearing out after a useful life and which are included in, located on or used in connection with the Premises, and which if not maintained or repaired, could adversely affect the City's interest in the Premises, including its reversionary interest in the Premises upon the expiration or earlier termination of this Lease. Construction of any such capital improvements shall be conducted in accordance with all provisions of **Section 8.1**. Funds held in the Capital Improvement Fund may not be expended for any of the Proposed Work.

(e) Within the first thirty (30) days of start of the second Lease Year and every second Lease Year thereafter, Tenant shall submit to City for approval a bi-annual plan for the use of the Capital Improvement Fund moneys in the ensuing two Lease Years (each, a "**Capital Improvement Plan**"). Each Capital Improvement Plan shall include the description of each improvement project, estimated improvement cost and the projected time frame for commencement and completion of each project. Each Capital Improvement Plan shall have, as an attachment, documentation showing the expenditures made during the previous two years (date of purchase or lease, amounts expended, descriptive material, and, as appropriate, serial numbers on equipment leased or purchased). City shall review each Capital Improvement Plan

and shall not unreasonably withhold its consent thereto. City may also propose additions or deletions to any Capital Improvement Plan. Tenant agrees to consult with City during the first fifteen days of City's review period to explain any Capital Improvement Plan. If City fails to respond within forty-five (45) days after receipt of Tenant's written request for approval of the proposed Capital Improvement Plan (accompanied by a copy of the plan), and thereafter does not approve or disapprove the proposed plan within twenty (20) days after receipt of notice from Tenant of such failure, City shall be deemed to have consented to such plan.

(f) If capital improvements are expressly required in accordance with any approved Capital Improvement Plan (as distinguished from improvements which are merely being considered or desired) and insufficient funds remain in the Capital Improvement Fund with which to make such capital improvements, then Tenant agrees to use its best efforts to provide the necessary funds. Any funds so provided shall be advanced to the Capital Improvement Fund by Tenant and shall bear interest from the date so advanced until repaid at the then-applicable prime rate.

8.5 Ownership of Alterations

Any Alterations constructed on or affixed to the Premises by or on behalf of Tenant shall become City's property upon installation unless City, at its sole option, elects in writing to require Tenant to remove such Alterations at the expiration or termination of this Lease [in which event, Tenant shall remove all such Alterations from the Premises in accordance with the provisions of **Section 22.1** (Surrender of the Premises)].

8.6 Tenant's Personal Property

All furniture, furnishings, and articles of movable personal property and equipment installed in the Premises by or for the account of Tenant that can be removed without structural or other material damage to the Premises (all of which are referred to in this Lease as "**Tenant's Personal Property**") shall be and remain the property of Tenant and may be removed by it subject to the provisions of **Section 22.1** (Surrender of the Premises). At least ten (10) days before delinquency, Tenant shall pay all taxes levied or assessed upon Tenant's Personal Property and shall deliver to City satisfactory evidence of such payment.

9. REPAIRS AND MAINTENANCE

9.1 Tenant Responsible for Maintenance and Repair

Tenant assumes full and sole responsibility for the condition, operation, repair, maintenance, and management of the Premises and any Alterations from and after the Commencement Date. City shall not under any circumstances be responsible for the performance of any repairs, changes, or Alterations to the Premises or any adjoining property (including access roads, utilities, and other infrastructure serving the Premises), nor shall City be liable for any portion of the cost of any such repairs, changes, or Alterations. However, to the extent such Alterations are included in an approved Capital Improvement Plan or such repair or replacement is of a capital nature, the cost thereof may be paid from the Capital Improvement Fund in accordance with **Section 8.4(d)**. Tenant shall make all repairs and replacements, interior and exterior, structural as well as non-structural, ordinary as well as extraordinary, foreseen and unforeseen, that may be necessary to maintain the Premises including the existing Improvements and any permitted Alterations at all times in clean, safe, attractive, and sanitary condition and in good order and repair, and in a condition appropriate for a first class golf course to City's reasonable satisfaction and so that the Premises, including the Improvements and Alterations, shall be at least equal in quality, value, and utility to the Premises as it exists on the Commencement Date. Maintenance shall be performed in accordance with the guidelines attached hereto as **Exhibit E**. If any portion of the Premises or any of City's property located on

or about the Premises is damaged by any of the activities conducted by Tenant or its Agents or Invitees under or pursuant to this Lease, at its sole cost, Tenant shall immediately repair any and all such damage and restore the Premises or City's property to its previous condition.

9.2 Utilities

Except for the SFPUC Facilities, City has no responsibility or liability of any kind with respect to any utility facilities that may be on or about the Premises. With respect to the use of the Premises by or on behalf of Tenant, its Agents, and its Invitees, Tenant has the sole responsibility to locate any utility facilities and protect them from damage. With respect to services needed for Tenant's operations at the Premises, Tenant shall make all arrangements directly with the utility companies for, and shall pay for, any and all utilities and services furnished to or used by it, including gas, electricity, water, sewage, telephone service, trash collection, and janitorial service, and for all deposits, connection, and installation charges. Tenant shall be responsible for installation and maintenance of all facilities required in connection with such utility services. All electricity necessary for operations in the Premises shall be purchased from SFPUC, at SFPUC's standard rates charged to third parties, unless SFPUC determines, in its sole judgment, that it is not feasible to provide such service to the Premises. SFPUC is the provider of electric services to City property, and the Interconnection Services Department of SFPUC's Power Enterprise coordinates with Pacific Gas and Electric Company and others to implement this service. To arrange for electric service to the Premises, Tenant shall contact the Interconnection Services Department in the Power Enterprise of the SFPUC. Any and all utility improvements shall be subject to the provisions of **Section 8.1** (Construction of Alterations), and shall be deemed Alterations. During the Term, Tenant shall be obligated to repair and maintain any and all utility systems and improvements located on or within the Premises (except for the SFPUC Facilities) in good operating condition. City shall not be liable for any failure or interruption of any utility service furnished to the Premises, and no such failure or interruption shall entitle Tenant to any abatement in Rent or to terminate this Lease.

9.3 Maintenance of Fences

Tenant shall maintain in good condition and repair at its expense any existing fences along or about the property line of the Premises.

9.4 No Right to Repair and Deduct

Tenant expressly waives the benefit of any existing or future Law or judicial or administrative decision that would otherwise permit Tenant to make repairs or replacements at City's expense, or to terminate this Lease because of City's failure to keep any part of the Premises or any adjoining property (including access roads, utilities, and other infrastructure serving the Premises) in good order, condition, or repair, or to abate or reduce any of Tenant's obligations under this Lease on account of any part of the Premises or any adjoining property (including access roads, utilities, and other infrastructure serving any part of the Premises) being in need of repair or replacement. Without limiting the foregoing, Tenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 and any similar Laws with respect to any right of Tenant to terminate this Lease and with respect to any obligations of City for tenantability of the Premises and any right of Tenant to make repairs or replacements and deduct the cost of any such repairs or replacements from Rent.

10. LIENS

Tenant shall keep the Premises and all of City's property free (including the SFPUC Facilities) from any liens arising out of any work performed, material furnished, or obligations incurred by or for Tenant. If, within five (5) days following the imposition of any such lien,

Tenant does not cause the lien to be released of record by payment or posting of a proper bond, in addition to all other remedies provided under this Lease and by Law or equity, City shall have the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by City and all expenses it incurs in connection therewith (including reasonable attorneys' fees) shall be payable to City by Tenant upon demand. At all times, City may post and keep posted on the Premises any notices permitted or required by Law or that City deems proper for its protection and protection of the Premises and City's property, from mechanics' and material supplier's liens. Tenant shall give City at least fifteen (15) days' prior, written notice of the commencement of any repair or construction on any of the Premises. Notwithstanding the foregoing, upon posting of an adequate bond or other security acceptable to City, Tenant may contest any such lien, and, in such case, City shall not seek to satisfy or discharge such lien unless Tenant has failed to do so within ten (10) days after final determination of the validity of such lien. Tenant shall Indemnify City, the other Indemnified Parties, and the Premises against any and all Losses arising out of any such contest.

11. COMPLIANCE WITH LAWS

11.1 Compliance with Laws

At no cost to City, Tenant shall maintain the Premises and any permitted Alterations, and conduct its use and operations on and about the Premises, in strict compliance at all times with all present and future Laws, whether foreseen or unforeseen, ordinary as well as extraordinary. Such Laws shall include all Laws relating to health and safety and disabled accessibility including the Americans with Disabilities Act, 42 U.S.C. Sections 12101 et seq. and Title 24 of the California Code of Regulations, all present and future Environmental Laws (as defined in this Lease below), and all present and future life safety, fire sprinkler, seismic retrofit, and other building code requirements. The Parties acknowledge and agree that Tenant's obligation to comply with all laws as provided in this Lease is a material part of the bargained-for consideration under this Lease. Tenant's obligation under this Section shall include Tenant's responsibility to make substantial or structural repairs and alterations to the Premises, regardless of, among other factors, the relationship of the cost of curative action to the Rent under this Lease, the length of the then remaining Term, the relative benefit of the repairs to Tenant or City, the degree to which the curative action may interfere with Tenant's use or enjoyment of the Premises, the likelihood that the parties contemplated the particular Law involved, and whether the Law involved is related to Tenant's particular use of the Premises. Without limiting **Section 5.6** (Net Lease), no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant from its obligations under this Lease, or shall give Tenant any right to terminate this Lease in whole or in part or to otherwise seek redress against City. Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease, to receive any abatement, diminution, reduction, or suspension of payment of Rent, or to compel City to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

11.2 Regulatory Approvals

(a) Responsible Party

Tenant understands and agrees that Tenant's use of the Premises may require authorizations, approvals, or permits from governmental regulatory agencies with jurisdiction over the Premises. Tenant shall be solely responsible for obtaining any and all such regulatory approvals. Tenant shall not seek any regulatory approval without first obtaining City's written consent. Tenant shall bear all costs associated with applying for, obtaining, and maintaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval. Tenant shall

pay and discharge immediately any fines or penalties levied as a result of Tenant's failure to comply with the terms and conditions of any regulatory approval and City shall have no liability, monetary or otherwise, for any such fines or penalties. Tenant shall Indemnify City and the other Indemnified Parties against all Losses arising in connection with Tenant's failure to obtain or comply with the terms and conditions of any regulatory approval.

(b) City Acting as Owner of Real Property

Tenant acknowledges that City, acting by and through its SFPUC, is entering into this Lease in its capacity as a property owner with a proprietary interest in the Premises and not as a regulatory agency with police powers. Nothing in this Lease shall limit in any way Tenant's obligation to obtain any required approvals from any governmental authority or agency (including City departments, boards, or commissions) having jurisdiction over the Premises. By entering into this Lease, City is in no way modifying or limiting Tenant's obligation to cause the Premises and any permitted Alterations to be used and occupied in accordance with all applicable Laws, as provided further above.

11.3 Compliance with City's Risk Management Requirements

Tenant shall not do anything, or permit anything to be done, in or about the Premises or any Alterations permitted under this Lease that would create any unusual fire risk, and shall take commercially reasonable steps to protect City from any potential premises liability. At its expense, Tenant shall faithfully observe any and all reasonable requirements of City's Risk Manager with respect to such obligations and with the requirements of any policies of public liability, fire, or other policies of insurance at any time in force with respect to the Premises and any Alterations as required by this Lease.

11.4 Reports

Tenant shall submit a report and provide such documentation to City as City may from time to time request regarding Tenant's operations and evidencing compliance with this Lease and all Laws.

12. FINANCING; ENCUMBRANCES; SUBORDINATION

12.1 Encumbrance of City's Fee Interest

The following provisions shall apply notwithstanding anything to the contrary contained in this Lease.

(a) Encumbrance by City

To the extent permitted by applicable Law, City may at any time sell or otherwise transfer or encumber its fee estate in any portion of the Premises provided that (i) any such sale or Encumbrance shall be subject and subordinate to all of the terms of this Lease and the leasehold estate created hereby, (ii) the right of possession of Tenant to the Premises shall not be affected or disturbed by any such sale or Encumbrance, or by the exercise of any rights or remedies by any purchaser or Encumbrancer arising out of any instrument reflecting such sale or Encumbrance, so long as no Event of Default or Unmatured Event of Default is outstanding under this Lease.

(b) Encumbrance By Tenant

Tenant shall not under any circumstances whatsoever Encumber in any manner any portion of: the Premises, the SFPUC Facilities, City's estate in the Premises or any adjoining property, or City's interest under this Lease.

12.2 Leasehold Encumbrances

Without limiting **Section 16** (Assignment and Subletting), Tenant shall not Encumber this Lease, or assign or pledge assignment of the same as security for any debt, without first obtaining City's written consent, which City may give or withhold at its sole discretion.

13. DAMAGE OR DESTRUCTION

13.1 Damage to or Destruction of the Improvements

In the case of damage to or destruction of the Premises by fire or any other casualty, whether insured or uninsured, at its sole cost and with reasonable promptness and diligence, Tenant shall restore, repair, replace, or rebuild the Premises as nearly as possible to the same condition, quality, and class the Premises were in immediately before such damage or destruction, unless such damage or destruction was caused solely and directly by the gross negligence or willful misconduct of City or its Agents. Tenant shall comply with the requirements of **Section 8.1** (Construction or Installation of Alterations) in connection with such restoration, repairs, replacement and/or rebuilding.

13.2 Abatement in Rent

In the event of any damage or destruction to the Premises or any permitted Alterations, there shall be no abatement in the Base Rent or Additional Charges payable pursuant to this Lease.

13.3 Waiver

The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of damage or destruction to the Premises or any permitted Alterations, and City and Tenant each hereby waives and releases any right to terminate this Lease in whole or in part under Sections 1932.2 and 1933.4 of the California Civil Code or under any similar Laws now or hereafter in effect, to the extent such rights are inconsistent with the provisions of this Lease.

14. CONSTRUCTION PROJECTS

Tenant acknowledges that during the Term, it is likely that one or more significant construction projects will be undertaken on property in the vicinity of the Premises, including, but not limited to SFPUC utility work and Caltrans work on the I-280 on- and off-ramps. Tenant is aware that the construction of such projects and the activities associated with such construction could generate certain adverse impacts, which may result in some inconvenience to or disturbance of Tenant or its business at the Premises. Such impacts may include increased vehicle and truck traffic, traffic delays and re-routing, impediments to access, loss of street and public parking, dust, dirt, construction noise, and visual obstructions. Tenant hereby waives any and all claims against SFPUC, City, and their respective Agents based on such inconvenience or disturbance, including any abatement or reduction of Rent.

15. EMINENT DOMAIN

15.1 General

If during the Term or during the period between the execution of this Lease and the Commencement Date, any Taking of all or any part of the Premises or any interest in this Lease occurs, the rights and obligations of the Parties shall be determined pursuant to this Section. City and Tenant intend that the provisions hereof govern fully in the event of a Taking and accordingly, each Party hereby waives any right to terminate this Lease in whole or in part under Sections 1265.120 and 1265.130 of the California Code of Civil Procedure or under any similar Law now or hereafter in effect.

15.2 Total Taking; Automatic Termination

If a total Taking of the Premises occurs, then this Lease shall terminate as of the Date of Taking.

15.3 Partial Taking; Election to Terminate

(a) If a Taking of any portion (but less than all) of the Premises occurs, then this Lease shall terminate in its entirety under either of the following circumstances: (i) if all of the following exist: (A) the partial Taking renders the remaining portion of the Premises untenable or unsuitable for continued use by Tenant, (B) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but City is unwilling or unable to cure such condition, and (C) Tenant elects to terminate; or (ii) if City elects to terminate, except that this Lease shall not terminate if Tenant agrees to, and does, continue to pay full Rent and Additional Charges, without abatement, and otherwise agrees to, and does, fully perform all of its obligations under this Lease.

(b) If a partial Taking of a substantial portion of the SFPUC Facilities or any of City's adjoining real property, but not the Premises, occurs, City may terminate this Lease in its entirety.

(c) Either Party electing to terminate under the provisions of this Section shall do so by giving written notice to the other Party before or within thirty (30) days after the Date of Taking, and thereafter this Lease shall terminate upon the later of the thirtieth (30th) day after such written notice is given or the Date of Taking.

15.4 Termination of Lease; Rent and Award

Upon termination of this Lease in its entirety pursuant to **Section 15.2** (Total Taking; Automatic Termination), or pursuant to an election under **Section 15.3** (Partial Taking; Election to Terminate), then: (a) Tenant's obligation to pay Rent shall continue up until the date of termination and thereafter shall cease, and (b) City shall be entitled to the entire Award in connection therewith, except that Tenant may make a claim, and receive an Award for Tenant's relocation expenses allowed by applicable Law, the interruption of or damage to Tenant's business, damage to Tenant's Personal Property, and the value of Tenant's leasehold interest for the unexpired Term.

15.5 Partial Taking; Continuation of Lease

If a partial Taking of the Premises occurs and this Lease is not terminated in its entirety under **Section 15.3** (Partial Taking; Election to Terminate), then this Lease shall terminate as to the portion of the Premises so taken, but shall remain in full force and effect as to the portion not taken, and the rights and obligations of the Parties shall be as follows: (a) Base Rent shall be

reduced by an amount that is in the same ratio to the Base Rent as the area of the Premises taken bears to the area of the Premises before the Date of Taking, and (b) City shall be entitled to the entire Award, except that Tenant may make a claim and receive an Award for the interruption of or damage to Tenant's business, damage to Tenant's Personal Property, and the value of Tenant's leasehold interest in the Premises Taken for the unexpired Term.

15.6 Temporary Takings

Notwithstanding anything to contrary in this Section, if a Taking occurs with respect to all or any part of the Premises for a limited period of time not in excess of sixty (60) consecutive days, this Lease shall remain unaffected by such Taking, and Tenant shall continue to pay Rent and to perform all of the terms, conditions, and covenants of this Lease. In the event of such temporary Taking, Tenant shall be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Premises during the Term up to the total Rent owing by Tenant for the period of the Taking, and City shall be entitled to receive the balance of any Award.

16. ASSIGNMENT AND SUBLETTING

16.1 Restriction on Assignment and Subletting

Tenant shall not directly or indirectly (including by merger, acquisition, sale, or other transfer of any controlling interest in Tenant or any entity controlling Tenant), voluntarily or by operation of Law, sell, assign, encumber, pledge, or otherwise transfer any part of its interest in or rights with respect to the Premises, the business conducted on the Premises, any Alterations, or its leasehold estate created by this Lease (each, an "Assignment"), or permit any portion of the Premises or any Alterations to be occupied by anyone other than itself, or sublet any portion of the Premises or any permitted Alterations placed or to be placed on the Premises (each, a "Sublease"), without City's prior, written consent in each instance, which City shall not unreasonably withhold. Any Assignment or Sublease, without City's prior written consent, shall be voidable at City's option at its sole and absolute discretion; and the General Manager may terminate this Lease immediately by sending written notice to Tenant. For purposes of this Section 16, "control" or a "controlling interest" shall mean direct or indirect ownership of 50% or more of all of the voting stock of a corporation or 50% or more of the legal or equitable interest in any other business entity, or the power to direct the operations of any entity (by equity ownership, contract or otherwise).

Tenant further agrees and understands that the intent and purpose of this Lease is to allow for use or uses as provided in the Basic Lease Information, and not for the purpose of creating an investment in property. Therefore, while Tenant may charge to a City-approved assignee or sublessee an amount in excess of that rent which is at the time being charged by City to Tenant, all rental income or other consideration received by Tenant that is attributable to the value of the leasehold estate created by this Lease over and above that Rent charged to Tenant by City shall be paid directly to City with no profit, direct or indirect, to Tenant attributable to the value of the leasehold estate created by this Lease.

16.2 Notice of Proposed Transfer

If Tenant desires to enter into an Assignment or a Sublease, then it shall give written notice (a "Notice of Proposed Transfer") to City of its intention to do so. The Notice of Proposed Transfer shall include a copy of the proposed Assignment or Sublease (or, in the case of a merger or other change of control, a detailed description of the proposed change), identify the proposed Transferee, and state the terms and conditions under which Tenant is willing to enter into such proposed Assignment or Sublease, including a copy of the proposed Assignment or Sublease agreement. Tenant shall provide City with financial statements for the proposed

Transferee and such additional information regarding the proposed Transfer as City may reasonably request.

16.3 City's Response

Within twenty (20) business days after City's receipt of the Notice of Proposed Transfer and any such additional information requested by City (the "**Response Period**"), by written notice to Tenant, City may elect to: (a) sublease the portion of the Premises specified in the Notice of Proposed Transfer on the terms and conditions set forth in such notice, except as otherwise provided in **Section 16.4** (Sublease or Recapture Premises), or (b) terminate this Lease as to the portion (including all) of the Premises that is specified in the Notice of Proposed Transfer, with a proportionate reduction in Base Rent (a "**Recapture**").

If City declines to exercise either of the options provided in clauses (a) and (b) above, then, for a period of ninety (90) days following the earlier of City's notice that it will not elect either such option or the expiration of the Response Period, Tenant may enter into such Assignment or Sublease, subject to City's prior, written approval of the proposed Transferee and the terms and conditions of the proposed Transfer. The Parties recognize and agree that the purpose of this Lease is to allow for the permitted uses and not to create an investment in property, and, therefore, City may condition its consent to any Assignment or Sublease on the receipt of some or all of the consideration realized by Tenant under any such Assignment or Sublease (or the amount of such consideration attributable to the Premises if the transaction includes other properties) in excess of the Base Rent and Additional Charges payable pursuant to this Lease, after deducting the proportionate share of any reasonable broker's commissions or transaction costs incurred by Tenant. Tenant shall provide City with such information regarding the proposed Transferee and the proposed Assignment or Sublease as City may reasonably request.

Notwithstanding the foregoing, if following City's decline to exercise the foregoing options, Tenant desires to enter into such Assignment or Sublease on terms and conditions materially more favorable to Tenant than those contained in the Notice of Proposed Transfer, then Tenant shall give City a new Notice of Proposed Transfer, which notice shall state the terms and conditions of such Assignment or Sublease and identify the proposed Transferee, and City shall again be entitled to elect one of the options provided in clauses (a) and (b) above at any time within fifteen (15) business days after City's receipt of such new Notice of Proposed Transfer.

If City elects either of the options provided in clauses (a) or (b) above, at its sole option, City may enter into a lease, sublease, or assignment agreement with respect to the Premises (or portion of the Premises specified in such new Notice of Proposed Transfer) with the proposed Transferee identified in Tenant's notice.

Notwithstanding the foregoing, if any Event of Default or Unmatured Event of Default by Tenant exists at the time of Tenant's Notice of Proposed Transfer, then City may elect by notice to Tenant to refuse to consent to Tenant's proposed Transfer and pursue any of its rights or remedies pursuant to this Lease or at Law or in equity.

16.4 Sublease or Recapture Premises

If City elects to Sublease or Recapture from Tenant as provided in **Section 16.3** (City's Response), the following shall apply:

(a) Sublease

In the case of a Sublease, **(i)** City may use the portion of the Premises covered by the Notice of Proposed Transfer (the “**Sublease Premises**”) for any legal purpose, **(ii)** the rent payable by City to Tenant shall be the lesser of that set forth in the Notice of Proposed Transfer or the Rent payable by Tenant under this Lease at the time of the Sublease (or the amount of such Rent proportionate to the Sublease Premises if for less than the entire Premises), **(iii)** City may make alterations and improvements to the Sublease Premises as it may elect, and City may remove any such alterations or improvements, in whole or in part, before or upon the expiration of the Sublease, provided that City shall repair any damage or injury to the Sublease Premises caused by such removal, **(iv)** City may further sublease or assign the Sublease Premises to any party, without Tenant’s consent, and **(v)** Tenant shall pay to City on demand any costs incurred by City in physically separating the Sublease Premises (if less than the entire Premises) from the balance of the Premises and in complying with any applicable Laws relating to such separation.

(b) Recapture

In the case of Recapture, **(i)** the portion of the Premises subject to the Recapture (the “**Recapture Premises**”) shall be deleted from the Premises for all purposes under this Lease, and Tenant and City shall be relieved of all of their rights and obligations under this Lease with respect to the Recapture Premises except to the extent the same would survive the Expiration Date or other termination of this Lease pursuant to its terms, and **(ii)** City shall pay any cost incurred in physically separating the Recapture Premises (if less than the entire Premises) from the balance of the Premises and in complying with any applicable governmental Laws relating to such separation.

16.5 Effect of Transfer

No Sublease or Assignment by Tenant, nor any City consent to a Sublease or Assignment, shall relieve Tenant, or any guarantor, of any obligation to be performed by Tenant under this Lease. At its sole and absolute discretion, City may determine that any Sublease or Assignment that does not comply with this Section is void and, at City’s option, shall constitute a material Event of Default by Tenant under this Lease. City’s acceptance of any Rent or other payments from a proposed Transferee shall not constitute City’s consent to such Sublease or Assignment or its recognition of any Transferee, or its waiver of any failure of Tenant or other transferor to comply with this Section.

16.6 Assumption by Transferee

Each authorized Transferee shall assume all of Tenant’s obligations under this Lease and shall be and remain liable jointly and severally with the assignor or sublessor for the payment of Rent, and for the performance of all of the terms, covenants, and conditions to be performed by Tenant under this Lease. No Assignment shall be binding on City unless Tenant or Transferee shall deliver to City a copy of the fully executed Assignment and the fully executed instrument that contains a covenant of assumption by such Transferee satisfactory in substance and form to City, and consistent with the requirements of this Section. A Transferee’s failure or refusal to execute such instrument of assumption, however, shall not release such Transferee from its liability as set forth above. Tenant shall reimburse City on demand for any of City’s reasonable costs incurred in connection with any proposed Transfer, including the costs of making investigations as to the acceptability of the proposed Transferee and legal costs incurred in connection with the granting of any requested consent.

16.7 Indemnity for Relocation Benefits

Without limiting **Section 16.6** (Assumption by Transferee), Tenant shall cause any authorized Transferee to expressly waive entitlement to any and all relocation assistance and benefits in connection with this Lease. Tenant shall Indemnify City and the other Indemnified Parties for any and all Losses arising out of any relocation assistance or benefits payable to any Transferee.

16.8 IPM Plan and Form CMD-12B-101

As a condition to any Assignment or Sublease, the approved Transferee shall execute Form CMD 12B-101 (as such term is defined in **Section 25.24** (Non Discrimination in City Contracts and Benefits Ordinance)) with supporting documentation and secure the CMD's approval of such form. As a condition to any Assignment or Sublease, the approved Transferee shall assume the IPM plan of Tenant or submit a new IPM plan in accordance with the requirements of **Section 7.2(j)** (Pesticides Prohibition) or obtain an exemption, through SFPUC. Any transferee must also comply with all other provisions of this Lease, including but not limited to the insurance provisions.

16.9 CourseCo Agreement

The Parties acknowledge and agree that Tenant has entered into a separate management agreement dated March 15, 1996, with CourseCo, Inc., a California corporation ("**CourseCo**"), in form and substance satisfactory to City (the "**CourseCo Agreement**") attached hereto as **Exhibit F**, pursuant to which Tenant has contracted with CourseCo to manage the daily operations of the Premises and supervise the operations and the employees at the Premises, all in accordance with the terms and conditions of this Lease. The Parties acknowledge that City is relying on the special skill, experience and expertise of CourseCo and the principals and employees of CourseCo as a material consideration for entering into this Lease. Accordingly, Tenant shall not terminate, amend, or allow the expiration or termination of the CourseCo Agreement, or any change in "control" (as defined in **Section 16.1**) of the CourseCo Agreement, during the Term without the prior written consent of City, which consent shall be governed by this **Article 16** when such action is in connection with an Assignment.

17. DEFAULT; REMEDIES

17.1 Events of Default

Any of the following shall constitute an event of default ("**Event of Default**") by Tenant under this Lease:

(a) Rent

Any failure to pay any Rent or other sums as and when due, provided Tenant shall have a period of three (3) days from the effective date of City's written notice of such failure within which to cure any default in the payment of Rent or other sums; provided, however, that City shall not be required to provide such notice regarding Tenant's failure to make such payments when due more than twice during any calendar year, and any such failure by Tenant after Tenant has received two such notices in any calendar year from City shall constitute a default by Tenant under this Lease without any requirement on the part of City to give Tenant notice of such failure or an opportunity to cure except as may be required by Section 1161 of the California Code of Civil Procedure;

(b) Capital Improvement Fund

Failure to make any required deposit into the Capital Improvement Fund as required by **Section 8.4**, or any withdrawal from the Capital Improvement Fund which is not in accordance with **Section 8.4**.

(c) Termination or Amendment of CourseCo Agreement

Termination, expiration or amendment of the CourseCo Agreement, or a change in control of CourseCo, without City's prior written consent;

(d) Covenants, Conditions, and Representations

Any failure to perform or comply with any other covenant, condition, or representation made under this Lease, provided Tenant shall have a period of fifteen (15) days from the effective date of City's written notice of such failure within which to cure such default under this Lease, or, if such default is not capable of cure within such 15-day period, Tenant shall have a reasonable period to complete such cure if Tenant promptly undertakes action to cure such default within such 15-day period and thereafter diligently prosecutes the same to completion and Tenant uses its best efforts to complete such cure within sixty (60) days after the receipt of notice of default from City; provided further, however, that upon the occurrence during the Term of two defaults of the same obligation City shall not be required to provide any notice regarding Tenant's failure to perform such obligation, and any subsequent failure by Tenant after Tenant has received two such notices shall constitute a default by Tenant under this Lease without any requirement on the part of City to give Tenant notice of such failure or an opportunity to cure;

(e) Vacation or Abandonment

Any vacation or abandonment of the Premises for more than fourteen (14) consecutive days; and

(f) Bankruptcy

The appointment of a receiver to take possession of all or substantially all of the assets of Tenant, or an assignment by Tenant for the benefit of creditors, or any action taken or suffered by Tenant under any insolvency, bankruptcy, reorganization, moratorium, or other debtor relief act or statute, whether now existing or hereafter amended or enacted, if any such receiver, assignment, or action is not released, discharged, dismissed, or vacated within sixty (60) days.

17.2 Remedies

Upon the occurrence of an Event of Default by Tenant, City shall have the following rights and remedies, in addition to all other rights and remedies available to City at Law or in equity:

(a) Terminate Lease and Recover Damages

The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate Tenant's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Base Rent and Additional Charges for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Tenant proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2. City's

efforts to mitigate the damages caused by Tenant's breach of this Lease shall not constitute a waiver of City's rights to recover damages upon termination.

(b) Continue Lease and Enforce Rights

The rights and remedies provided by California Civil Code Section 1951.4 (continuation of lease after breach and abandonment), which allows City to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due, for so long as City does not terminate Tenant's right to possession, if Tenant has the right to sublet or assign, subject only to reasonable limitations. For purposes of this Lease, none of the following shall constitute a termination of Tenant's right of possession: acts of maintenance or preservation; efforts to relet the Premises, the appointment of a receiver upon City's initiative to protect its interest under this Lease; or withholding consent to an Assignment or Sublease, or terminating an Assignment or Sublease if the withholding or termination does not violate the rights of Tenant specified in subdivision (b) of California Civil Code Section 1951.4. If City exercises its remedy under California Civil Code Section 1951.4, from time to time, City may sublet any part of the Premises for such term or terms (which may extend beyond the Term) and at such rent and upon such other terms as City may deem advisable at its sole discretion, with the right to make alterations and repairs to the Premises. Upon each such subletting, in addition to Base Rent and Additional Charges due under this Lease, Tenant shall be immediately liable for payment to City of the cost of such subletting and such alterations and repairs incurred by City and the amount, if any, by which the Base Rent and Additional Charges owing under this Lease for the period of such subletting (to the extent such period does not exceed the Term) exceeds the amount to be paid as Base Rent and Additional Charges for the Premises for such period pursuant to such subletting. No action taken by City pursuant to this Subsection shall be deemed a waiver of any Tenant default and, notwithstanding any such subletting without termination, at any time thereafter, City may elect to terminate this Lease for such previous default.

(c) Appointment of Receiver

The right to have a receiver appointed for Tenant upon application by City to take possession of the Premises, operate the business, and apply any revenue collected from the Premises to Rent and other obligations of Tenant under the Lease, and to exercise all other rights and remedies granted to City pursuant to this Lease.

17.3 City's Right to Cure Tenant's Defaults

If Tenant defaults in the performance of any of its obligations under this Lease, then, at any time thereafter, City may remedy such Event of Default for Tenant's account and at Tenant's expense by giving Tenant at least three (3) days' prior oral or written notice (except in the event of an emergency as determined by City, when no such notice shall be required). Promptly upon demand, Tenant shall pay to City, as Additional Rent, all sums expended by City, or other costs, damages, expenses, or liabilities incurred by City, including reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Tenant's obligations under this Section shall survive the termination of this Lease. Nothing in this Lease shall imply any duty of City to do any act that Tenant is obligated to perform under any provision of this Lease, and City's cure or attempted cure of Tenant's Event of Default shall not constitute a waiver of Tenant's Event of Default or any of City's rights or remedies on account of such Event of Default.

17.4 Special Administrative Charges.

Without limiting City's other rights and remedies set forth in this Lease, at law, or in equity, if Tenant (i) constructs or installs any Alteration without City's written approval as

required by **Section 8** (Improvements and Alterations) of this Lease, **(ii)** fails to make a repair required by **Section 9** (Repairs and Maintenance) on a timely basis, or **(iii)** fails to provide evidence of the required insurance coverage described in **Section 19** (Insurance) below on a timely basis, then, upon City's written notice of such failure or unauthorized action, Tenant shall pay, as Additional Charges, the respective amount specified in the table below in consideration of City's administrative cost and expense in providing notice or performing inspections. If Tenant fails to remove the unauthorized Alteration and restore the Premises or perform the necessary repair or provide the necessary document, as applicable, within the time period set forth in such notice and City delivers to Tenant additional written notice requesting such document or evidence of such repair, or performs additional inspections to verify compliance, then Tenant shall pay to City, as Additional Charges, the respective amount specified in the table below for each additional written notice City delivers to Tenant requesting such corrective action.

<u>Violation</u>	<u>Lease Section</u>	<u>Initial inspection and/or notice</u>	<u>Follow up inspection and/or notice</u>
Construction of Alterations that are not approved by City	8	\$700.00	\$800.00
Failure to make required repairs	9	\$600.00	\$700.00
Failure to obtain/maintain insurance	19	\$600.00	\$700.00

Such administrative fees shall be due and payable as Additional Rent. The parties agree that the charges set forth in this Section represent a fair and reasonable estimate of the administrative cost and expense that City will incur in connection with providing notices or performing inspections as set forth above and that City's right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights under this Lease, at law or in equity. City may increase such administrative fees from time to time, but in no event more than once in any calendar year.

18. WAIVER OF CLAIMS; INDEMNIFICATION

18.1 Waiver of Claims

Tenant covenants and agrees that City shall not be responsible for, or liable to Tenant for, and, to the fullest extent allowed by Law, Tenant hereby waives all rights against City and its Agents and releases City and its Agents from, any and all Losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident, or death of any person or loss or damage to any property, in or about the Premises or any other City property, from any cause whatsoever. Nothing in this Lease shall relieve City from liability caused solely and directly by the gross negligence or willful misconduct of City or its Agents, but City shall not be liable under any circumstances for any consequential, incidental, or punitive damages. Without limiting the foregoing:

(a) Tenant expressly acknowledges and agrees that the Rent payable under this Lease does not take into account any potential liability of City for any consequential or incidental damages including lost profits arising out of disruption to any Improvements or Tenant's uses of the Premises pursuant to this Lease. City would not be willing to enter into this Lease in the absence of a complete waiver of liability for consequential or incidental damages

resulting from the acts or omissions of City or its Agents, and Tenant expressly assumes the risk with respect to such acts or omissions. Accordingly, without limiting any of Tenant's indemnification obligations or other waivers contained in this Lease and as a material part of the consideration for this Lease, Tenant fully RELEASES, WAIVES, AND DISCHARGES forever any and all claims, demands, rights, and causes of action against City for consequential and incidental damages (including lost profits), and covenants not to sue for such damages City, its departments, commissions, officers, directors, and employees, and all persons acting by, through or under each of them, arising out of this Lease or the uses authorized by this Lease, including any interference with uses conducted by Tenant pursuant to this Lease regardless of the cause, and whether or not due to the negligence or gross negligence of City or its Agents.

(b) In connection with the foregoing releases, Tenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Tenant acknowledges that the releases contained in this Lease include all known and unknown, disclosed and undisclosed, and anticipated and unanticipated claims. Tenant realizes and acknowledges that it has agreed upon this Lease in light of this realization and, being fully aware of this situation, it nevertheless intends to waive the benefit of California Civil Code Section 1542, or any statute or other similar law now or later in effect. Tenant's releases contained in this Lease shall survive any termination of this Lease.

18.2 Tenant's Indemnity

On behalf of itself and its successors and assigns, Tenant shall Indemnify City and the other Indemnified Parties from and against any and all Losses incurred in connection with or arising directly or indirectly, in whole or in part, out of: (a) any accident, injury to, or death of a person, including Tenant's Agents and Invitees, or loss of or damage to property (including the SFPUC Facilities) howsoever or by whomsoever caused, occurring in or on the Premises; (b) any default by Tenant in the observation or performance of any of the terms, covenants, or conditions of this Lease to be observed or performed on Tenant's part; (c) the use, occupancy, conduct, or management, or manner of use, occupancy, conduct, or management by Tenant, its Agents, or its Invitees or any person or entity claiming through or under any of them, of the Premises; (d) the condition of the Premises; (e) any construction or other work undertaken by Tenant on or about the Premises whether before or during the Term; or (f) any acts, omissions, or negligence of Tenant, its Agents, or its Invitees, or of any trespassers, in, on, or about the Premises; all regardless of the sole negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on, the Indemnified Parties, except to the extent that such Indemnity is void or otherwise unenforceable under applicable Law in effect on or validly retroactive to the date of this Lease and further except only such Losses as are caused exclusively by the gross negligence and intentional wrongful acts and omissions of the Indemnified Parties. The foregoing Indemnity shall include reasonable fees of attorneys, consultants, and experts and related costs and City's costs of investigating any Loss. Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend City and the other Indemnified Parties from any claim that actually or potentially falls within this indemnity provision even if such allegation is or may be groundless, fraudulent, or false, which obligation arises at the time such claim is tendered to Tenant by City and continues at all times thereafter. Tenant's obligations under this Section shall survive the expiration or sooner termination of the Lease.

19. INSURANCE

19.1 Tenant's Insurance

Throughout the Term of this Lease, Tenant shall procure and maintain at its expense, and cause any contractor performing work on the Premises to procure and maintain at its expense, insurance in the following amounts and coverages:

(a) Property Insurance

Tenant shall procure and maintain property insurance, on the Improvements, personal property, merchandise, and equipment related to the business, on an all-risk form for one hundred percent (100%) of the full insurable value of the Premises including the Improvements with any deductible not to exceed Ten Thousand Dollars (\$10,000) each occurrence. Such insurance shall include Tenant and City as their respective interests may appear. Tenant shall further procure and maintain business income (business interruption) insurance and extra expense coverage with coverage amounts that will reimburse Tenant for all direct or indirect loss of income and charges and costs incurred arising out of all perils insured against by Tenant's property insurance coverage, including prevention of, or denial of use of or access to, all or part of the Premises, as a result of those perils. Such insurance shall also cover business interruptions due to failures or interruptions in telecommunications services, strikes, employee lockouts, riots, or other civil commotion. The business income and extra expense coverage shall be issued by the insurer that issues Tenant's all-risk property insurance, shall provide coverage for no less than twelve (12) months of the loss of income, charges, and costs contemplated under the Lease and shall be carried in amounts necessary to avoid any coinsurance penalty that could apply. "Full insurable value" shall (i) mean the actual replacement cost of the Improvements (excluding foundation and excavation costs but without deduction for physical depreciation) and (ii) be determined at the inception, and each renewal of, policy coverage by the insurer(s) selected and paid by Tenant and reasonably acceptable to City; provided, however, that, at any time, City may ascertain the full insurable value at its own expense, except that if such full insurable value exceeds the value of the then existing amount of insurance coverage procured by Tenant, Tenant shall pay the expense of determining the full insurable value.

(b) Boiler and Machinery Insurance

Tenant shall procure and maintain boiler and machinery insurance, commercial form, covering damage to pressure vessels, heating and air conditioning systems, electrical apparatus, and similar property in an amount not less than One Million Dollars (\$1,000,000) each accident, including Tenant and City as named insureds as their respective interests may appear, with any deductible not to exceed Ten Thousand Dollars (\$10,000) each accident.

(c) Commercial General Liability Insurance

Tenant shall procure and maintain and cause any contractor performing work on the Premises to procure and maintain commercial general liability insurance with limits not less than Three Million Dollars (\$3,000,000) each occurrence combined single limit for bodily injury and broad-form all perils property damage, including contractual liability, independent contractors, liquor liability, personal injury, products, completed operations, and no exclusion for explosion, collapse and underground (XCU).

(d) Builder's Risk Insurance

During construction of any Alteration consisting of construction or modification of a structure and costing more than One Hundred Thousand Dollars (\$100,000), Tenant shall

procure and maintain or cause its contractor to procure and maintain builder's risk insurance on an all-risk form for one hundred percent (100%) of the completed value of the Alteration, including materials in transit and storage off-site, if such construction is beyond the scope of the coverage in Tenant's property policy for remodeling or renovation. Such policy shall name as insureds Tenant, City, any contractor in connection with such construction and subcontractors of all tiers, with any deductible not to exceed Ten Thousand Dollars (\$10,000) each occurrence. Any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed

(e) Worker's Compensation Insurance

Tenant shall procure and maintain and cause any contractor performing work on the Premises to procure and maintain workers' compensation insurance in statutory amounts, with employer's liability coverage not less than One Million Dollars (\$1,000,000) each accident. Regarding workers' compensation, Tenant waives subrogation which any insurer of Tenant may acquire from Tenant by virtue of the payment of any loss. Tenant shall include in any contract between Tenant and a contractor for work to be performed on the Premises a provision by which the contractor waives subrogation which any insurer of the contractor may acquire from the contractor by virtue of the payment of any workers' compensation loss. Each workers' compensation policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by Tenant and its Agents related to this Lease or the Premises.

(f) Business Automobile Liability

Tenant shall procure and maintain and cause any contractor performing work on the Premises to procure and maintain business automobile liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including owned, non-owned, and hired vehicles as applicable, if Tenant or the contractor uses or causes to be used any vehicles in connection with its use of the Premises.

(g) Environmental Pollution Liability

Tenant shall procure and maintain during the Term, and shall cause any contractor performing Hazardous Material Remediation on the Premises to procure and maintain, pollution legal liability, environmental remediation liability and other environmental insurance, including coverage for bodily injury, sickness, disease, mental anguish or shock sustained by any person, including death; Environmental Damages; property damage including but not limited to physical injury to or destruction of tangible property including the resulting loss of use thereof, cleanup costs, and the loss of use of tangible property that has not been physically injured or destroyed; defense costs, charges and expenses incurred in the investigation, adjustment of defense claims for such compensatory damages; sudden and non-sudden pollution conditions including the discharge, dispersal, release or escape of Hazardous Material into or upon the Premises, other City property, Tenant's Alterations, the atmosphere or watercourse or body of water, which results in Environmental Damages; transportation coverage for the hauling of any Hazardous Material by Tenant or Tenant's contractors or Agents, from the Premises to the final disposal location; and first party environmental remediation that pays for the cost of cleanup and remediation of the Premises or any Alterations required to comply with all applicable Laws. Such insurance shall be endorsed to provide third party disposal site coverage that covers third party bodily injury, property damage and cleanup coverage for pollution conditions emanating from a disposal site or landfill used by the Tenant or Tenant's Agents. Tenant shall maintain limits no less than: One Million Dollars (\$1,000,000) per accident and Two Million Dollars (\$2,000,000) annual aggregate for bodily injury and property damage. The City and its officers, commissioners, agents, volunteers and employees shall be included as additional insureds and as

loss payees under the pollution legal liability/environmental remediation/cleanup liability insurance policy.

(h) Licensed professionals (i.e., architects, engineers, certified public accountants, etc.) shall provide professional liability insurance with limits not less than \$1,000,000 each claim with respect to negligent acts, errors or omissions in connection with professional services to be provided to Tenant under this Lease or to the Premises.]

(h) Other Insurance

City reserves the right to change amounts and types of insurance as permitted use of the property may change from time to time.

19.2 General Requirements

(a) All insurance provided for under this Lease shall be effected under valid enforceable policies issued by insurers of recognized responsibility and reasonably approved by City.

(b) Should any of the required insurance be provided under a claims-made form, Tenant shall maintain such coverage continuously throughout the Term and, without lapse, for a period of three (3) years beyond the expiration or termination of this Lease, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Lease, such claims shall be covered by such claims-made policies.

(c) Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general aggregate limit shall be double the occurrence or claims limits specified above.

(d) All liability insurance policies required by this Lease shall be endorsed to:

(i) Name City, its officers, agents, and employees, as additional insureds, as their respective interests may appear with respect to the Premises or under this Lease.

(ii) Provide that such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Lease, and that insurance applies separately to each insured against whom claim is made or suit is brought, except with respect to the insurer's limit of liability.

(e) Each insurance policy required pursuant to **Section 19.1 (Tenant's Insurance)** shall be issued by an insurance company licensed in the State of California and with a general policyholders' rating of "A-" or better and a financial size ranking of "Class VIII" or higher in the most recent edition of Best's Insurance Guide.

(f) All insurance policies required to be maintained by Tenant under this Lease shall be endorsed to provide written notice of cancellation, material reduction in coverage, or material depletion of insurance limits for any reason, including intent not to renew or to reduce coverage to both Tenant and City. Tenant shall provide a copy of any notice of intent to cancel or materially reduce, or cancellation, material reduction, or depletion of, its required coverage to City within one business day of Tenant's receipt and take prompt action to prevent cancellation, material reduction, or depletion of coverage, reinstate or replenish the cancelled, reduced, or depleted coverage, or obtain the full coverage required by **Section 19.1 (Tenant's Insurance)** from a different insurer meeting the qualifications of this Section.

19.3 Proof of Insurance; Failure to Provide

On or before the Commencement Date, Tenant shall deliver to City certificates of insurance and additional insured policy endorsements from insurers evidencing the coverages required by this Lease in a form satisfactory to City, together with complete copies of the policies promptly upon City's request, and Tenant shall provide City with certificates thereafter at least ten (10) days before the expiration dates of expiring policies. Tenant and its contractors shall submit or cause their respective insurance brokers to submit requested information through the Exigis insurance verification program designated by City or any successor program used by City for verification of tenant and contractor insurance coverage. If Tenant or its contractors fail to procure required insurance, or to deliver such policies, certificates or information, at its option, City may procure the same for Tenant's account, and Tenant shall pay City the resulting cost within five (5) business days after delivery to Tenant of invoices reflecting the amounts so paid by City.

19.4 Review of Insurance Requirements

Tenant and City shall periodically review the limits and types of insurance carried pursuant to **Section 19.1** (Tenant's Insurance). If the general commercial practice in the City and County of San Francisco is to carry insurance in an amount or coverage materially greater than the amount or coverage then being carried by Tenant with respect to risks comparable to those associated with the Premises, then, at City's option, Tenant shall increase at its sole cost the amounts or coverages carried by Tenant to conform to such general commercial practice.

19.5 No Limitation on Indemnities

Tenant's compliance with the provisions of this Section shall not relieve or decrease in any way Tenant's indemnification obligations under **Sections 18.2** (Tenant's Indemnity) and **23.2** (Tenant's Environmental Indemnity), or any of Tenant's other obligations or liabilities under this Lease.

19.6 Lapse of Insurance

Notwithstanding anything to the contrary in this Lease, at City's sole and absolute discretion, City may elect to terminate this Lease upon the lapse of any required insurance coverage by written notice to Tenant.

19.7 City's Self Insurance

Tenant acknowledges that City self-insures against casualty, property damage and public liability risks and agrees that City may at its sole election, but shall not be required to, carry any third party insurance with respect to the Premises or otherwise.

19.8 Waiver of Subrogation

Notwithstanding anything to the contrary in this Lease, City and Tenant (each a "**Waiving Party**") each hereby waives any right of recovery against the other Party for any loss or damage relating to the Premises or any operations or contents in or on the Premises, whether or not such loss is caused by the fault or negligence of such other Party, to the extent such loss or damage is covered by any insurance policy that is required to be purchased by the Waiving Party under this Lease (or would have been covered had such Waiving Party carried the required insurance) or is actually covered by any insurance policy held by the Waiving Party or its agents. Each Waiving Party agrees to obtain a waiver of subrogation rights endorsement from applicable

insurance carriers issuing policies relating to the Premises; provided, the failure to obtain any such endorsement shall not affect the above waiver.

20. ACCESS BY CITY

20.1 Access to Premises by City

(a) General Access

City reserves for itself and its designated Agents the right to enter any portion of the Premises at all reasonable times upon not less than forty-eight (48) hours' oral or written notice to Tenant (except in the event of an emergency) for any purpose.

(b) Emergency Access

In the event of any emergency, as determined by City, at its sole option and without notice, City may enter the Premises and alter or remove Tenant's Personal Property and any Improvements, including any Alterations, on or about the Premises. City may use any and all means City considers appropriate to gain access to any portion of the Premises in an emergency. In such case, City shall not be responsible for any damage or injury to any such property, nor for the replacement of any such property and any such emergency entry shall not be deemed to be a forcible or unlawful entry onto or a detainer of, the Premises, or an eviction, actual or constructive, of Tenant from any portion of the Premises.

(c) No Liability

City shall not be liable in any manner, and Tenant hereby waives any claims, for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of City's entry onto the Premises, except damage resulting directly and exclusively from the gross negligence or willful misconduct of City or its Agents and not contributed to by the acts, omissions, or negligence of Tenant, its Agents, or its Invitees.

(d) No Abatement

Tenant shall not be entitled to any abatement in Rent if City exercises any rights reserved in this Section.

(e) Minimize Disruption

City shall use its reasonable good faith efforts to conduct any activities on the Premises allowed under this Section in a manner that, to the extent practicable, will minimize any disruption to Tenant's use of the Premises pursuant to this Lease.

20.2 Pipeline and Utility Installations

Without limiting Section 20.1 (Access to Premises by City), at all times, City may enter upon the Premises upon forty-eight (48) hours' advance, written or oral notice (except in cases of emergency as determined by City), to inspect, use, install, construct, repair, maintain, operate, replace, and remove SFPUC Facilities or any other public utility facilities. City shall bear the expense of any such activities, unless the need is occasioned by the acts, omissions, or negligence of Tenant, its Agents, or its Invitees. City shall not be responsible for any temporary loss or disruption of Tenant's use of the Premises occasioned by any such facility installations or other activities.

20.3 Roadways

City and its Agents may enter upon and pass through and across the Premises on any existing or future roadways and as City otherwise determines necessary or appropriate for purposes related to the inspection, operation, construction, maintenance, repair, or replacement of the SFPUC Facilities.

21. ESTOPPEL CERTIFICATES

From time to time during the Term, upon not less than twenty (20) days' prior, written request from a Party, the other Party shall execute, acknowledge, and deliver to the requesting Party, or such persons or entities designated by such requesting Party, a statement in writing certifying: (a) the Expiration Date of this Lease; (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications); (c) that there are no known defaults under this Lease (or if so, specifying the same); and (d) the dates, if any, to which the Rent has been paid. Any such certificate shall be in one of the forms attached as **Exhibit C**, and may be relied upon by the requesting Party or any prospective purchaser or Encumbrancer of its estate. The General Manager shall be authorized to execute, acknowledge, and deliver any such certificates requested of City.

22. SURRENDER

22.1 Surrender of the Premises

Upon the Expiration Date or any earlier termination of this Lease pursuant to its terms, Tenant shall surrender to City the Premises, in good condition, order, and repair, free from debris and hazards, and free and clear of all liens, easements, and other Encumbrances created or suffered by, through, or under Tenant. On or before the Expiration Date or any earlier termination of this Lease, at its sole cost, Tenant shall remove from the Premises any and all of Tenant's Personal Property and any Improvements installed by or for Tenant that City has required in writing be removed from the Premises. In addition, at its sole expense, Tenant shall repair any damage to the Premises resulting from the removal of any such Tenant's Personal Property and Improvements and restore the Premises to their condition immediately prior to the presence of such items. In connection with any such repair, Tenant shall obtain any and all necessary permits and approvals, including any environmental permits, and execute any manifests or other documents necessary to complete the demolition, removal, or restoration work required by this Lease. Tenant's obligations under this Section shall survive the expiration or other termination of this Lease. At City's option, any items of Tenant's Personal Property remaining on or about the Premises after the Expiration Date or sooner termination of this Lease may be deemed abandoned and, in such case, City may assume ownership of such property or dispose of such property in accordance with Section 1980 et seq. of the California Civil Code or in any other manner allowed by Law.

If Tenant fails to surrender the Premises to City on the Expiration Date or earlier termination of the Term as required by this Section, Tenant shall Indemnify City against all resulting Losses, including Losses incurred by a succeeding tenant resulting from Tenant's failure to surrender the Premises as required by this Section.

Tenant hereby waives any and all rights, benefits, or privileges of the California Relocation Assistance Law, California Government Code Sections 7260 et seq., the Uniform Relocation Assistance and Real Property Acquisition Policies Act, 42 U.S.C. Sections 4601 et seq., or under any similar Law now or hereafter in effect, except as provided in **Section 15** (Eminent Domain).

22.2 Automatic Reversion

Upon the Expiration Date or earlier termination of this Lease, the Premises shall automatically, and without further act or conveyance on the part of Tenant or City, become City's property, free and clear of all liens and Encumbrances and without payment therefor by City and shall be surrendered to City upon such date. Upon or at any time after the date of termination of this Lease, if requested by City, Tenant shall promptly deliver to City, without charge, a quitclaim deed to the Premises suitable for recordation and any other instrument reasonably requested by City to evidence or otherwise effect the termination of Tenant's leasehold estate under this Lease and to effect such transfer or vesting of title to the Premises.

23. HAZARDOUS MATERIAL

23.1 No Hazardous Material

Tenant covenants and agrees that neither Tenant nor any of its Agents or Invitees shall cause or permit any Hazardous Material to be brought upon, kept, used, stored, generated, or disposed of in, on, or about the Premises or any Alterations or transported to or from the Premises or any Alterations. Notwithstanding the foregoing, Tenant is permitted to bring onto the Premises (i) motorized vehicles, containing fuel in the fuel tanks and motor oil, for the authorized uses described in this Lease, and (ii) fertilizer, pesticides and other materials and products that may contain material considered hazardous, of such types and in such quantities as are necessary for golf course operation, maintenance, construction or repair purposes, provided that any such products and materials shall be used, stored, and disposed of with due care, in compliance with all applicable Environmental Laws, all applicable provisions of this Lease (including an IPM plan approved in accordance with **Section 7.2(j)**), and SFPUC's reasonable requirements. Any storage of fuel on the Premises, other than in vehicle fuel tanks, shall require SFPUC's prior written consent, which may be granted or withheld at SFPUC's sole discretion. Tenant shall immediately notify City if and when Tenant learns or has reason to believe there has been any Release of Hazardous Material in, on, or about the Premises or any Alterations. From time to time, City may request that Tenant provide adequate information for City to determine that any Hazardous Material permitted by this Lease is being handled in compliance with all applicable Environmental Laws, and Tenant shall promptly provide all such information. Without limiting **Section 20** (Access by City), City and its Agents may inspect the Premises for Hazardous Material and compliance with the provisions of this Lease at all reasonable times upon reasonable, advance, oral or written notice to Tenant (except in the event of an emergency).

23.2 Tenant's Environmental Indemnity

If Tenant breaches any of its obligations contained in **Section 23.1** (No Hazardous Material), or, if any act, omission, or negligence of Tenant or any of its Agents or Invitees results in any Release of Hazardous Material in, on, under, or about the Premises (including any existing Improvements on the Premises), any Alterations, or any other City property, without limiting Tenant's general Indemnity contained in **Section 18.2** (Tenant's Indemnity), Tenant, on behalf of itself and its successors and assigns, shall Indemnify City and the Indemnified Parties, and each of them, from and against all Hazardous Material Claims arising during or after the Term and relating to such Release. The foregoing Indemnity includes all costs associated with the Investigation and Remediation of Hazardous Material and with the restoration of the Premises or any other City property to its prior condition including fines and penalties imposed by regulatory agencies, natural resource damages and losses, and revegetation of the Premises or other City property. Without limiting the foregoing, if Tenant or any of Tenant's Agents or Invitees, causes or permits the Release of any Hazardous Material in, on, under, or about the Premises or any other City property, immediately and at no expense to City, Tenant shall take any and all appropriate actions to return the Premises or other City property affected thereby to the condition existing prior to such Release and otherwise Investigate and Remediate the Release in

accordance with all Environmental Laws. Tenant shall provide City with written notice of, and afford City a full opportunity to participate in, any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, permit, approvals, or other compromise or proceeding involving Hazardous Material.

24. SECURITY DEPOSIT

24.1 Security Deposit

On or before the Effective Date, Tenant shall pay to City the sum specified for the security deposit in the Basic Lease Information as security for the faithful performance of all terms, covenants, and conditions of this Lease. City may (but shall not be required to) apply the security deposit in whole or in part to remedy any damage to the Premises or SFPUC Facilities caused by Tenant, its Agents, or its Invitees to pay any fines assessed against Tenant under this Lease, or for any other failure of Tenant to perform any other terms, covenants, or conditions contained in this Lease, without waiving any of City's other rights and remedies under this Lease, at Law, or in equity. Should City use any portion of the security deposit to cure any Event of Default by Tenant or pay any fine of Tenant, then Tenant shall immediately replenish the security deposit to the original amount, and Tenant's failure to do so within five (5) days of City's request shall constitute a material Event of Default under this Lease. City's obligations with respect to the security deposit are solely that of debtor and not trustee. City shall not be required to keep the security deposit separate from its general funds, and Tenant shall not be entitled to any interest on such deposit. The amount of the security deposit shall not be deemed to limit Tenant's liability for the performance of any of its obligations under this Lease.

24.2 Performance Bond; Letter of Credit

In lieu of, or in replacement of, the security deposit provided in **Section 24.1** above, Tenant may deliver to City at any time during the Term a "clean" (i.e. unconditional), irrevocable letter of credit issued by a financial institution acceptable to SFPUC's General Manager and in form approved by the City Attorney with an original term of no less than one year and automatic extensions through the end of the Term of this Lease and thirty (30) days thereafter. Tenant shall keep such letter of credit, at its expense, in full force and effect until the sixtieth day after the Expiration Date or other termination hereof, to insure the faithful performance by Tenant of all of the covenants, terms and conditions of this Lease. Such letter of credit shall provide thirty (30) days' prior written notice to City of cancellation or material change thereof. In the event of any non-extension of the letter of credit, Tenant shall replace such security with another form permitted hereunder at least ten (10) days prior to expiration and if Tenant fails to do so City shall be entitled to present its written demand for payment of the entire face amount of such letter of credit and to hold the funds so obtained as the Security Deposit required hereunder. Any unused portion of the funds so obtained by City shall be returned to Tenant upon replacement of the letter of credit or deposit of cash security in the full amount required hereunder.

25. GENERAL PROVISIONS

25.1 Notices

Except as otherwise expressly provided in this Lease, any notice, consent, request, or approval given under or pursuant to this Lease shall be effective only if in writing and given by delivering such notice, consent, request, or approval in person or by sending it first-class or certified mail with a return receipt requested or via reliable commercial overnight courier, return receipt requested, with postage prepaid, to: **(a)** Tenant **(i)** at Tenant's address(es) set forth in the Basic Lease Information, if sent before Tenant's taking possession of the Premises, or **(ii)** at the Premises if sent on or subsequent to Tenant's taking possession of the Premises, or **(iii)** at any

place where Tenant or any Agent of Tenant may be found if sent subsequent to Tenant's vacating, abandoning, or surrendering the Premises; or (b) City at City's address set forth in the Basic Lease Information; or (c) to such other address as either City or Tenant may designate as its new address for such purpose by notice given to the other Party in accordance with the provisions of this Section at least ten (10) days before the effective date of such change. A properly addressed notice, consent, request, or approval transmitted by one of the foregoing methods shall be deemed received upon the confirmed date of delivery, attempted delivery, or rejected delivery, whichever occurs first. Any facsimile numbers provided are for convenience of communication and neither Party may give an official or binding notice, consent, request, or approval by facsimile. The effective time of a notice, consent, request, or approval shall not be affected by the receipt, prior to receipt of the original, of a telefacsimile copy of the notice, consent, request, or approval.

25.2 No Implied Waiver

No failure by City to insist upon the strict performance of any Tenant obligation under this Lease or to exercise any right, power, or remedy arising out of a breach, irrespective of the length of time for which such failure continues, no acceptance of full or partial Base Rent or Additional Charges during the continuance of any such breach, or possession of the Premises before the expiration of the Term by any Agent of City, shall constitute a waiver of such breach or of City's right to demand strict compliance with such term, covenant, or condition or operate as a surrender of this Lease. No express written waiver of any default or the performance of any provision of this Lease shall affect any other default or performance, or cover any other period of time, other than the default, performance, or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision of this Lease shall not be deemed to be a waiver of a subsequent default or performance. City's consent given in any instance under the provisions of this Lease shall not relieve Tenant of any obligation to secure City's consent in any other or future instance under this Lease.

25.3 Amendments

Neither this Lease, nor any term or provision of this Lease, may be changed, waived, discharged, or terminated, except by a written instrument signed by the Parties.

25.4 Authority

If Tenant signs as a corporation, partnership, or limited liability company, each of the persons executing this Lease on behalf of Tenant does hereby covenant and warrant that Tenant is a duly authorized and existing entity, that Tenant has done and is qualified to do business in California, that Tenant has full right and authority to enter into this Lease, and that each and all of the persons signing on behalf of Tenant are authorized to do so. Upon City's request, Tenant shall provide City with evidence reasonably satisfactory to City confirming the foregoing representations and warranties.

25.5 Joint and Several Obligations

The word "Tenant" as used in this Lease shall include the plural as well as the singular. If there is more than one Tenant, the obligations and liabilities under this Lease imposed on Tenant shall be joint and several.

25.6 Interpretation of Lease

The captions preceding the sections and subsections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated

at arm's length and between persons sophisticated and knowledgeable in the matters dealt with in this Lease and has been drafted through a cooperative effort of both Parties, with both Parties having the opportunity to have the Lease reviewed and revised by legal counsel. Accordingly, neither Party shall be considered the drafter of this Lease and this Lease shall be interpreted to achieve the intents and purposes of the Parties, without any presumption against the Party responsible for drafting any part of this Lease. Provisions in this Lease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice, or to undertake any other action occurs on a Saturday, Sunday, or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word “including” or similar words shall not be construed to limit any general term, statement, or other matter in this Lease, whether or not language of non-limitation, such as “without limitation” or similar words, are used. Unless otherwise provided in this Lease, whenever City’s consent is required to be obtained by Tenant pursuant to this Lease, City may give or withhold such consent at its sole and absolute discretion.

25.7 Successors and Assigns

Subject to the provisions of **Section 16** (Assignment and Subletting), the terms, covenants, and conditions contained in this Lease shall bind and inure to the benefit of City and Tenant and, except as otherwise provided in this Lease, their personal representatives and successors and assigns; provided, however, that upon any sale, assignment, or transfer by City (or by any subsequent landlord) of its interest in the Premises as owner or lessor, including any transfer by operation of Law, City (or any subsequent landlord) shall be relieved from all subsequent obligations and liabilities arising under this Lease subsequent to such sale, assignment, or transfer.

25.8 Brokers

Except as identified in the Basic Lease Information, neither Party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection with the leasing of the Premises, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with this Lease. Accordingly, any such commission or finder's fee, if due, shall be paid pursuant to a separate written agreement between such broker and the Party through which such broker contracted. If any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings, or communication, the Party through whom the broker or finder makes a claim shall be responsible for such commission or fee and shall indemnify the other Party from any and all Losses incurred by the indemnified Party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

25.9 Severability

If any provision of this Lease or the application of such provision to any person, entity, or circumstance shall be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities, or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the fullest extent permitted by Law, except to the extent that enforcement of this Lease without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Lease.

25.10 Governing Law

This Lease shall be construed and enforced in accordance with the Laws of the State of California and the City’s Charter.

25.11 Entire Agreement

This instrument (including all attached exhibits referenced in this instrument, which are made a part of this Lease) contains the entire agreement between the Parties concerning the subject matter of this Lease and, except for the Original Lease (which will be terminated effective upon the Commencement Date of this Lease) and any surviving obligations under such Original Lease, supersedes all prior written or oral negotiations, discussions, understandings, and agreements. The Parties further intend that this Lease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts and any changes from such drafts) may be introduced in any judicial, administrative, or other legal proceeding involving this Lease. Tenant hereby acknowledges that neither City nor City's Agents have made any representations or warranties with respect to the Premises or this Lease except as expressly set forth in this Lease, and no rights, easements, or licenses are or shall be acquired by Tenant by implication or otherwise unless expressly set forth in this Lease.

25.12 Attorneys' Fees

If either City or Tenant fails to perform any of its obligations under this Lease or if a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting Party or the non-prevailing Party in such dispute, as the case may be, shall pay the prevailing Party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing Party in connection with the prosecution or defense of such action and enforcing or establishing its rights under this Lease (whether or not such action is prosecuted to a judgment). For purposes of this Lease, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the Parties, which may include printing, duplicating, and other expenses, air freight charges, hiring of experts and consultants, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

25.13 Holding Over

Any holding over by or on behalf of Tenant after the expiration of the Term with City's express consent shall be construed to automatically extend the Term on a month-to-month basis with ongoing adjustments in Base Rent on each Adjustment Date as set forth in **Section 5.2** (Adjustments in Base Rent) or at such other Base Rent as determined by City as part of its consent, and shall otherwise be on the terms and conditions specified in this Lease so far as applicable (except for those pertaining to the Term). Any holding over without City's consent shall constitute a default by Tenant, shall be at a Base Rent equal to 150% of the Base Rent in effect at the start of the Holdover, and shall entitle City to exercise any or all of its remedies as provided in this Lease, notwithstanding that City may elect to accept one or more payments of Rent.

25.14 Time of Essence

Time is of the essence with respect to all provisions of this Lease in which a definite time for performance is specified.

25.15 Cumulative Remedies

All rights and remedies of either Party set forth in this Lease shall be cumulative, except as may otherwise be provided in this Lease.

25.16 Financial Statements.

Within 45 days after the end of each Lease Year, Tenant shall provide to City a balance sheet and a detailed profit and loss statement for the Premises for the preceding Lease Year, and a detailed accounting of Gross Revenues and of the Capital Improvement Fund for the preceding Lease Year, all audited by an independent certified public accounting firm approved by City and in form acceptable to City.

25.17 Transition Procedures.

Upon the expiration of the Term or earlier termination of this Lease, for whatever reason, Tenant and City shall do the following (and the provisions of this **Section 25.17** shall survive the expiration or termination of this Lease until they have been fully performed) and, in general, shall cooperate in good faith to effect an orderly transition of the management of the Premises.

(a) Transfer of Licenses.

Upon the expiration or earlier termination of the Lease, Tenant shall use its best efforts (i) to transfer to City or City's nominee all licenses, operating permits and other governmental authorizations and all contracts which City elects to assume, including contracts with governmental or quasi-governmental entities and management contracts, that may be necessary for the operation of the Premises and completion of any repairs, maintenance, or Alterations (collectively, "**Licenses**"), or (ii) if such transfer is prohibited by law or City otherwise elects, to cooperate with City or City's nominee in connection with the processing by City or City's nominee of any applications for, all Licenses; provided, in either case, that the costs and expenses of any such transfer or the processing of any such application shall be paid by City or City's nominee.

(b) Leases and Concessions.

Tenant shall assign to City or City's nominee simultaneously with the termination of this Lease, and the assignee shall assume, all leases, subleases, and concession agreements in effect with respect to the Premises then in Tenant's possession which City or City's nominee elects to assume.

(c) Books and Records.

All books and records for the Premises kept by Tenant shall be delivered promptly to City or City's nominee, simultaneously with the termination or expiration of this Lease, but such books and records shall thereafter be available to Tenant at all reasonable times for inspection, audit examination, and transcription for a period of one year and Tenant may retain (on a confidential basis) copies or computer records thereof.

(d) Tenant's Personal Property.

Tenant shall negotiate in good faith with City or City's nominee for the sale of all or any portion of Tenant's Personal Property which City or City's nominee elects to purchase.

25.18 Survival of Indemnities

Termination of this Lease shall not affect the right of either Party to enforce any and all indemnities and representations and warranties given or made to the other Party under this Lease, nor shall it affect any provision of this Lease that expressly states it shall survive termination of this Lease. Tenant specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Lease, Tenant has an immediate and independent obligation to defend City and the other Indemnified Parties from any claim that actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent, or false, which obligation arises at the time such claim is tendered to Tenant by City and continues at all times thereafter.

25.19 Relationship of Parties

City is not a partner in Tenant's business, or joint venturer or member in any joint enterprise with Tenant, and none of the provisions in this Lease shall be deemed to render City as such a partner, joint venturer, or member. Neither Party shall act as the agent of the other Party in any respect with regard to this Lease, and, except as specifically provided in this Lease, neither Party shall have any authority to commit or bind the other Party without such Party's consent as provided in this Lease. This Lease is not intended nor shall it be construed to create any third-party beneficiary rights in any third party, unless otherwise expressly provided. The granting of this Lease by City does not constitute City's authorization or approval of any activity conducted by Tenant on, in, or relating to the Premises.

25.20 Transfer by City

If City sells or otherwise transfers the Premises, City shall be released from its obligations under this Lease arising on or after the date of such sale or transfer and Tenant shall look solely to City's successor-in-interest with respect to the Premises. Upon City's sale of the Premises, Tenant shall attorn to the purchaser or transferee, such attornment to be effective and self-operative without the execution of any further instruments on the part of the parties to this Lease. This Lease shall not be deemed to constitute any commitment by City, or create any priority or right in favor of Tenant, with regard to any future sale or other disposition of all or any part of the Premises.

25.21 Recording

Tenant shall not record this Lease nor any memorandum or short form of this Lease in the Official Records.

25.22 Non-Liability of City Officials, Employees, and Agents

No elective or appointive board, commission, member, officer, employee, or other Agent of City shall be personally liable to Tenant or its successors and assigns for any City default or breach or for any amount that may become due to Tenant or its successors and assigns, or for any obligation of City under this Lease.

25.23 Wages and Working Conditions

Tenant agrees that any person performing labor in connection with any Alteration at the Premises that is a "public work or improvement," as defined under Section 6.22(e) of the San Francisco Administrative Code or a "public work" as defined under California Labor Code Section 1720 et seq. (which includes certain construction, alteration, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds or the

equivalent of public funds) shall be paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(e) of the San Francisco Administrative Code, and shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Tenant shall include in any contract for such Alterations a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Tenant shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing such labor at the Premises.

Tenant shall also pay, and shall require its subtenants, and contractors and subcontractors (regardless of tier) to pay, prevailing wages for the following activities and services on the Premises as set forth in and to the extent required by San Francisco Administrative Code Chapter 21C: Janitorial Services (as defined in Section 21C.2), Theatrical Services (as defined in Section 21C.4), Trade Show and Special Event Work (as defined in Section 21C.8), and Broadcast Services (as defined in Section 21C.9).

25.24 Non-Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

In the performance of this Lease, Tenant agrees not to discriminate against any Tenant employee, any City employee working with Tenant, or any applicant for employment with Tenant, 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.

(b) Subleases and Other Subcontracts

Tenant shall include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such Subtenant or other subcontractor in substantially the form of Subsection (a) above. In addition, Tenant shall incorporate by reference in all subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all Subtenants and other subcontractors to comply with such provisions. Tenant's failure to comply with the obligations in this Subsection shall constitute a material breach of this Lease.

(c) Non-Discrimination in Benefits

As of the date of this Lease, Tenant does not, and will not during the Term, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for the City or elsewhere within 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 Section 12B.2(b) of the San Francisco Administrative Code.

(d) CMD Form

As a condition to this Lease, Tenant shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the CMD. Tenant hereby represents that prior to execution of this Lease, (i) Tenant executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and (ii) the CMD approved such form.

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth in this Lease. Tenant shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Tenant understands that pursuant to Section 12B.2(h) 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 may be assessed against Tenant and/or deducted from any payments due Tenant.

25.25 Requiring Health Benefits for Covered Employees

Unless exempt, Tenant 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 ("Chapter 12Q"), including the implementing regulations, as the same may be amended or updated from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Lease as though fully set forth in this Lease. The text of the HCAO is currently available on the web at <http://www.sfgov.org/olse/hcao>. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12Q.

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

(b) Notwithstanding the above, if Tenant meets the requirements of a "small business" as described in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with Subsection (a) above.

(c) Tenant's failure to comply with the requirements of the HCAO shall constitute a material breach by Tenant of this Lease. If, within thirty (30) days after receiving City's written notice of a breach of this Lease for violating the HCAO, Tenant fails to cure such breach or, if such breach cannot reasonably be cured within such thirty (30)-day period, Tenant fails to commence efforts to cure within such period, or thereafter fails to diligently pursue such cure to completion, City shall have the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

(d) Any Sublease or Contract regarding services to be performed on the Premises entered into by Tenant shall require the Subtenant or Contractor and Subcontractors, as applicable, to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Tenant shall notify the Purchasing Department when it enters into such a Sublease or Contract and shall certify to the

Purchasing Department that it has notified the Subtenant or Contractor of the obligations under the HCAO and has imposed the requirements of the HCAO on the Subtenant or Contractor through written agreement with such Subtenant or Contractor. Tenant shall be responsible for ensuring compliance with the HCAO by each Subtenant, Contractor and Subcontractor performing services on the Premises. If any Subtenant, Contractor, or Subcontractor fails to comply, City may pursue the remedies set forth in this Section against Tenant based on the Subtenant's, Contractor's, or Subcontractor's failure to comply, provided that the Contracting Department has first provided Tenant with notice and an opportunity to cure the violation.

(e) Tenant shall not discharge, reprimand, penalize, reduce the compensation of, or otherwise discriminate against any employee for notifying City of any issue relating to the HCAO, for opposing any practice proscribed by the HCAO, for participating in any proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) Tenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the requirements of the HCAO.

(g) Tenant shall keep itself informed of the requirements of the HCAO, as they may change from time to time.

(h) Upon City's request, Tenant shall provide reports to City in accordance with any reporting standards promulgated by City under the HCAO, including reports on Subtenants, Contractors, and Subcontractors.

(i) Within five (5) business days after any City request, Tenant shall provide City with access to pertinent records relating to any Tenant's compliance with the HCAO. In addition, City and its Agents may conduct random audits of Tenant at any time during the Term. Tenant shall cooperate with City in connection with any such audit.

25.26 Notification of Limitations on Contributions

By its execution of this Lease, Tenant acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that City elective officer serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, 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. Tenant 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. Tenant further acknowledges that the prohibition on contributions applies to each entity constituting Tenant; each member of Tenant's board of directors, and Tenant's chief executive officer, chief financial officer, and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in Tenant; any subcontractor listed in the contract with City; and any committee that is sponsored or controlled by Tenant. Additionally, Tenant acknowledges that Tenant must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Tenant shall provide City with the names of each person, entity, or committee described above.

25.27 Preservative-Treated Wood Containing Arsenic

Tenant may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Tenant may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Tenant from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

25.28 No Relocation Assistance; Waiver of Claims

Tenant acknowledges that it will not be a displaced person at the time this Lease is terminated or expires by its own terms, and Tenant fully RELEASES, WAIVES, AND DISCHARGES forever any and all claims, demands, rights, and causes of action (including consequential and incidental damages) against, and covenants not to sue, City, its departments, commissions, officers, directors, and employees, and all persons acting by, through, or under each of them, under any Laws, including any and all claims for relocation benefits or assistance from City under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Lease with respect to a Taking.

25.29 MacBride Principles - Northern Ireland

The provisions of San Francisco Administrative Code §12F are incorporated herein by this reference and made part of this Lease. By signing this Lease, Tenant confirms that Tenant has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

25.30 Conflicts of Interest

Through its execution of this Lease, Tenant acknowledges that it is familiar with the provisions of (a) San Francisco Charter Section 15.103; (b) Article III, San Francisco Campaign and Governmental Conduct Code, Chapter 2; and (c) California Government Code Sections 87100 et seq. and Sections 1090 et seq. and certifies that it does not know of any facts that would constitute a violation of said provisions, and agrees that if Tenant becomes aware of any such fact during the Term, Tenant shall immediately notify the City.

25.31 Tropical Hardwood and Virgin Redwood Ban

City urges companies not to import, purchase, obtain, or use for any purpose any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood wood product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Tenant shall not provide any items to the construction of any Alterations, or otherwise in the performance of this Lease that are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. If Tenant fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Tenant shall be liable for liquidated damages for each violation in any amount equal to

Tenant's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater.

25.32 Prohibition of Tobacco Sales and Advertising

Tenant acknowledges and agrees that no advertising or sale of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product.

25.33 Prohibition of Alcoholic Beverage Advertising

Tenant acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product.

25.34 Consents, Approvals, Elections, and Options

Whenever this Lease requires or permits the giving by City or SFPUC of any consent or approval, the General Manager of SFPUC, or his or her designee, shall be authorized to provide such consent or approval, except as otherwise provided by applicable law, including City's Charter, or by SFPUC's Real Estate Guidelines. No consent, approval, election or option shall be effective unless given in writing.

25.35 Counterparts

This Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

25.36 Disclosure

Tenant understands and agrees that the City's Sunshine Ordinance (San Francisco Administrative Code Chapter 67) and the State Public Records Law (California Gov't Code Section 6250 et seq.), apply to this Lease and any and all records, information, and materials submitted to the City in connection with this Lease. Accordingly, any and all such records, information, and materials may be subject to public disclosure in accordance with the City's Sunshine Ordinance and the State Public Records Law. Tenant hereby authorizes the City to disclose any records, information, and materials submitted to the City in connection with this Lease.

25.37 Food Service Waste Reduction

Tenant agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided in that statute, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated in this Lease by reference and made a part of this Permit as though fully set forth in this Lease. This provision is a material term of this Lease. By entering into this Lease, Tenant agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine. Without limiting City's other rights and remedies, Tenant agrees that the sum of One Hundred Dollars (\$100.00) liquidated damages for the first breach, Two Hundred Dollars (\$200.00) liquidated

damages for the second breach in the same year, and Five Hundred Dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Tenant's failure to comply with this provision.

25.38 Bottled Drinking Water

Unless exempt, Tenant agrees to comply fully with and be bound by all of the provisions of the San Francisco Bottled Water Ordinance, as set forth in San Francisco Environment Code Chapter 24, including the administrative fines, remedies, and implementing regulations provided in that statute, as the same may be amended from time to time. The provisions of Chapter 24 are incorporated by reference and made a part of this Lease as though fully set forth.

25.39 Criminal History in Hiring and Employment Decisions

(a) Unless exempt, Tenant agrees to comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions; "**Chapter 12 T**"), which are hereby incorporated as may be amended from time to time, with respect to applicants and employees of Tenant who would be or are performing work at the Premises.

(b) Tenant shall incorporate by reference the provisions of Chapter 12T in all subleases of some or all of the Premises, and shall require all Subtenants to comply with such provisions. Tenant's failure to comply with the obligations in this Subsection shall constitute a material breach of this Lease.

(c) Tenant and any Subtenants shall not inquire about, require disclosure of, or if such information is received, base an Adverse Action on an applicant's or potential applicant for employment, or employee's: (i) Arrest not leading to a Conviction, unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (ii) participation in or completion of a diversion or a deferral of judgment program; (iii) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (iv) a Conviction or any other adjudication in the juvenile justice system; (v) a Conviction that is more than seven years old, from the date of sentencing; or (vi) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

(d) Tenant and any Subtenants shall not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in Subsection (c) above. Tenant and Subtenants shall not require such disclosure or make such inquiry until either after the first live interview with the person, or after a conditional offer of employment.

(e) Tenant and any Subtenants shall state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment with Tenant or subtenant at the Premises, that the Tenant or subtenant will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Chapter 12T.

(f) Tenant and any Subtenants shall post the notice prepared by the Office of Labor Standards Enforcement ("**OLSE**"), available on OLSE's website, in a conspicuous place at the Premises and at other workplaces within San Francisco where interviews for job opportunities at the Premises occur. The notice shall be posted in English, Spanish, Chinese,

and any language spoken by at least 5% of the employees at the Premises or other workplace at which it is posted.

(g) Tenant and any Subtenants understand and agree that upon any failure to comply with the requirements of Chapter 12T, City may pursue any rights or remedies available under Chapter 12T or this Lease, including but not limited to a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Lease.

(h) If Tenant has any questions about the applicability of Chapter 12T, it may contact the City's Real Estate Division for additional information. City's Real Estate Division may consult with the Director of the City's Office of Contract Administration who may also grant a waiver, as set forth in Section 12T.8.

25.40 Vending Machines; Nutritional Standards

Tenant shall not install or permit any vending machine on the Premises without the prior written consent of the City's Director of Property. Any permitted vending machine must comply with the food nutritional and calorie labeling requirements set forth in San Francisco Administrative Code section 4.9-1(c), as may be amended from time to time (the "**Nutritional Standards Requirements**"). Tenant agrees to incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this **Section 25.40** shall be deemed a material breach of this Lease. Without limiting Landlord's other rights and remedies under this Lease, Landlord shall have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements. In addition, any restaurant located on the Premises is encouraged to ensure that at least 25% of Meals (as defined in Administrative Code section 4.9-1(b)) offered on the menu meet the nutritional standards set forth in San Francisco Administrative Code section 4.9-1(e), as may be amended.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, TENANT ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS LEASE UNLESS AND UNTIL A RESOLUTION OF THE SFPUC AND OF THE CITY'S BOARD OF SUPERVISORS SHALL HAVE BEEN DULY PASSED APPROVING THIS LEASE AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY AND THE MAYOR APPROVES THE SAME. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY UNDER AND PURSUANT TO THIS LEASE ARE CONTINGENT UPON PASSAGE OF SUCH RESOLUTIONS, AND THIS LEASE SHALL NOT BE EFFECTIVE UNLESS AND UNTIL THE SFPUC AND THE BOARD OF SUPERVISORS APPROVE THIS LEASE, EACH AT THEIR SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS.

[SIGNATURES ON FOLLOWING PAGES]

City and Tenant have executed this Lease in triplicate as of the date first written above.

CITY:

TENANT:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

CRYSTAL SPRINGS GOLF PARTNERS, L.P., a California limited partnership

By: _____
HARLAN L. KELLY, JR.
General Manager
San Francisco Public Utilities
Commission

By: _____

Its: _____

By: _____

Its: _____

AUTHORIZED BY

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Resolution No. _____
Adopted: _____

Attested: _____
Secretary

[Board of Supervisors Resolution No. _____
Adopted _____]

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Carolyn Johnson Stein
Deputy City Attorney

EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

All that certain real property located in the County of San Mateo, State of California, described as follows:

Portions of Parcel 31 as conveyed by the Spring Valley Water Company to the City and County of San Francisco by deed dated and recorded March 3, 1930, in Volume 491 of Official Records San Mateo County of page 1; said portions being more particularly described as follows:

PARCEL 1.

Commencing at a point on the Westerly Right of Way Line of State of California Highway Route 280 opposite Sta. J 454+79.20; which point is South $37^{\circ} 02' 04''$ East 868.4 feet measured southerly from the Rancho Line common to the Burlingame and San Mateo Ranchos; thence from said point commence Northerly and on a curve to the left with a radius of 1891 feet, through an angle of $24^{\circ} 48' 58''$ with an arc length of 817.04 feet; thence North $65^{\circ} 57' 00''$ 118.81 feet intersecting aforementioned San Mateo, Buri-Buri Ranchos line; thence continuing North $65^{\circ} 57' 00''$ West 248.53 feet; thence North $71^{\circ} 59' 04''$ West 181.74 feet; thence South $8^{\circ} 00' 56''$ West 240.00 feet; thence South $0^{\circ} 39' 48''$ West 209.07 feet, intersecting said Rancho line; thence South $31^{\circ} 08' 43''$ East 2140.91 feet; thence South $37^{\circ} 02' 04''$ East 1600.00 feet; thence South $45^{\circ} 31' 38''$ East 711.00 feet; thence South $16^{\circ} 12' 03''$ East 3064.26 feet; thence South $68^{\circ} 32' 57''$ East 1372.46 feet; thence North $50^{\circ} 29' 32''$ East 719.35 feet; thence, North $35^{\circ} 03' 04''$ West 158.76 feet; thence North $42^{\circ} 48' 59''$ West 201.68 feet; thence North $33^{\circ} 30' 01''$ West 150.08 feet; thence North $31^{\circ} 54' 31''$ West 425.80 feet; thence North $22^{\circ} 52' 50''$ West 230.49 feet; thence North $29^{\circ} 12' 46''$ West 352.06 feet; thence North $35^{\circ} 24' 33''$ West 197.58 feet; thence North $33^{\circ} 50' 45''$ West 203.33 feet; thence Northwesterly along a curve to the line right with a radius of 5122 feet, through an angle of $7^{\circ} 56' 17''$, an arc length of 709.63 feet, through an angle of $7^{\circ} 56' 17''$, an arc [acre?] length of 709.63 feet, and North $26^{\circ} 37' 53''$ West 1415.61 feet; thence North $34^{\circ} 51' 11''$ West 252.84 feet; thence North $25^{\circ} 14' 23''$ West 147.01 feet; thence North $37^{\circ} 02' 04''$ West 2847.49 feet to the point of commencement.

PARCEL 2

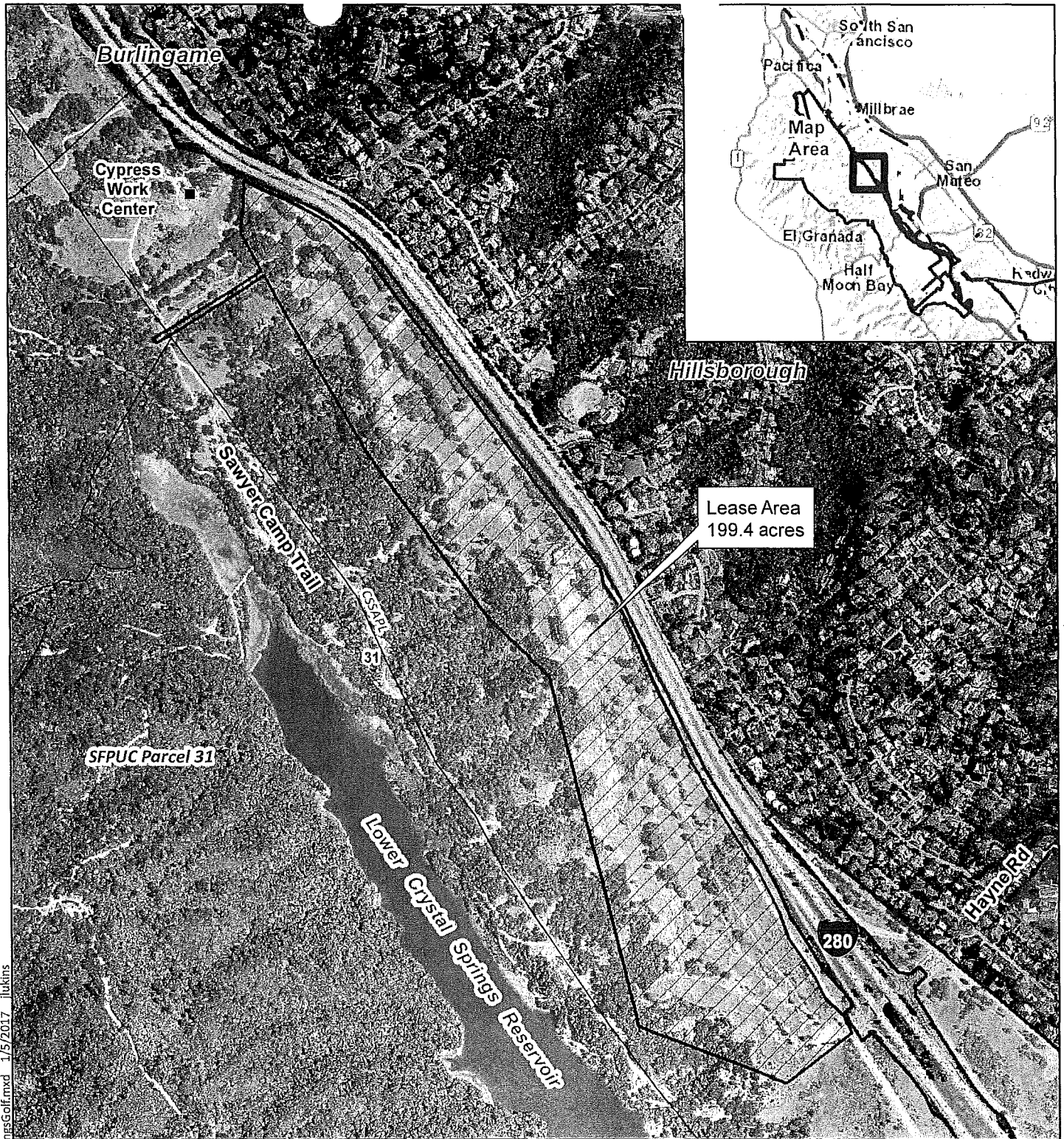
Commencing at a point on the line described as South 31°08' 43" East 2,140.91 feet in the above-mentioned Parcel 1 and distant thereon 380.00 feet southeasterly from the northerly extremity of said course referred to as south 31° 08' 43" East 2,140. 91 feet; thence from said point of commencement South 53°51' 17" West 1100 feet; South 36° 08' 43" East 40,00 feet; North 53° 51' 17" East 1096.50 feet; North 31 °08' 43", West 40.15 feet to the point of commencement.

THE ENTIRE AREA HEREBY DEMISED BEING 199 ACRES, MORE OR LESS.

EXHIBIT B

SFPUC DRAWING OF PREMISES

Drawing No. _____



Lease Area
199.4 acres

Legend



Area of Lease / License



SFPUC Parcels (Fee Owned)



SFPUC Pipelines

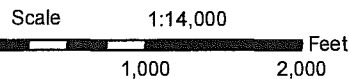
SFPUC Parcels (Easement / Road)



Hetch Hetchy
Regional Water System
San Francisco Public Utilities Commission
Real Estate Services

**Lease 3736B to
Crystal Springs
Golf Partners**

The City does not guarantee that the information is accurate or complete. The City is not responsible for any damages arising from the use of data. Users should verify the information before making project commitments.



Date: 1-5-17 Author: JGL

EXHIBIT C

FORM OF ESTOPPEL CERTIFICATES

LANDLORD ESTOPPEL CERTIFICATE

[ADDRESS]

Re: Lease, dated _____, 20__ (the "**Lease**"), by and between the City and County of San Francisco, a municipal corporation, acting by and through its Public Utilities Commission ("**City**"), as landlord, and _____, a _____ ("**Tenant**"), as tenant, relating to certain property located in the County of _____, California (the "**Premises**")

Ladies and Gentlemen:

The undersigned hereby confirms, represents and warrants to Tenant that:

1. Attached is a true and correct copy of the Lease;
2. The Expiration Date of the Lease is _____;
3. The Lease is in full force and effect and, except as shown in the attachments to this Certificate, has not been assigned, modified, supplemented, or amended in any way;
4. The Lease represents the entire agreement between Tenant and City with respect to the Premises;
5. To City's knowledge, on this date, there are no known defaults under this Lease and no event has occurred, which with the giving of notice, the passage of time, or both, would constitute a default by City or Tenant under the Lease [except as set forth in Schedule A attached to this Certificate];
6. All rent amounts due and owing to date have been paid, and no rental, other than for the current month, has been paid in advance [except as set forth in Schedule A to this Certificate];
7. The undersigned executing this estoppel certificate represents and warrants that he or she is duly authorized to execute this certificate on behalf of City.

The truth and accuracy of the certifications contained in this Certificate may be relied upon by Tenant and the addressee set forth above, and their successors and assigns.

Very truly yours

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, acting through its Public
Utilities Commission

By: _____
Name: _____
Title: _____
Date: _____

TENANT ESTOPPEL CERTIFICATE

[ADDRESS]

Re: Lease, dated _____, 20__ (the "Lease"), by and between the City and County of San Francisco, a municipal corporation, acting by and through its Public Utilities Commission ("City"), as landlord, and _____, a _____ ("Tenant"), as tenant, relating to certain property located in _____ County, California (the "Premises")

Ladies and Gentlemen:

The undersigned hereby confirms, represents and warrants to City that:

1. Attached is a true and correct copy of the Lease;
2. Tenant has accepted possession of the Premises under the Lease;
3. The Expiration Date of the Lease is _____;
4. The Lease is in full force and effect and, except as shown in the attachments to this Certificate, has not been assigned, modified, supplemented, or amended in any way;
5. The Lease represents the entire agreement between Tenant and City with respect to the Premises;
6. To Tenant's knowledge, on this date, there are no known defaults under this Lease and no event has occurred, which with the giving of notice, the passage of time, or both, would constitute a default by City or Tenant under the Lease [except as set forth in Schedule A attached to this Certificate];
7. All rent amounts due and owing to date have been paid, and no rental, other than for the current month, has been paid in advance [except as set forth in Schedule A to this Certificate];
8. The undersigned executing this estoppel certificate represents and warrants that he or she is duly authorized to execute this certificate on behalf of Tenant.

The truth and accuracy of the certifications contained in this Certificate may be relied upon by City and the addressee set forth above, and their successors and assigns.

Very truly yours

[SIGNATURE BLOCK FOR TENANT]

EXHIBIT D

Crystal Spring Golf Course

Proposed Work

Long-Term Capital Improvements and Cost Estimates (as of May 2016)

(See accompanying map showing project locations by number)

Capital Improvement Budget	Amount
1. Golf Course Entry	\$ 25,000
• Refurbish and paint signage at the property entrance.	
2. Parking Lot Paving	75,000
• Repair cracks and pot holes. Slurry seal and paint upper and lower lots.	
3. Entry Road Paving	85,000
• Repair cracks and pot holes. Slurry seal and paint entry road	
4. Irrigation Pump Station	75,000
• Replace aging pump and motor that supplies irrigation water for the course.	
5. Parking Lot Signage/Lighting	65,000
• Welcome signage and lighting to improve safety and appearance.	
6. Cart Paths	100,000
• Repair existing cart paths throughout the golf course.	
7. Property Signage (not shown on map)	30,000
• Replace and upgrade entire course signage including tee signs.	
8. Trees	50,000
• Remove and structurally prune trees to improve appearance and safety.	
9. Other Improvements to be Determined at a Later Date	495,000
Subtotal	\$ 1,000,000
Soft Costs- 15%	150,000
• Includes planning, design, engineering, insurance, etc.	
Contingency- 10%	100,000
• Allowance for cost over runs and unforeseen expenses	
Total	\$ 1,250,000

Capital Project Descriptions

1. Golf Course Entry

Refurbish and paint signage at the property entrance. Replace the wedding gate and golf course gate with automatic swinging gate openers to improve appearance and efficiency.

2. Parking Lot Paving

Repair cracks and pot holes. Slurry seal and paint upper and lower lots along with the road down #18. We will update the handicap areas, curbs, and spacing around the entire lot to ensure we follow all state and federal codes.

3. Entry Road Paving

Repair cracks and pot holes. Slurry seal and paint entry road. Replace the entire sidewalk to ensure our patrons can walk safely in and out of property.

4. Irrigation Pump Station

The current pump and motor that supply water to our irrigation lake are old and in need of replacement. This past year we rebuilt the pump and know that the motor will fail soon. We will proactively replace while the current equipment is operational. We would keep the old unit as back up. This will secure a solid and relievable source of irrigation water.

5. Parking Lot Signage/Lighting

Install new modern signage at the property entrance for safety and aesthetics. We will update the driving range lights and parking lot lights to high efficiency bulbs creating better lighting and more efficient use. The "Crystal Springs" welcome sign will be updated to match the rest of the facility.

6. Cart Paths

Repair and resurface cart paths throughout the golf course.

7. Property Signage

Replace and upgrade entire course signage including tee signs. Redesign signs and create consistency and continuity of signage in and around the clubhouse. Purchase new tee yardage signs made of recycled plastic to complement the clubhouse signage.

8. Trees

Remove and structurally prune trees to improve appearance and safety. Consistent with the Migratory Birds Treaty Act, trees will be pruned/ removed outside of the nesting bird season (which extends from February 15-Aug. 15) or, if trimming or removal are proposed during the nesting season, trees to be

trimmed or removed will be inspected by a biologist, to be retained by the Tenant, in advance of work and, if active nests are present, work will be delayed under nestlings have fledged. Continue to structurally prune numerous cypress trees reducing canopy and crown of the trees increasing air flow and sunlight for turfgrass growth. Remove several dead trees leaving stumps in place. Stump grinding and tree replacement shall be subject to subsequent environmental review. .

EXHIBIT E

Maintenance Guidelines for Crystal Springs

(See Section 9.1)

Task	Maintenance Guidelines for Crystal Springs
PUTTING GREENS:	
Mowing Frequency	Spring, Summer and Fall. Five to six days per week, if tournament schedule they will be mowed on the seventh day. Winter - Two to three times per week, greens to be rolled on non-mowing days. Weather dependent.
Height of cut	1/8" - 3/16" (may increase during extreme heat).
Changing cups	Daily year round, when open. Pin placement per USGA recommended standards.
General Maintenance	Repair ballmarks, divots, or any other damaged turf on all greens and practice putting greens daily.
Fertilization	Pounds of N per year and other nutrients based on USGA research recommendations. Other nutrients will be based on soil sampling and/or tissue analysis. Foliar application will be worked into overall program. Applications will conform to the Chemical and Hazardous Materials Plan approved by SFPUC and IPM Plan approved by SFPUC pursuant to Lease Section 7.2(j) ("CHAMP/IPM Plan").
Aerification	Three to five times per year, concentrated in March/April, September/October: Utilizing multiple methods (coring, PlanetAir, verti-drain, solid tine and HydroJect).
Spiking	As needed for compaction control and to improve water infiltration. To be used in conjunction with other forms of greens cultivation.
Top dressing	Topdress using approved material following three major aerifications, to fill aerification holes. Light topdressing as needed to maintain a smooth putting surface.
Vertical mowing	Vertical mowing each month during the growing season. Greens will be topdressed lightly w/sand following.

Task	Maintenance Guidelines for Crystal Springs
Pesticide Usage	Follow the CHAMP/IPM plan. PCA recommendation required, restricted materials use permit and notice of intent may be required. Certified applicator required on site during application.
COLLAR MAINTENANCE:	
Height of cut	1/2" to 3/4", height may vary to seasonal adjustment.
Fertilization	Follow greens program.
Pesticide Usage	Follow the CHAMP/IPM.
TEE MAINTENANCE:	
Mowing Frequency	Two to three times per week in peak season; one to 2 times in off-season, subject to weather.
Height of cut	7/16" to 3/4", height may vary due to seasonal adjustment.
Fertilization	Monthly, with formulation based on soil test and seasonal requirements. All applications will conform to CHAMP/IPM Plan.
Vertical Mowing	Tees will be cultivated (aerified, verticut, sliced and spiked) for grain and thatch control.
Aerification	Minimum two times per year. As needed to stimulate growth and eliminate compaction, solid tines may also be used.
Topdressing	Following aerification and during divot repair in conjunction with seeding.
Overseeding	Perennial rye grass used in conjunction with aerifications. May be broadcast or slice seeded. Tee will be spot seeded for divot replacement.
Tee Markers	Move daily and use program of tee marker/pin placement rotation. All tee equipment will be maintained as needed.
Permanent Yardage Markers	Keep visible at all times
Pesticide Usage	Follow the CHAMP/IPM plan.
FAIRWAY MAINTENANCE:	
Mowing Frequency	Minimum of three times per week in Spring/Summer/Fall: Minimum once per week In the winter as weather permits
Height of cut	1/2" to 3/4" dependent on season
Fertilization	Minimum of three times per year. Formulation based on soil test and in conformance with the CHAMP/IPM Plan.

Task	Maintenance Guidelines for Crystal Springs
Aerification	Minimum of two times per year, additional slicing during the growing season to relieve compaction and increase water infiltration.
Overseeding	An annual fall overseeding program will strengthen fairways, improve the lie of the ball.
Pesticide Usage	Follow the CHAMP/IPM Plan.

SHOULDER MAINTENANCE:

Mowing Frequency	Minimum of twice per week, increased frequency as needed.
Height of cut	1-1/4" to 2" dependent on seasonal variance.
Fertilization	Same as fairways
Aerification	Same as fairways.
Overseeding	Seed as necessary to maintain healthy stand of turf.
Pesticide Usage	Follow the CHAMP/IPM Plan.

IRRIGATION:

Maintenance	Maintain system, including valves, lateral lines, sprinkler heads and controllers in good repair, functioning properly and conforming to related codes and regulations. Maintain all landscaped and nursery irrigation to the same standard.
Frequency	Irrigate as required to maintain adequate moisture for growth rate and appearance.
Wind problems	In areas where wind creates problems of spraying onto private property or road right of way, operation should occur during periods of lowest wind velocity.
System check	System should be checked daily. Adjust or repair as needed.
Inspection of Controllers	Inspect daily and adjusted weekly or more frequently as required.
Priority water distribution	In the event of water reduction, priority is: 1) greens, 2) tees, 3) fairways, 4) trees, 5) other turf and landscape areas.

NURSERY:

Greens	Maintain same as putting green.
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FORMULATIONS OF MATERIALS USED:

	All materials will be approved prior to use, including but not limited to fertilizers and pesticides. All applications will be in
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Task	Maintenance Guidelines for Crystal Springs
conformance with CHAMP/IPM Plan filed with City.	
OTHER AREAS:	
Tee Markers	Three sets each hole. Replace immediately if broken or damaged.
Benches/Tee Signs	If vandalized, remove benches and tee signs from service immediately. Repair and replace.
Yard Markers	Replace as needed
Greens flags, poles, cups	Replace when discolored, frayed or well worn.
Ball washers	Check for water/soap daily. Replace tee towels as needed. Remove ball washer immediately if vandalized or broken. Replace with new washer or repair old one.
Sand trap rakes	One rake per trap or more as needed. Replace immediately if missing or broken.
Out of bounds/hazard stakes	Replace immediately if missing or broken. White for OB, red for water and lateral hazards.
Lakes	Aerate ponds for algae control. Weed control as needed by mechanical means or chemical means in conformance with CHAMP/IPM Plan.
Driving range	Keep area clean of debris, trash; edges free of weeds by means not destructive to netting.
Weed Control (Non-selective)	Follow the CHAMP/IPM Plan.
Litter	Remove daily
Trash and debris (from maintenance area)	Remove as it occurs.
Soil, water samples	Soil samples annually. Tissue samples as needed. Water samples minimum once per year and in conformance with CHAMP/IPM Plan.
Rodent Control	Manual control (trapping) will be the principal method. Specific steps will be taken to encourage raptors. Other eradication methods will be addressed in the CHAMP/IPM Plan.
Sand Traps	Keep sand at 4" depth minimum. Keep clean of weeds. When using power rake, stay about one foot from edge of bunker. When hand-raking edge, push sand inward on low side and pull outward on the high side. Edge sand bunkers monthly or as needed. Rake bunkers daily, weather dependent. Do not drag sand out of trap when exiting trap with power rake.

Task	Maintenance Guidelines for Crystal Springs
	Ideally to be raked every day.
Trees	<p>All new trees will be staked and protected from predation by deer and rodents. Keep basins (tree wells) clean and free of debris.</p> <p>Keep trimmed at least 6' from ground to prevent damage to golf cart tops/maintenance equipment. Maintain a safe, healthy and aesthetically pleasing condition at all times. Spray or mow tree wells as needed. Broken limbs to be removed immediately.</p> <p>All new trees will be irrigated to insure proper growth.</p> <p>Tree wells will be kept free of grass until the tree well is removed. No mechanical removal will be allowed; Roundup and Surflan can be used for weed control subject to CHAMP/IPM Plan.</p> <p>Remove damaged or downed trees immediately. Replace with approved species.</p>
Weed Control (Selective)	Follow the CHAMP/IPM Plan.
USGA Green Section visit	<p>Visits scheduled yearly during late summer so staff agronomist can clearly see changes to facility.</p> <p>Recommendations are to be considered and acted upon if appropriate.</p>
Leaf Pickup	Fall leaves to be totally removed from golf courses by January 1st. Needles removed back to drip line.
Vandalism/Graffiti	Graffiti to be removed within 72 hours. Vandalism to be corrected immediately.
Safety	<p>Hard hats, gloves, safety glasses, and all other required safety equipment will be worn. Hard hats must be worn when in or on an open vehicle on the golf course. Accidents must be reported immediately.</p> <p>If an accident occurs on a weekend, a supervisor must be notified. Observe and follow label instructions on chemical containers as to their use. Proper attire must be worn when working with pesticides.</p> <p>Correct all unsafe conditions or report them to your supervisor. Use safety lights on equipment when golfers are present. Clean equipment when finished and check for missing or damaged parts.</p>

CLUBHOUSE & BUILDINGS:

Task	Maintenance Guidelines for Crystal Springs
	Golf staff must view clubhouse areas daily to ensure that areas are being maintained and cleaned properly to include the following. Litter is to be picked up immediately by all staff on site.
Restrooms	Maintain daily or more frequently as needed in a manner to provide a clean and sanitary facility. Management staff to inspect at least twice daily.
Lobby and patio	Vacuumed, dusted and swept daily.
General Maintenance & Repair	Maintain all structural areas and fixtures as needed to ensure proper function; safety and appearance. Mechanical systems to be inspected annually. Filters changed annually.
ENTRY AREA/CLUBHOUSE GROUNDS:	
Flower beds/Planters	All annual plantings shall be maintained free of all trash, debris, weeds and be maintained and trimmed in a proper manner. Plantings, when appropriate shall be of the native, low water, low cultivation type. Landscape and Habitat Plans will identify appropriate species consistent with goals.
Fences	All fencing surrounding and inside the facility shall be maintained and repaired as necessary. Gates and locks replaced or repaired as needed.
Grass	Mowed weekly.
Trash	Picked up daily.
Foot brushes	Clean and check daily - replace when worn.
Walkways/Cart Paths	Daily, sweep or blow. Cart paths to be edged as needed.
Trash and cigarette cans	Dump daily
Leaks from golf carts	Clean up immediately and inform Pro shop staff of the problem.
Landscape shrubbery	Trim monthly, or as needed.
Annual plantings	Remove and replant as needed.
PARKING LOTS:	
Sweeping	Monthly - may be done by contractor.
Loose trash and garbage cans	Picked up and checked daily.
Broken glass/bottles	Picked up immediately.
CORPORATION YARD/FUEL STATIONS:	
Equipment	To be stored in an orderly and consistent fashion. To be cleaned prior to parking. Observe all legal requirements and

Task	Maintenance Guidelines for Crystal Springs
	safety regulations according to CAL-OSHA
Yard	Maintain maintenance rooms and storage yards in clean, orderly, safe condition at all times, conforming to applicable laws and regulations.
Fuel stations	To remain accessible at all times.
Emergency shutoffs	Employees to know where emergency shutoffs are located.
Spilled fuel	To be cleaned up immediately, using proper techniques.
Employee bulletin board	Kept up-to-date.

PESTICIDE/MATERIALS STORAGE:

To be kept in neat and orderly fashion. The site to be approved by the City.

To be kept locked at all times.

Proper recording methods to be used. Only employees with certified applicator's license will be permitted access to facility.

Observe all legal requirements and safety regulations in accordance with CAL-OSHA.

EXHIBIT F

CourseCo Agreement dated March 15, 1996

(Per Lease Section 16.9)

MANAGEMENT AGREEMENT

This Management Agreement ("Agreement") is made as of March 15, 1996, between Crystal Springs Golf Partners, L.P., a California limited partnership ("Owner"), and CourseCo, Inc., a California corporation ("Manager").

W I T N E S S E T H:

WHEREAS, Owner has been awarded the right to operate the Crystal Springs Golf Course ("Golf Course") pursuant to that certain 12-month management agreement between Owner and the City and County of San Francisco ("City") ("12-Month Management Agreement"); and

WHEREAS, City has selected Owner as the probable recipient of a 20-year lease between Owner and City for the lease of the Golf Course ("20-Year Lease"); and

WHEREAS, the 12-Month Management Agreement and the 20-Year Lease shall be referred to herein as the "Golf Course Lease;" and

WHEREAS, the 12-Month Management Agreement and the right to negotiate for the 20-Year Lease has been awarded to Owner based upon proposals and commitments made by Manager and its affiliates Thomas B. Isaak and John C. Telischak; and

WHEREAS, City conditioned its award of the 12-Month Management Agreement and its selection of Owner as the probable recipient of the 20-Year Lease upon the management of the Golf Course by Manager; and

WHEREAS, Manager and Owner desire to appoint Manager to manage the Golf Course in order, among other things, to ensure that Manager and its affiliates have the authority to manage the Golf Course in a manner consistent with the commitments made by Manager, its affiliates, and the Partnership to the City and County of San Francisco in connection with obtaining the 12-Month Management Agreement and the 20-Year Lease; and

WHEREAS, Manager has been approved and named in that certain limited partnership agreement of Owner (the "Partnership Agreement"), as the manager of the Golf Course on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

1. Defined Terms. The terms defined in the Partnership Agreement shall have the same meaning when used herein, except as otherwise herein indicated.
2. Designation and Appointment. Owner hereby appoints Manager, and Manager hereby accepts such appointment, as Manager for the Golf Course.
3. Term. The term of this Agreement shall commence on the date hereof and, unless earlier terminated in accordance with the terms of this Agreement shall end upon the termination of the Golf Course Lease and any extensions or renewals thereof. As described in the Recitals, one of the purposes of this Management Agreement is to assure that Manager and its affiliates

are able to fulfill the commitments they made to the City and County of San Francisco in connection with the proposals to manage and lease the Golf Course. Accordingly, the agency created by this Management Agreement is coupled with an interest, and this Management Agreement may not be terminated by Owner, except for a material default by Manager and otherwise in accordance with the terms and conditions of Paragraph 10.

4. Compensation of Manager.

a. Management Fee. Owner shall pay to Manager for its management services hereunder a fee equal to five percent (5%) of Gross Revenues (as defined below) received by Owner from the operations of the Golf Course. Such fee shall be paid on a monthly basis. As used herein, "Gross Revenues" shall have the same meaning as that term is given in the Golf Course Lease.

b. Development Supervision Fee. Owner shall pay Manager a Development Supervision Fee of the Applicable Percentage of the total soft and hard costs incurred in connection with the design, approval, and construction of the Improvements (as defined in the Golf Course Lease). Manager may elect to have this fee paid either (i) in installments as the Owner pays the soft and hard costs for design, approval, and construction of such Improvements, in which case the applicable percentage shall be five percent (5%) or (ii) in the third year of the term of this Management Agreement, in which case the Applicable Percentage shall be ten percent (10%).

5. Management Authority and Responsibility. Manager

shall have the authority and responsibility to manage the Golf Course in all respects, including the following:

- a. Develop and implement an operating plan, including appropriate staffing levels, job descriptions, and organizational structure.
- b. Develop and implement marketing strategies and plans.
- c. Create and implement merchandising plans with recommended inventory and pricing.
- d. Recommend and assist Owner in connection with acquisition of equipment necessary to carry out operational plans, including, but not limited to food, beverage, golf shop, maintenance, and administration.
- e. Develop and implement a strategy for food and beverage service, including menu and pricing.
- f. Supervision of on-site staff and management in the implementation of the operating plan and establishment of budgets.
- g. Supervision and oversight of establishment of accounting and control systems, including management reports, which provide appropriate operating information and comparisons with budget.
- h. Recruitment, interview, and hiring of professional and administrative staff.
- i. Planning and coordination with appropriate contractors to carry out construction undertaken by Owner.

j. Maintenance of active governmental and community relations that affect the operation of the Golf Course.

k. Periodic review of staff performance and provision of appropriate follow up evaluations and personnel decisions.

l. Consultation with Owner concerning improvements to golf course and maximizing profits to Owner.

m. Development of policies, criteria, and pricing for greens fees, tournament play, club membership, and Golf Course use.

n. Development of budgets and plans for the operation of the Golf Course as a whole.

o. Any other functions necessary to the management and operation of the Golf Course and the business related thereto.

6. Obligations of Owner. Owner shall perform the following obligations:

a. Provide the capital and funds necessary to perform the obligations of Owner under the Golf Course Lease and any other projects that Owner wishes Manager to carry out in connection with the Golf Course.

b. Owner shall place on its payroll all Golf Course personnel, including restaurant personnel, golf course professionals, and maintenance staff.

c. Owner shall provide for appropriate accounting services and functions.

7. Management of the Golf Course. During the term of this Agreement, upon and subject to the terms and conditions hereof, Manager shall have the authority and be responsible for the day-to-day maintenance and operation of the Golf Course, which shall be done in accordance with the standards set forth in the Golf Course Lease. Without limiting the generality of the foregoing, Manager's authority and duties hereunder shall include the following:

a. General Maintenance. Manager shall perform, or cause to be performed, all maintenance and repairs to the Golf Course as shall be required (i) by applicable laws, restrictions, regulations, ordinances, requirements, including the requirements of any insurance carriers providing insurance with respect to Owner or the Golf Course (hereafter "applicable laws"), and (ii) to maintain the Golf Course in accordance with prudent standards of property maintenance and in accordance with the terms of the Golf Course Lease. In connection with such maintenance, Manager is authorized to purchase such supplies and to make such Service Contracts (as hereinafter defined) as are necessary and appropriate therefor; provided, however, that each such contract shall provide, unless Owner shall otherwise consent, that such contract shall terminate within thirty (30) days of the termination of this Agreement.

b. Tenant Improvements and Installations. Manager shall perform, or cause to be performed, all of the obligations of Owner, as landlord, required under the Golf Course

Lease. All contracts for construction or other services shall be entered into by Owner.

c. Administration of Contracts. Manager, in the name of Owner, shall enter into any contracts approved and authorized by Owner, shall coordinate the performance of the Owner's obligations under any such contract and shall enforce the other parties' obligations thereunder. In the event any legal action is required to enforce any contract, Manager shall so inform Owner and, upon Owner's request, shall institute such legal action as it deems appropriate, for which purpose Manager may employ competent legal counsel approved by Owner. Any request by Owner shall be reasonable under the circumstances, including the amount at issue and the estimated cost to contest.

d. Insurance. Manager, at Owner's direction and cost, shall obtain and maintain insurance as required by the Golf Course Lease and such other insurance as Owner shall deem reasonably necessary or desirable for the protection of the Golf Course and of the interests of Owner and Manager in connection with the Golf Course. Each policy of insurance shall name at least Owner and Manager as insureds, and the public liability insurance policies shall contain a severability of interest clause and coverage for personal injury. Manager shall cooperate with and provide reasonable access to the Golf Course to agents of any and all insurance companies and/or insurance brokers or agencies who may, from time to time, be involved with the issuance of insurance policies or with inspections of the Golf Course in

connection with insurance policies then in force. Manager shall use its best efforts to comply with any and all requirements of such insurance companies or their agents.

e. Golf Course Lease. Manager shall advise Owner of its obligation to pay promptly when due all rent or other amounts payable to the City under the Golf Course Lease and any and all other obligations required of Owner thereunder.

f. Governmental Reports. Manager shall prepare and file, or cause to be prepared and filed, when due, all reports relating solely to the Golf Course required by the Golf Course Lease and/or by any applicable laws. In connection with unemployment insurance, social security taxes and like taxes and charges, if Owner employs the employees at the Golf Course, Manager shall, unless otherwise instructed by Owner, prepare and file all necessary reports with respect thereto. Manager may, if it deems it to be advisable, make use of the services of Owner's accountants and counsel in the preparation and filing of any such reports.

g. Damage, Injury and Legal Documents. Manager shall promptly notify Owner of any substantial damage to the Golf Course or any personal injury or property damage suffered by any person on or with respect to the Golf Course and Manager's recommendations with respect thereto. Manager shall forward to Owner all summonses, subpoenas and other like legal documents served upon Manager relating to actual or alleged liability of Owner or Manager, together with its recommendations with respect

thereto.

h. Supervision of Legal Activities. Manager shall provide advice and recommendations to Owner in connection with retaining legal counsel on matters which arise in the normal course of business. This shall include advice as to proper procedures for the enforcement of lease terms, the interpretations of legal obligations, and for the protection and enforcement of Owner's rights and duties. Said recommendations to retain counsel should include information on the law firm being proposed, including the estimated cost or fee for the legal services. Either Owner or Manager may request the commencement and prosecution of any legal action or proceeding; counsel shall be selected or approved by the parties hereto for that action or proceeding. Any request by Owner or Manager shall be reasonable under the circumstances, including the amount at issue and the estimated cost to contest.

i. Owner's Funds. Promptly upon receipt thereof, Manager shall deposit funds of Owner in an account or accounts of a type, in form and name and in a bank or banks approved by Owner. Within fifteen (15) days of the end of each month, Owner shall pay Manager the amount of Manager's fee owed for the preceding month.

8. Income and Expenses of the Golf Course. Owner shall be liable for the payment of, and shall pay any and all costs and expenses, of any kind whatsoever, whether seen or unforeseen, in connection with the construction, maintenance and

operation of the Golf Course, including all costs and expenses of Manager arising out of the performance of its duties hereunder.

9. Liability of Manager. Manager shall be liable only for bad faith, gross negligence or breach of an express provision of this Agreement (after notice and failure to cure after a reasonable time), but in other respects shall not be liable for mistakes of judgment.

10. Default. In the event of a Default (as defined below) on the part of either party hereunder, the other party may terminate this Agreement and pursue any or all remedies provided for by law. "Default" shall mean (i) the failure of a party to pay any sum due any party hereto or any third party required by this Agreement, and such failure continues for fifteen (15) days after notice thereof, (ii) the failure of a party to perform, observe or comply with any of the provisions contained in this Agreement, and such party shall fail to commence curing such failure within fifteen (15) days after notice thereof, (iii) the making by a party hereto or any guarantor of a party hereto of an assignment for the benefit of creditors, (iv) the filing by a party hereto or any guarantor of a party hereto of a voluntary petition under any bankruptcy or insolvency law alleging an act of bankruptcy or insolvency or seeking reorganization or any arrangement, and (v) the filing against a party hereto of an involuntary petition alleging an act of bankruptcy or insolvency or seeking reorganization which is not finally dismissed within sixty (60) days after filing. In the event that either party

alleges that the other party is in default hereunder and the other party contests that allegation, such party may commence arbitration pursuant to Paragraph 16, and the commencement of such arbitration, prior to the expiration of the time periods set forth above, shall suspend the termination of this Agreement until the matter is finally determined by arbitration.

11. Notices. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be either personally delivered, transmitted by telecopy, or transmitted by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Owner: Crystal Springs Golf Partners, L.P.
 P.O. Box 5668
 Petaluma, CA 94955
 Attn: John C. Telischak

If to Manager: CourseCo, Inc.
 P.O. Box 5668
 1670 Corporate Circle, Suite 201
 Petaluma, CA 94955
 Attn: Thomas B. Isaak

The date of any notice or communication shall be deemed to be the date of receipt if delivered personally, the date of receipt with confirmed answerback if transmitted by telecopy, or the date seventy-two (72) hours after posting if transmitted by mail. Any party may change the address to which notices or other communications required or permitted under this Agreement shall be sent by providing written notice to the other party in accordance with the foregoing.

12. Construction and Headings. Words of any gender shall be held and construed to include any other gender, and

words in the singular number shall be held and construed to include the plural, unless the context otherwise requires. The terms "include," "includes," "including" and similar terms shall be construed to mean "without limitation." The headings used in this Agreement are for convenience only and are not to be considered in connection with the interpretation or construction of this Agreement.

13. Applicable Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by the laws of the State of California.

14. Waiver. No consent or waiver, express or implied, by either party to or of any breach or default by the other in the performance by the other of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations of such party hereunder.

15. Severability. If any provision of this Agreement or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

16. Arbitration or Judicial Reference. In the event of a dispute arising under this Agreement, the matter shall be resolved by arbitration under the jurisdiction and the rules of

the American Arbitration Association in San Francisco, California for the arbitration of commercial disputes. Notwithstanding anything to the contrary, in the event that either party purports to terminate this Agreement for a default of the other party, the party allegedly in default may file arbitration within twenty (20) days after the date of the alleged termination, which filing shall suspend the effect of the termination until the final resolution of the arbitration or agreement of the parties. During the pendency of arbitration, Manager and Owner shall have all of the rights, authority, and obligations provided herein.

17. Attorneys' Fees. Should any litigation or arbitration be commenced between the parties hereto or their representatives or should any party institute any proceeding in a bankruptcy or similar court which has jurisdiction over any other party hereto or any or all of his or its property or assets concerning any provision of this Agreement or the rights and duties of any person or entity in relation thereto, the party or parties prevailing in such litigation shall be entitled, in addition to such other relief as may be granted, to a reasonable sum as and for his or its or their attorneys' fees and court costs in such litigation, which shall be determined by the court in such litigation or in a separate action brought for that purpose.

18. Assignment by Manager. Manager shall have no right to assign its rights or obligations under this Agreement, except that Manager may assign its rights and obligations to a

management company in which Thomas B. Isaak and/or John C. Telischak owns more than 50% interest and/or over which they exercise effective control.

19. Owner's Approvals. Wherever Owner's approval or consent is required hereunder, Owner agrees not to unreasonably withhold or delay such consent or approval.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the day and year first above written.

OWNER: Crystal Springs Golf Partners, L.P.,
a California Limited Partnership

By: Montgomery Street Golf
Investors, Inc., a California
corporation,
General Partner

By: J. C. Telischak
Its: CHIEF FINANCIAL OFFICER

MANAGER: CourseCo., Inc.
a California corporation

By: Isaak
Its: President

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

EDWIN M. LEE, MAYOR

GROUND LEASE

between

**CITY AND COUNTY OF SAN FRANCISCO,
as Landlord,**

and

**CRYSTAL SPRINGS GOLF PARTNERS, L.P.,
as Tenant,**

**For the lease of
approximately 199 acres in San Mateo County, California**

April 1, 2017

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

**Anson B. Moran – President
Ike Kwon – Vice President
Ann Moller Caen – Commissioner
Francesca Vietor – Commissioner
Vince Courtney – Commissioner**

**Harlan L. Kelly, Jr.
General Manager of San Francisco Public Utilities Commission**

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LIST OF EXHIBITS

EXHIBIT A	Legal Description of Premises
EXHIBIT B	SFPUC Drawing of Premises
EXHIBIT C	Form of Estoppel Certificate
EXHIBIT D	Maintenance Guidelines
EXHIBIT E	CourseCo Agreement dated March 15, 1996

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

GROUND LEASE No. 3736A

(Month-to-Month)

THIS GROUND LEASE (this “Lease”) dated for reference purposes only as of _____, 2017, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“City”), acting by and through its Public Utilities Commission (“SFPUC”), and CRYSTAL SPRINGS GOLF PARTNERS, L.P., a California limited partnership (“Tenant”).

RECITALS

A. Tenant and City are parties to a lease dated November 26, 1996 (“Original Lease”) for Tenant’s use of approximately 199 acres of land located in Burlingame, California pursuant to which Tenant operates a regulation length, 18-hole public golf course and related facilities (“Premises”). The Original Lease, as amended by an amendment dated June 1, 2003, is currently scheduled to expire on March 31, 2017.

B. City and Tenant have negotiated in good faith for more than a year to finalize the terms and conditions of a new long-term lease. Negotiations have been completed, but due to no fault of Tenant, there is insufficient time to obtain the necessary City approvals of the proposed new long-term lease (“New Long-term Lease”) prior to the expiration of the Original Lease. The Original Lease includes a holdover provision that would require Tenant to pay rent at a holdover rate that is significantly greater than the current fair market rent. Because delays in obtaining City approval of a New Long-term Lease were not caused by Tenant, City and Tenant wish to enter into this month-to-month Lease to allow Tenant to continue its tenancy at market rate rent during the City’s approval processes.

AGREEMENT

NOW, THEREFORE, IN CONSIDERATION of the foregoing recitals, City and Tenant hereby agree as follows:

1. BASIC LEASE INFORMATION

The following is a summary of basic lease information (the “Basic Lease Information”). Each item below shall be deemed to incorporate all of the terms set forth in this Lease pertaining to such item. In the event of any conflict between the information in this Section and any more specific provision of this Lease, the more specific provision shall control.

Lease Reference Date:	April 1, 2017
Landlord:	CITY AND COUNTY OF SAN FRANCISCO, acting by and through its Public Utilities Commission
Tenant:	CRYSTAL SPRINGS GOLF PARTNERS, L.P.
Premises (Section 3.1):	That real property located in Burlingame, California, as more particularly described in the attached <u>Exhibit A</u> and

shown in the attached **Exhibit B**, together with the City's existing improvements which include an 18-hole golf course; a driving range; a parking lot; a two-story building housing the golf pro shop and administrative offices; a two-story clubhouse which includes locker rooms, a restaurant, lounge and banquet space; a maintenance and golf cart storage facility; restrooms and small structures at the driving range.

Term (Section 4.1):

Commencement Date: April 1, 2017

Month-to-month, but expiring no later than December 31, 2017

Base Rent (Section 5.1):

Base Rent during the Term will be payable in equal monthly installments of Eighty-Three Thousand Three Hundred Thirty-Three and 33/100 Dollars (\$83,333.33).

Gross Percentage Rent (Section 5.3) Seven percent (7%) of Gross Revenues derived from food and beverage sales; plus

Five percent (5%) of Gross Revenues derived from Merchandise Sales up to and including the Merchandise Revenue Threshold (as defined below), and six percent (6%) of Gross Revenues derived from Merchandise Sales that exceed the Merchandise Revenue Threshold; plus

Twenty-five percent (25%) of Gross Revenues derived from all other sources up to and including the Other Sources Revenue Threshold (as defined below), and thirty percent (30%) of Gross Revenues derived from all other sources that exceed the Other Sources Revenue Threshold.

Use (Section 7.1):

Operation of a regulation length, 18-hole golf course and related facilities.

Security Deposit (Section 24):

\$300,000

Tenant's Share of Property Taxes

(Section 6.1):

APN 093-050-040 21%
APN 093-050-130 1%
APN 093-050-120 60%
APN 093-060-130 23%
APN 093-060-120 25%

Notice Address of City
(Section 25.1):

Real Estate Services
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 10th Floor
San Francisco, California 94102
Attn: Real Estate Director
Re: Lease No. 3736A

with a copy to:

Office of the City Attorney
City and County of San Francisco
Room 234, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4682
Attn: Real Estate & Finance Team
Re: SFPUC Lease No.3736A

Key Contact for City:

Real Estate Director
Real Estate Services Division
San Francisco Public Utilities Commission

Telephone No.:

(415) 487-5210

SFPUC Peninsula Watershed
Manager:

Telephone and email:

Joe Naras
(650) 652-3201; jnaras@sflower.org (any contact with Mr.
Naras shall be via *both* telephone and email)

Notice Address of Tenant
(Section 25.1):

Tom Isaak
President and CEO
CourseCo
1670 Corporate Circle Ste.201
Petaluma, CA 94954

With a copy to:

John C. Telischak
President
Telischak & Company
45 Koch Road, Suite A
Corte Madera, CA 94925

Key Contact for Tenant:

Tom Isaak

Telephone No.:

(707) 763-0335

Email Address:

tisaak@courseco.com

Alternate Key Contact for Tenant: John Telischak
Telephone No.: (415) 945-9982
Email Address: jct@telischakco.com
Brokers (Section 25.8): N/A

2. DEFINITIONS

For purposes of this Lease, initially capitalized terms shall have the meanings ascribed to them in this Section:

“**Additional Charges**” means any and all real and personal property taxes, possessory interest taxes, and other costs, impositions, and expenses described in **Section 6** (Taxes, Assessments, and Other Expenses) or otherwise payable by Tenant under this Lease.

“**Agents**” means, when used with reference to either Party to this Lease, the officers, directors, employees, agents, and contractors of such Party, and their respective heirs, legal representatives, successors, and assigns.

“**Alterations**” means any Improvements, as defined below, made, constructed, installed, or placed on, over, or under the Premises by or on behalf of Tenant under this Lease or the Original Lease, including any modifications of pre-existing Improvements.

“**Assignment**” has the meaning given in **Section 16.1** (Restriction on Assignment and Subletting).

“**Award**” means all compensation, sums, or value paid, awarded, or received for a Taking, whether pursuant to judgment, agreement, settlement, or otherwise.

“**Basic Lease Information**” means the information with respect to this Lease summarized in **Section 1** (Basic Lease Information).

“**Base Rent**” means the Base Rent, payable in monthly installments, as specified in the Basic Lease Information and described in **Section 5.1** (Base Rent).

“**City**” means the City and County of San Francisco, a municipal corporation.

“**CMD**” means the San Francisco Contract Monitoring Division (formerly known as the San Francisco Human Rights Commission).

“**Commencement Date**” means the date on which the Term commences as described in **Section 4.1** (Commencement Date and Expiration Date). The Commencement Date is specified in the Basic Lease Information.

“**Date of Taking**” means the earlier of (i) the date upon which title to the portion of the Premises taken passes to and vests in the condemnor or (ii) the date on which Tenant is dispossessed.

“**Effective Date**” means the date on which this Agreement becomes effective pursuant to **Section 4.4** (Effective Date).

“Encumber” means create any Encumbrance; **“Encumbrance”** means any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance.

“Encumbrancer” means a mortgagee, beneficiary of a deed of trust, or other holder of an Encumbrance.

“Environmental Laws” means any present or future federal, state, or local Laws or policies relating to Hazardous Material (including its use, handling, transportation, production, disposal, release, discharge, storage, or cleanup) or to human health and safety, industrial hygiene, or environmental conditions in, on, under, or about the Premises (including any permitted Alterations) and any other property, including soil, air, and groundwater conditions.

“Event of Default” means any one of the events of default described in **Section 17.1** (Events of Default).

“Expiration Date” means the date on which the Term will expire, unless terminated earlier pursuant to the terms of this Lease. The Expiration Date is specified in the Basic Lease Information.

“General Manager” means the General Manager of the SFPUC.

“Gross Percentage Rent” means the sum equal to the percentages of Gross Revenues in the categories described in the Basic Lease Information made from or upon the Premises and from any Improvements during each Lease Year as specified in the Basic Lease Information.

“Gross Revenues” has the meaning given in **Section 5.3(a)**.

“Hazardous Material” means any material that, because of its quantity, concentration, or physical or chemical characteristics, is deemed by any federal, state, or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes any material or substance defined as a “hazardous substance,” “pollutant,” or “contaminant” pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA,” also commonly known as the “Superfund” law), as amended, (42 U.S.C. Sections 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any “hazardous waste” listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of any existing Improvements on the Land, any Alterations to be constructed on the Land by or on behalf of Tenant, or are naturally occurring substances on, in, or about the Land; and petroleum, including crude oil or any crude-oil fraction, and natural gas or natural gas liquids.

“Hazardous Material Claims” means any and all enforcement, Investigation, Remediation, or other governmental or regulatory actions, agreements, or orders threatened, instituted, or completed pursuant to any Environmental Laws, together with any and all Losses made or threatened by any third party against City, the SFPUC, their respective Agents, or the Premises or any Alterations, relating to damage, contribution, cost recovery compensation, loss, or injury resulting from the presence, release, or discharge of any Hazardous Material, including Losses based in common law. Hazardous Material Claims include Investigation and Remediation costs, fines, natural resource damages, damages for decrease in value of the Premises or any Alterations, the loss or restriction of the use of any amenity of the Premises or any Alterations, attorneys' fees and costs, consultants' fees and costs, and experts' fees and costs.

“Holdover” means any period after the expiration of the Term during which the Premises continue to be occupied by or on behalf of Tenant (whether with or without City’s consent).

“Improvements” means any and all buildings, structures, fixtures, and other improvements (including Alterations) made, constructed, installed, or placed on, over or under the Premises, including signs, billboards, or other advertising materials, roads, trails, driveways, parking areas, curbs, walks, fences, walls, stairs, poles, plantings, utility infrastructure, and landscaping. “Improvements” includes any trailers, mobile homes, and permanent tent facilities that are affixed to the Premises so that they cannot be removed without structural or other material damage to the Premises.

“Indemnify” means indemnify, protect, defend, and hold harmless forever.

“Indemnified Parties” means City, including, but not limited to, all of its boards, commissions, departments, agencies, and other subdivisions, including its SFPUC, and all of its and their respective Agents, and their respective heirs, legal representatives, successors, and assigns, and each of them.

“Investigation” when used with reference to Hazardous Material means any activity undertaken to determine the nature and extent of Hazardous Material that may be located in, on, under, or about any portion of the Premises or any Alterations or that have been, are being, or threaten to be Released into the environment. Investigation shall include preparation of site history reports and sampling and analysis of environmental conditions in, on, under, or about the Premises or any Alterations.

“Invitees” when used with respect to Tenant means Tenant’s clients, customers, invitees, guests, members, licensees, assignees, and subtenants.

“IPM” and **“IPM Ordinance”** have the meanings given in **Section 7.2(j)**.

“Land” means the land described in the attached **Exhibit A**.

“Landlord” means the City and County of San Francisco, a municipal corporation.

“Law” means any law, statute, ordinance, resolution, regulation, proclamation, order, or decree of any municipal, county, regional, state, or federal government or other governmental or regulatory authority with jurisdiction over any portion of the Premises, whether currently in effect or adopted in the future and whether or not in the contemplation of the Parties.

“Lease” means this Lease as it may be amended in accordance with its terms.

“Lease Year” is a calendar year, except that the first Lease Year shall commence on the Commencement Date and end on December 31 of the same calendar year, and the last Lease Year shall end on the date this Lease expires or terminates, regardless of whether such first and last Lease Years comprise full calendar years.

“Losses” means any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits, and other proceedings, judgments and awards, and costs and expenses, including reasonable attorneys’ and consultants’ and experts’ fees and costs.

“Merchandise Revenue Threshold” means Four Hundred Thousand Dollars (\$400,000) for each Lease Year. If the first Lease Year or the final Lease Year is less than twelve full calendar months, the Merchandise Revenue Threshold for such partial year shall be prorated based on a 365-day year.

“Merchandise Sales” means (i) sales or rentals of apparel, equipment, magazines, newspapers, golf supplies, and other merchandise from the pro shop, (ii) sales or rentals of lockers, golf clubs and other golf equipment and supplies (excluding power golf carts), (iii)

rental fees for the use of any clubhouse facilities, and (iv) fees charged for golf instruction, net of amounts paid to golf professional staff.

“Official Records” means the official real estate records of the county in which the Premises are located.

“Other Sources Revenue Threshold” means Four Million Dollars (\$4,000,000) for each Lease Year. If the first Lease Year or the final Lease Year is less than twelve full calendar months, the Other Sources Revenue Threshold for such partial Lease Year shall be prorated based on a 365-day year.

“Party” means City or Tenant;

“Parties” means both City and Tenant.

“Percentage Rent” means rent in the sum equal to (i) the Gross Percentage Rent, as defined above, during each Lease Year, less (ii) Base Rent payable by Tenant during such Lease Year as provided in **Sections 5.1**. Percentage Rent is payable as provided in **Section 5.3**.

“Percentage Rent Period” means periods within each Lease Year ending on March 31, June 30, September 30 and December 31, whether or not consisting of three (3) full months.

“Premises” has the meaning given in **Section 3.1** (Leased Premises). The Premises shall include any existing and permitted future Improvements, together with any additions or Alterations to, or modifications of, the Premises or Improvements permitted under this Lease. Notwithstanding anything to the contrary in this Lease, however, the Premises do not include (i) the SFPUC Facilities, or (ii) any water, water rights, riparian rights, water stock, mineral rights, or timber rights relating to the Premises.

“Project Review” is the process by which construction projects or other activities proposed to be conducted within SFPUC's watershed lands or rights of way are presented to and reviewed by SFPUC's Project Review Committee. An applicant initiates the Project Review process by submitting an application available on the Project Review Committee page of sfwater.org.

“Project Review Certificate” means a Certificate of Completion of the Project Review Process issued by SFPUC following completion of Project Review.

“Release” when used with respect to Hazardous Material means any actual or imminent spilling, leaking, migrating, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside any existing improvements or any Alterations constructed by or on behalf of Tenant, or in, on, under, or about any portion of the Premises or any of the SFPUC Facilities.

“Remediation” when used with reference to Hazardous Material means any activities undertaken to clean up, remove, contain, treat, stabilize, monitor, or otherwise control any Hazardous Material located in, on, under, or about the Premises or the SFPUC Facilities or that have been, are being, or threaten to be Released into the environment. Remediate includes those actions included within the definition of “remedy” or “remedial action” in California Health and Safety Code Section 25322 and “remove” or “removal” in California Health and Safety Code Section 25323.

“Rent” means the Base Rent plus Percentage Rent, together with any and all Additional Charges.

“SFPUC” means the Public Utilities Commission of the City and County of San Francisco.

“SFPUC Facilities” means any and all water pipelines, drainage pipelines, hatch covers, wells, electrical or telecommunications lines, conduits, and any other overhead, surface and subsurface facilities and appurtenances of any kind owned by City or the SFPUC and now or later located in, under, on, or about the Premises for the conveyance, transmission, storage, transportation, or distribution of water, power, or telecommunication for municipal purposes, together with all associated appurtenances and monuments.

“SFPUC’s Real Estate Guidelines” means the written Real Estate Guidelines adopted by SFPUC and in effect during the Term with respect to the policies, practices, and procedures to be used in the administration, lease, and use of real property (including any interests or rights in real property) subject to SFPUC jurisdiction, as such Real Estate Guidelines may be amended, supplemented, or replaced by SFPUC from time to time.

“Sublease” has the meaning given in **Section 16.1** (Restriction on Assignment and Subletting).

“Taking” means a taking or damaging, including severance damage, by eminent domain, inverse condemnation, or for any public or quasi-public use under Law. A Taking may occur pursuant to the recording of a final order of condemnation, by voluntary sale or conveyance in lieu of condemnation, or in settlement of a condemnation action.

“Tenant” means the Party identified as Tenant in the Basic Lease Information and at the beginning of this Lease. Except when immediately followed by the word “itself,” the term “Tenant” shall also refer to the successors and assigns of Tenant's interests under this Lease, provided that the rights and obligations of Tenant's successors and assigns shall be limited to only those rights and obligations that this Lease permits to be transferred and that have been transferred in accordance with this Lease.

“Tenant’s Annual Statement” has the meaning given in **Section 5.3(c)**.

“Tenant's Personal Property” has the meaning given in **Section 8.6** (Tenant’s Personal Property).

“Term” means the term of this Lease as determined under **Section 4.1** (Term of Lease).

“Transfer” means any Assignment or Sublease.

“Transferee” means an assignee under an Assignment or a subtenant under a Sublease, as described in **Section 16** (Assignment and Subletting).

“Unmatured Event of Default” means any default by Tenant under this Lease that, with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Lease.

3. PREMISES; ACCESSIBILITY DISCLOSURES; AS IS CONDITION

3.1 Leased Premises

Subject to the terms, covenants, and conditions of this Lease, City leases to Tenant and Tenant leases from City, the real property described in the attached **Exhibit A**, together with City’s existing improvements which include an eighteen hole golf course; a driving range; a parking lot; a two-story building housing the golf pro shop and administrative offices; a

two-story clubhouse which includes locker rooms, a restaurant, a lounge and banquet space; a maintenance and golf cart storage facility; restrooms and small structures at the driving range. (the "Premises"), excluding from such lease and reserving during the Term unto City and its successors and assigns the rights described in **Section 3.2** (Rights Reserved to City). The Premises are shown generally on the attached **Exhibit B**. Any acreage stated in this Lease with respect to the Premises is an estimate only, and City does not warrant it to be correct. For all purposes of this Lease, however, the Parties agree that any such acreage shall be deemed to be correct. Nothing in this Lease is intended to grant Tenant any right whatsoever to possess, use, or operate any portion of the SFPUC Facilities.

3.2 Rights Reserved to City

Notwithstanding anything to the contrary in this Lease, City reserves and retains all of the following rights relating to the Premises:

(a) Any and all water and water rights, including, but not limited to (i) any and all surface water and surface water rights, including riparian rights and appropriative water rights to surface streams and the underflow of streams, and (ii) any and all groundwater and subterranean water rights, including the right to export percolating groundwater for use by City or its water customers;

(b) Any and all timber and timber rights, including all standing trees and downed timber;

(c) Any and all minerals and mineral rights of every kind and character now known to exist or hereafter discovered in, on, or under the Premises, including, but not limited to, oil and gas and rights, together with the sole, exclusive, and perpetual right to explore for, remove, and dispose of those minerals by any means or methods suitable to City or its successors and assigns, but without entering upon or using the surface of the lands of the Premises and in such manner as not to damage the surface of the Premises or to interfere with the permitted use of the Premises by Tenant, without Tenant's prior written consent;

(d) All rights to use, operate, maintain, repair, enlarge, modify, expand, replace, and reconstruct the SFPUC Facilities;

(e) The right to grant future easements and rights-of-way over, across, under, in, and upon the Premises as City determines to be in the public interest, provided that any such easement or right-of-way shall be conditioned upon the grantee's assumption of liability to Tenant for damage to its property that Tenant may sustain as a result of the grantee's use of such easement or right-of-way;

(f) Without limiting the generality of Subsection (e) above, the right to grant future easements, rights-of-way, permits, and/or licenses over, across, under, in, and upon the Premises for the installation, operation, maintenance, repair, and removal of (i) equipment for furnishing cellular telephone, radio, or other telecommunications services, including antennas, radio, devices, cables, and other equipment associated with a telecommunications cell site, and (ii) commercial billboards, signs, and/or advertising kiosks, provided that any such easement or right-of-way shall not materially interfere with Tenant's permitted use of the Premises as authorized by this Lease, and provided further that the grant of any such easement or right-of-way shall be conditioned upon the grantee's assumption of liability to Tenant for damage to its property that Tenant may sustain as a result of the grantee's use of such easement or right-of-way; and

(g) All rights of access provided for in **Section 20** (Access by City).

3.3 Subject to Municipal Uses

Tenant acknowledges that the property of which the Premises are a part constitutes a portion of City's right-of-way for the SFPUC Facilities or the SFPUC water, power, or wastewater enterprise, which City holds for the purposes of transporting and distributing water and/or power or for other municipal uses. Tenant's rights under this Lease are subject to City's use of the Premises for such purposes and for other City uses. So long as there is no Event of Default or Unmatured Event of Default on the part of Tenant outstanding under this Lease, however, and subject to the terms and conditions of this Lease, City shall use reasonable efforts to avoid interfering with Tenant's quiet use and enjoyment of the Premises. The use of the term "right-of-way" or similar terms in this Lease shall not be deemed to imply that City holds less than fee title to the Premises or otherwise call into question the nature of City's title to any of its property. City shall in no way be liable for any damage to or destruction of Tenant's property and/or improvements resulting from any pipeline break or other malfunction with respect to the SFPUC Facilities or from any repair or maintenance activities with respect to the SFPUC Facilities. At City's request, Tenant shall remove immediately any property or improvements on the Premises to allow City's access to the SFPUC Facilities. If City deems it necessary, at City's sole discretion, City may remove any such property or improvements and City shall not be responsible for restoring or returning the same to its prior condition.

3.4 Accessibility Disclosures

(a) California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements. The law does not require landlords to have the inspections performed. Tenant is hereby advised that the Premises have not been inspected by a CASp.

(b) Tenant acknowledges that prior to the execution of this Lease, City provided Tenant with, and Tenant signed, the Disability Access Obligations Notice described in Section 38.3 of the San Francisco Administrative Code. Tenant and City each agree to use reasonable efforts to notify the other Party if making any Alterations that might impact accessibility to the Premises under any disability access laws.

3.5 As-Is Condition of Premises

(a) Inspection of Premises

Tenant acknowledges that it has occupied the Premises for approximately 20 years and is thoroughly familiar with the condition of the Premises and the golf course operations on the Premises. Tenant represents and warrants that Tenant has conducted a thorough and diligent inspection and investigation, either independently or through Agents of Tenant's own choosing, of the Premises and the suitability of the Premises for Tenant's intended use. Tenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses.

(b) As Is; Disclaimer of Representations

Tenant acknowledges and agrees that the Premises are being leased and accepted strictly in their "**AS IS, WITH ALL FAULTS**" condition, without representation or warranty of any kind, and subject to all applicable Laws governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Lease is made subject to any and all covenants, conditions, restrictions, easements, and other title matters affecting any portion of the Premises, whether or not of record. Tenant acknowledges and agrees that neither City, SFPUC, nor any of their Agents have made, and City hereby disclaims, any

representations or warranties, express or implied, concerning: (i) title or survey matters affecting the Premises; (ii) the physical, geological, seismological, or environmental condition of the Premises; (iii) the quality, nature, or adequacy of any utilities serving the Premises; (iv) the present or future suitability of the Premises for Tenant's business and intended uses; (v) the feasibility, cost, or legality of constructing any Alterations on the Premises if required for Tenant's use and permitted under this Lease; or (vi) any other matter whatsoever relating to the Premises or their use, including any implied warranties of merchantability or fitness for a particular purpose.

4. TERM

4.1 Term of Lease

Subject to this Lease becoming effective pursuant to **Section 4.4** (Effective Date) the Premises are leased for an initial period of one month, commencing on the date specified in the Basic Lease Information as the Commencement Date, and continuing thereafter on a month-to-month basis until the date (the "**Expiration Date**") that is the earliest of (i) termination by either party on not less than thirty (30) days' advance notice to the other, (ii) the Commencement Date of the New Long-term Lease if approved by the SFPUC Commission and City's Board of Supervisors and Mayor, or (iii) December 31, 2017, unless sooner terminated pursuant to the terms of this Lease. Such period is referred to herein as the "**Term.**"

4.2 Commencement Date and Expiration Date

The dates on which the Term commences and expires pursuant to this Lease are referred to respectively as the "Commencement Date" and the "Expiration Date" as specified in the Basic Lease Information.

4.3 Possession; Termination of Original Lease

Prior to the Commencement Date Tenant is in possession of the Premises under the Original Lease. City and Tenant agree that the Original Lease shall terminate effective upon the Commencement Date of this Lease.

4.4 Effective Date

This Lease shall become effective on the last to occur of the following (the "**Effective Date**"): (a) the date SFPUC adopts a resolution approving this Lease, and (b) the date the Parties have duly executed and delivered this Lease.

5. RENT

5.1 Base Rent

Beginning on the Commencement Date and throughout the Term, Tenant shall pay to City the monthly installment of Base Rent specified in the Basic Lease Information (the "**Base Rent**"). The Base Rent shall be payable in monthly installments on or before the first day of each month, in advance, at the San Francisco Public Utilities Commission, Customer Service Bureau, Attention: Real Estate Billing, 525 Golden Gate Avenue, 3rd Floor, San Francisco, California 94102 [*reference SFPUC Lease Number 3736A*], or such other place as City may designate in writing. If the Commencement Date occurs on a day other than the first day of a calendar month, or if the Expiration Date occurs on a day other than the last day of a calendar

month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30) day month.

5.2 Intentionally Omitted

5.3 Percentage Rent

In addition to the Base Rent, Tenant shall pay to City Percentage Rent under the following terms and conditions:

(a) Gross Revenues.

As used herein below, the term "**Gross Revenues**" means the gross selling price of all merchandise or services sold, leased, licensed or delivered in or from the Premises and any Improvements by Tenant, any Affiliate of Tenant, or any of its or their subtenants, licensees, or concessionaires, whether for cash or on credit (whether collected or not), including the gross amount received by reason of orders taken on the Premises and any Improvements although filled elsewhere, and whether made by store personnel or vending machines, or whether made by catalog or Internet sales. Gross Revenues shall include, without limitation, all revenues and income derived from (i) admission fees, entry fees, green fees, driving range fees, tournament fees, instructional fees (net of amounts paid to the golf professional staff), advance booking fees, membership and club dues and other fees and dues of any kind (including nonrefundable deposits); (ii) rental fees for lockers, golf carts, golf clubs and other equipment and supplies (without deduction for any rent, interest or other payments made by Tenant, any Affiliate of Tenant, or any of its or their subtenants, licensees or concessionaires, for any such golf carts, clubs, equipment or supplies which are subject to equipment leases, installment sales contracts or other financing devices); (iii) the operation of restaurants, bars, cocktail lounges, banquet facilities, pro shops and parking facilities; (iv) proceeds from business interruption insurance, loss of earnings insurance or other insurance of a similar kind; and (v) pay telephone, stamp machines, music machines, amusement machines or public toilet locks. Any transaction made or fees paid on an installment basis, including without limitation any "lay-away" sale, installment or deferred payments of dues or fees, or like transactions, or any transaction otherwise involving the extension of credit, shall be treated as a sale for the full price at the time of the transaction, irrespective of the time of payment or when title passes. Gross Revenues in credit card transactions shall include only the actual amount received by Tenant from the credit card issuer. Gross Revenues shall not include the full retail price of California State Lottery tickets sold from the Premises, but shall include the full amount of compensation or any incentive bonuses paid to and received by Tenant for such sales, as such compensation and bonuses are determined from time to time by the State Lottery PUC and Director under California Government Code Section 8880.51 and other applicable California Laws. Gross Revenues shall not include, or if included there shall be deducted (but only to the extent they have been included), the following: (a) the selling price of all merchandise returned by customers and accepted for full credit, or the amount of discounts, refunds, and allowances made on such merchandise; (b) merchandise returned to sources or transferred to another store or warehouse owned by or affiliated with Tenant; (c) sums and credits received in the settlement of claims for loss of or damage to merchandise; (d) the price allowed on all merchandise traded in by customers for credit or the amount of credit for discounts and allowances made instead of acceptance of merchandise; (e) any sums paid to third parties (excluding, without limitation, any Affiliate of Tenant) for the use or rental of pay telephones, stamp machines, music machines, amusement machines, or public toilet locks; (f) gift certificates, or similar vouchers, until such time as they shall have been converted into a sale by redemption; (g) sales and use taxes, so-called luxury taxes, consumers' excise taxes, gross receipts taxes, and other similar taxes now or in the future imposed on the sale of merchandise or services; and (h) sales of fixtures, trade fixtures or personal property that are not merchandise as allowed in this Lease.

(b) Payment.

Tenant shall pay to City, as Percentage Rent, a sum equal to the amount by which the Gross Percentage Rent during each Lease Year as specified in the Basic Lease Information exceeds the Base Rent paid by Tenant during such Lease Year. Tenant shall compute Percentage Rent for each Percentage Rent Period, and on or before the twentieth (20th) day of the calendar month immediately following the close of each Percentage Rent Period, Tenant shall pay to City the amount by which the Gross Percentage Rent during the Percentage Rent Period exceeds the Base Rent that Tenant has paid during such Percentage Rent Period. Within sixty (60) days after receipt of Tenant's Annual Statement, as defined in **Section 5.3(c)**, City shall determine the amount of Percentage Rent based on the Gross Revenues during the Lease Year as disclosed by the reports delivered to City pursuant to **Section 5.3(c)** below, and the sums paid to City as Base Rent and Percentage Rent for the Lease Year. At such time, an adjustment shall be made between City and Tenant to the end that the total Percentage Rent paid to City for such Lease Year shall be a sum equal to the Gross Percentage Rent, as defined in the Basic Lease Information and **Section 2**, for such Lease Year, less the Base Rent paid pursuant to **Section 5.1** for such Lease Year, so that the Percentage Rent, although payable quarterly, shall be computed and reconciled on an annual basis. If such annual calculation determines that Tenant has paid to City Percentage Rent in an amount greater than the Percentage Rent it is obligated to pay for the Lease Year as determined in accordance with this Section, then the excess amount shall be applied against the next Percentage Rent due to City, except that if any unused excess exists at the Expiration Date or other termination of the Term, the sum of the unused excess shall be refunded by City to Tenant. If the annual calculation determines that Tenant has paid to City an amount of Percentage Rent less than Tenant is required to pay for the Lease Year, Tenant shall pay the difference to City within forty-five (45) days after delivery of City's invoice.

(c) Reports.

Tenant shall furnish to City a statement of Gross Revenues within twenty (20) days after the end of each Percentage Rent Period, and an annual statement of Gross Revenues ("**Tenant's Annual Statement**") within forty-five (45) days after the end of each Lease Year. Such statements shall be in a form acceptable to City. Each statement shall be signed and certified to be correct by Tenant's general partner or, if Tenant's general partner is a corporation, by a duly authorized officer of Tenant's general partner. In addition, each annual statement shall be audited by an independent certified public accountant reasonably acceptable to City, as provided in **Section 25.16** hereof. Tenant shall keep at the Premises complete and accurate books of account, records, cash receipts and other pertinent data, in accordance with generally accepted accounting principles or on a tax basis, and in a form approved by City, showing its Gross Revenues, including without limitation, accurate records of every sale and other transaction made from the Premises and any Improvements. If Tenant does not install receipt-printing cash registers, Tenant may use serialized sales slips provided that such sales slips are kept and maintained as required in this paragraph and Tenant records every sale and other transaction made from the Premises on such sales slips. Such books of account, records, cash receipts and other pertinent data shall be kept for a period of three (3) years after the end of each Lease Year. The receipt by City of any statement, or any payment of Percentage Rent for any period, shall not bind City as to the correctness of the statement or payment.

(d) Inspection and Audit.

City shall be entitled at any time and from time to time during the Term and within three (3) years after the Expiration Date or other termination of this Lease, to inspect, examine, copy and audit all of Tenant's books of account, records, cash receipts, tax returns and underlying tax preparation documents, financial statements and other pertinent data. The primary purpose of such examination is to enable City to ascertain, clearly and accurately, Tenant's Gross

Revenues and to verify that the form and method of Tenant's record keeping provide adequate and proper control and check of all such revenues. Tenant shall cooperate fully with City and City's Agents in making the examination. City shall also be entitled at City's option, once during each Lease Year and once after the Expiration Date or other termination of this Lease, to cause an independent audit to be performed by a certified public accountant designated by City. The audit shall be conducted during usual business hours at the Premises. If the audit shows that there is a deficiency in the payment of any Percentage Rent, then Tenant shall immediately upon notice pay the deficiency to City, together with interest thereon at the Default Rate, which interest shall accrue from the date on which such deficient amount would have been due until such deficiency is paid. City shall pay the costs of the audit unless the audit shows that Tenant understated Gross Revenues by more than two percent (2%), in which case Tenant shall pay all City's costs of the audit.

(e) Efforts to Maximize Revenue.

Subject to the express terms and conditions of this Lease, Tenant shall use its best efforts to maximize the production of Gross Revenues from the Premises and any improvements thereon permitted hereunder.

(f) Covenant not to Compete.

Without the prior written consent of the General Manager, which consent shall not be unreasonably withheld, neither Tenant nor any Affiliate of Tenant shall own, operate, or become financially interested in a business similar to the one conducted by Tenant on the Premises within ten (10) miles in any direction from the Premises, the mileage to be measured on a straight-line basis on a map, not following contours of the land and streets. If Tenant defaults in performance under this Section, City can elect to include the Gross Revenues from such other business in the Gross Revenues made from or upon the Premises for the purpose of computing Percentage Rent payable under this Lease .

5.4 Late Charge

If Tenant fails to pay any Rent within five (5) days after the date the same is due and payable, such unpaid amount will be subject to a late payment charge equal to six percent (6%) of the unpaid amount in each instance. This late payment charge has been agreed upon by City and Tenant, after negotiation, as a reasonable estimate of the additional administrative costs and detriment that City will incur as a result of any such failure by Tenant, the actual costs of any such failure being extremely difficult if not impossible to determine. The late payment charge constitutes liquidated damages to compensate City for its damages resulting from such failure to pay and Tenant shall promptly pay such charge to City, together with such unpaid amount.

5.5 Default Interest

If any Rent is not paid within five (5) days following the due date, such unpaid amount shall bear interest from the due date until paid at the rate of ten percent (10%) per year or, if a higher rate is legally permissible, at the highest rate an individual is permitted to charge under Law. Interest shall not be payable on late charges incurred by Tenant nor on any amounts on which late charges are paid by Tenant, however, to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Tenant.

5.6 Net Lease

This Lease is a "net lease." Accordingly, Tenant shall pay to City the Base Rent, Percentage Rent, Additional Charges, and any other payments required by this Lease without

prior demand and without abatement, deduction, counterclaim, or setoff. Under no circumstances, whether now existing or subsequently arising, and whether or not beyond the present contemplation of the Parties, shall City be expected or required to make any payment of any kind whatsoever with respect to Tenant's use or occupancy of the Premises and any permitted Alterations or this Lease, except as may otherwise be expressly set forth in this Lease. Without limiting the foregoing, Tenant shall be solely responsible for paying each item of cost or expense of every kind and nature whatsoever, the payment of which City otherwise would be or could become liable by reason of its estate or interests in the Premises and any Alterations, any rights or interests of City in or under this Lease, or the ownership, leasing, operation, management, maintenance, repair, rebuilding, remodeling, renovation, use, or occupancy of any portion of the Premises or any permitted Alterations. Except as may be specifically and expressly provided otherwise in this Lease, no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant from its liability to pay all of the sums required by any of the provisions of this Lease, or otherwise relieve Tenant from any of its obligations under this Lease, or give Tenant any right to terminate this Lease in whole or in part. Tenant waives any rights now or subsequently conferred upon it by any existing or future Law to terminate this Lease or to receive any abatement, diminution, reduction, or suspension of payment of such sums on account of any such occurrence or situation.

5.7 Processing Fee

Upon execution of this Lease, Tenant shall pay City a one-time non-refundable sum of Three Thousand Dollars (\$3,000.00) as a fee for processing this Lease. Tenant shall also reimburse City for all fees and costs, including attorney's fees and costs, incurred by City in seeking the approvals necessary to enter into this Lease, including completion of environmental reviews and review and approval of this Lease by the Commissioners of the SFPUC, the San Francisco Board of Supervisors, and the Mayor of San Francisco, as applicable, within thirty (30) days following the date of City's invoice.

6. TAXES, ASSESSMENTS, AND OTHER EXPENSES

6.1 Taxes and Assessments, Licenses, Permit Fees, and Liens

(a) Payment Responsibility

Tenant shall pay any and all real and personal property taxes, general and special assessments, excises, licenses, permit fees, and other charges and impositions of every description levied on or assessed against all or any part of the Premises, any Alterations, Tenant's Personal Property, the leasehold estate, any subleasehold estate, or Tenant's use of the Premises or any Alterations. Tenant shall make all such payments directly to the charging authority when due and payable and at least ten (10) days before delinquency, subject to Tenant's right to contest the validity of such charge pursuant to Subsection (c) below. With respect to real property taxes and assessments levied on or assessed against the Premises for which City receives the tax bill directly from the taxing authority, however, Tenant shall reimburse City for payment of such sums immediately upon demand.

(b) Taxability of Possessory Interest

Without limiting the foregoing, Tenant recognizes and agrees that this Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest.

(c) No Liens

Tenant shall not allow or suffer a lien for any taxes payable by Tenant pursuant to this Lease to be imposed upon the Premises or upon any equipment or other property located on the Premises without promptly discharging the same. Tenant may have a reasonable opportunity to contest the validity of any such taxes provided Tenant, before commencement of any proceeding or contest, furnishes to City a surety bond issued by a surety company qualified to do business in California and acceptable to City's Controller. The amount of such bond shall be equal to one hundred twenty-five percent (125%) of the amount of taxes in dispute and shall be in such form as approved by the City Attorney. The bond shall insure payment of any judgment that may be rendered should Tenant be unsuccessful in any such contest. Tenant shall Indemnify City, the other Indemnified Parties, and the Premises from and against any Losses arising out of any such proceeding or contest. The foregoing Indemnity shall not be limited by the amount of the bond.

(d) Reporting Requirement

Tenant agrees to provide such information as City may request to enable City to comply with any tax reporting requirements applicable to this Lease.

6.2 Other Expenses

Tenant shall be responsible for any and all other charges, costs, and expenses related to its use, occupancy, operation, or enjoyment of the Premises or any Alterations permitted by this Lease, including the cost of any utilities or services necessary for Tenant's permitted use of the Premises.

6.3 Evidence of Payment

Upon City's request, Tenant shall furnish to City, within ten (10) days after the date when any charges are due and payable, official receipts of the appropriate taxing authority or other evidence reasonably satisfactory to City, evidencing payment of such charges.

7. USE; COVENANTS TO PROTECT PREMISES AND SFPUC FACILITIES

7.1 Tenant's Permitted Use

Tenant may use the Premises and any Alterations permitted by this Lease only for the use specified in the Basic Lease Information, and for no other purpose.

7.2 Covenants Regarding Use

As a material inducement to City to enter into this Lease, Tenant covenants with City as follows:

(a) No Unlawful Uses or Nuisances

Tenant shall not use or occupy any of the Premises or any Alterations, or permit their use or occupancy, in any unlawful manner or for any illegal purpose, or permit to be carried on any offensive, immoral, noisy, or hazardous use or any use in violation of the conditions of any certificate of occupancy. Tenant shall take all precautions to eliminate immediately any nuisances or hazards relating to its activities on or about the Premises or any Alterations permitted by this Lease.

(b) Covenant Against Waste

Tenant shall not cause or permit any waste, damage, or injury to the Premises.

(c) Covenant to Protect SFPUC Facilities

At all times during the Term, Tenant shall protect the SFPUC Facilities from any damage, injury, or disturbance. If Tenant or any of its Agents or Invitees damages, injures, or disturbs any portion of the SFPUC Facilities (including monuments), Tenant shall immediately notify City of that occurrence. Without limiting any of its other rights under this Lease or at Law or equity, City may take all actions it deems proper to repair such SFPUC Facilities (including relocation of monuments) at Tenant's sole expense. Upon City's request, Tenant shall promptly remove or alter to City's satisfaction and at Tenant's sole cost, any Alterations or Tenant's Personal Property placed on the Premises by or on behalf of Tenant as necessary to avoid interference with City's use of the Premises for municipal utility purposes. Alternatively, subject to the General Manager's approval at his or her sole discretion, Tenant may pay City for the costs determined by the General Manager that City will incur as a result of such interference.

City may adopt from time to time such rules and regulations with regard to Tenant's facilities and operations placed upon, or occurring on or about, the Premises as City may determine are necessary or appropriate to protect the SFPUC Facilities or prevent or safeguard against the corrosion or failure of the SFPUC Facilities. Upon receipt of a copy of such rules and regulations, Tenant shall fully comply with them.

(d) Covenant to Protect Water Courses

Tenant shall not cause any ponding on the Premises or any flooding on adjacent land. Tenant shall not engage in any activity that causes any change, disturbance, fill, alteration, or impairment to the bed, bank, or channel of any natural water course, wetland, or other body of water on, in, under, or about the Premises, nor shall Tenant engage in any activity that would pollute or degrade any surface or subsurface waters or result in the diminution or drainage of such waters.

(e) Covenant Against Dumping

Tenant shall not cause or permit the dumping or other disposal on, under, or about the Premises of landfill, refuse, Hazardous Material, or other materials that are unsightly or could pose a hazard to human health or safety, native vegetation or wildlife, or the environment.

(f) Covenant to Protect Trees and Native Vegetation

Tenant shall not engage in or permit the removal or destruction of trees or native vegetation without undergoing Project Review and obtaining prior SFPUC consent. However, if in Tenant's reasonable judgment a tree poses a significant risk of imminent harm to Tenant's staff, invitees, structures, or vehicles, and the risk cannot be satisfactorily mitigated through trimming or excluding people from the tree vicinity pending completion of Project Review, Tenant may remove the tree without completing Project Review. In that event, Tenant shall document the condition of the tree with photographs before taking action, if reasonably possible under the circumstances, and Tenant shall contact the SFPUC Peninsula Watershed Manager by email and telephone as directed in the Basic Lease Information (in advance if reasonably possible, or otherwise as soon as possible after eliminating the hazard). Tenant shall maintain all trees on the Premises in a safe condition at all times. On or before July 1, 2017, Tenant shall provide SFPUC with a report on the status of golf course tree assets, prepared by a certified arborist or a member of the American Society of Golf Course Architects with qualifications reasonably acceptable to City. The report shall identify any diseased, hazardous or potentially

problematic trees and Tenant's plan for addressing the problems. Provision of such report shall not relieve Tenant of responsibility for eliminating any additional tree hazards that may develop. All tree trimming and any clearing of trees shall be conducted in accordance with applicable Law, including restrictions regarding nesting birds.

(g) No Tree Planting

Tenant shall not plant any trees on the Premises, nor plant any other vegetation on the Premises except as otherwise expressly provided in this Lease.

(h) Covenant Against Hunting or Fishing

Tenant shall not engage in or permit any hunting, trapping, or fishing on or about the Premises, except for hunting or trapping for the purpose of controlling predators or problem animals by the appropriate use of selective control techniques approved in advance by SFPUC and provided such hunting and trapping is done in strict accordance with all applicable Laws. Whenever possible, all measures used for such control shall be limited in their application to the specific problem animals. Tenant shall not use poison bait, cyanide guns, traps, or other similar non-selective control techniques. In no event may Tenant use any prophylactic predator control measures. The restrictions of this Section applicable to the identification and control of predators and problem animals shall not apply to commensal rodents.

(i) Integrated Vegetation Management Policy

Tenant shall not perform any landscaping of the Premises or plant any plantings without first obtaining SFPUC's written consent pursuant to **Section 8.1**. All landscaping and plantings on the Premises must comply with SFPUC's Right of Way Integrated Vegetation Management Policy.

(j) Restrictions on the Use of Pesticides

Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or "**IPM Ordinance**") describes an integrated pest management ("**IPM**") policy to be implemented by all City departments. Tenant shall not use or apply or allow the use or application of any pesticides on the Premises or contract with any person or entity to provide pest abatement or control services to the Premises without first receiving City's written approval of an IPM plan that (i) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the Term of this Lease, (ii) describes the steps Tenant will take to meet the City's IPM Policy described in Section 300 of the IPM Ordinance and (iii) identifies, by name, title, address and telephone number, an individual to act as the Tenant's primary IPM contact person with the City. Tenant shall provide a copy of its IPM Plan to Joe Naras, SFPUC Peninsula Watershed Manager (at the contact information in the Basic Lease Information). Tenant shall comply, and shall require all of Tenant's contractors to comply, with the IPM plan approved by the City and shall comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g), and 306 of the IPM Ordinance, as if Tenant were a City department. Among other matters, such provisions of the IPM Ordinance: (a) provide for the use of pesticides only as a last resort, (b) prohibit the use or application of pesticides on property owned by the City, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City's Department of the Environment), (c) impose certain notice requirements, and (d) require Tenant to keep certain records and to report to City all pesticide use at the Premises by Tenant's staff or contractors.

If Tenant or Tenant's contractor will apply pesticides to outdoor areas at the Premises, Tenant must first obtain a written recommendation from a person holding a valid

Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation ("CDPR") and any such pesticide application shall be made only by or under the supervision of a person holding a valid, CDPR-issued Qualified Applicator certificate or Qualified Applicator license. City's current Reduced Risk Pesticide List and additional details about pest management on City property can be found at the San Francisco Department of the Environment website, <http://sfenvironment.org/ipm>.

(k) Weed Control

Tenant shall not introduce any noxious weeds on or about the Premises. Tenant shall control noxious weeds, provided that Tenant may use chemical herbicides only if such use complies with the requirements of **Subsection (j)** above.

(l) Maintenance of Roads

Tenant shall keep all roads on the Premises open and in the same condition as such roads are now in, ordinary wear and tear excepted, and shall not interfere with any travel on such roads.

(m) Covenant Against Burning

Tenant shall not burn any weeds, debris, or other substances on or about the Premises.

(n) No Off-Road Vehicles

Tenant shall not use or permit the use of off-road vehicles on any portion of the Premises except on existing roads and in the manner for which such roads are intended.

(o) Restrictions on Heavy Equipment and Vehicles

To prevent damage to any subterranean SFPUC Utilities installed on or about the Premises, Tenant shall strictly adhere to the following restrictions when using, or allowing the use of, vehicles and equipment within twenty feet (20') of any subterranean SFPUC Facilities:

(i) The depth of soil cover over the tops of any subterranean SFPUC Facilities must be at least three feet (3') for steel cylinder pipe and four feet (4') for reinforced pre-stressed concrete cylinder pipe to accommodate the loading as defined below in Subsection (ii) below. If any equipment with axle loading exceeds the weight stated in Subsection (ii) below or if the depth of soil cover is less than stated above, Tenant shall submit to SFPUC for review and approval, engineering calculations prepared by a registered civil engineer to provide adequate protection of subterranean SFPUC Facilities showing that the subterranean SFPUC Facilities will not be adversely affected.

(ii) The effects of vehicle and equipment loads to subterranean SFPUC Facilities must not exceed the effects of the "AASHTO Standard H-10 Loading." H-10 loading is defined as loading caused by a two-axle truck with a gross weight of ten tons (20,000 lbs.), axles fourteen feet (14') apart, and rear axle carrying eight tons (16,000 lbs.). Tenant shall be responsible to provide SFPUC adequate evidence that Tenant's equipment and vehicles meet the foregoing requirements.

(iii) Tenant shall not use vibrating compaction equipment unless it first obtains SFPUC's written approval.

(iv) If the depth of the soil cover over any subterranean SFPUC Facilities (determined by potholing or other proof procedure) is less than the minimum stated in Subsection (i) above, unless SFPUC approves an alternate method, all excavation and grading over the subterranean SFPUC Facilities shall be performed manually. For any machinery equipment excavation and grading over and within twenty feet (20') on each side of the centerline of the subterranean SFPUC Facilities (measured on the surface), Tenant shall submit a written proposal together with all supporting calculations and data to SFPUC for review and approval. In any case, the two feet (2') of soil around the subterranean SFPUC Facilities shall be removed manually or by other methods approved by SFPUC with due care as provided above.

(p) Watershed Management Plan

Tenant shall comply with any and all other regulations or requirements resulting from City's development of a watershed management plan, and any modifications or additions to such plan, provided that such regulations or requirements do not unreasonably interfere with Tenant's use and enjoyment of the Premises as contemplated by this Lease.

(q) Trespassing

Tenant shall exercise reasonable diligence and care to protect the Premises from trespass at all times. Tenant shall post signs and adopt rules that advise its employees, contractors, customers, guests, permittees, and licensees that trespassing on adjoining property of the City is not permitted. City reserves the right to take steps, either within or without the Premises to prevent trespassing onto adjoining property of the City.

(r) Sewage System

Tenant shall maintain the existing sewage system at its sole cost and expense, and in accordance with the direction of and to the satisfaction of the General Manager of the SFPUC. Tenant shall not permit any sewage or contaminated or waste water to be disposed of on the Premises by any means other than the existing sewage system except as otherwise required by **Section 23** [Hazardous Material] and/or applicable Laws.

(s) Golf Course Operation

Tenant shall maintain and operate the golf course and related facilities located on the Premises as a public golf course, and the general public shall not be wholly or permanently excluded from any portion of the Premises. Tenant may encourage, create and accommodate golfing organizations, so long as such organizations comply with the nondiscrimination covenant and Laws set forth in **Section 25.24** of this Lease. Tenant shall operate the golf course and related facilities located on the Premises every day of the year at least from dawn to dusk, except in the event of emergency or inclement weather. Tenant shall at all times operate the Premises and conduct all operations on the Premises in a good businesslike manner, and in such capacity shall provide the public with good quality products and efficient and courteous service. Tenant shall provide services customarily associated with the operation of a golf course and the related facilities located on the Premises, including the rental of golf-related equipment, provision of golf instruction, and sale of food, beverages (including alcoholic beverages), golf supplies, apparel, and equipment.

(t) Inventory and FF&E

Without limiting any other provision contained in this Lease, Tenant shall, at its sole expense, acquire and maintain throughout the Term sufficient furniture, fixtures, equipment, and inventory as are required to operate the golf course and related facilities located on the Premises as contemplated by this Lease.

(u) Golf Carts

Tenant shall provide, through purchase or lease at its sole cost and expense, a sufficient number of golf carts to meet the public demand for golf carts at the Premises. Tenant shall provide all maintenance, repair and service required by such golf carts, and shall replace them as reasonably required or appropriate, to maintain the fleet in good, clean condition and repair. Tenant shall charge a reasonable fee for the use of golf carts.

(v) Food and Beverage Service

Tenant, or its designee shall operate a restaurant, bar, banquet facilities and related facilities serving food and beverages (including alcoholic beverages) on the Premises throughout the Term. Tenant or its designee shall acquire and maintain throughout the Term such furniture, equipment, Personal property and inventory as is required to operate a restaurant, bar, banquet facilities and related facilities serving food and beverage as contemplated by this Lease. All food and beverages sold on the Premises will be properly prepared and served in compliance with all applicable health and sanitary standards. The quality of food and service will be at least equal to that available at comparable golf courses in the San Francisco Bay Area. All dining facilities and adjacent areas will be maintained in a clean and sanitary manner. The prices to be charged by Tenant or its designee for all services, food, and beverages provided on the Premises shall be fair and reasonable.

(w) Name

Tenant shall use the name "Crystal Springs Golf Course" as the name of the golf course and related facilities located on the Premise. In connection with Tenant's use of the Premises during the Term, Tenant shall be entitled to use the name "Crystal Springs Golf Course" and any other logo, trademark, trade name, emblem, insignia, slogan, color scheme or distinguishing characteristic which belongs to City and relates only to the Premises. Upon the Expiration Date or any earlier termination of this Lease, Tenant shall have no further rights to any use of such logos, trademarks, trade names, emblems, insignia, slogans, color schemes or distinguishing characteristics associated with the Premises.

(x) Advertising

(i) Base Promotion Budget. Tenant shall at all times during the Term of this Lease expend annually not less than the sum of \$45,000 (prorated for a partial Lease Year) (the "**Base Promotion Budget**") to promote and advertise the Crystal Springs Golf Course.

(iii) Proposed Reduction of Budget. Upon written request by Tenant, the General Manager, in his or her reasonable discretion, may approve in advance a lower amount in any Lease Year.

(iv) Annual Report. Tenant shall provide a written report, on or before January 15, 2018, detailing and verifying the nature of actual advertising and promotion and all expenditures therefor, made during the preceding Lease Year. This paragraph shall survive the expiration or sooner termination of this Lease.

(y) Tenant's Staff

Tenant, at its cost, shall maintain an adequate and proper staff with the skills and experience necessary to operate all services to be provided under this Lease. Without limiting the foregoing, Tenant shall employ a qualified Class "A" member of the Professional Golfers of America (or PGA equivalent) at the Premises and all other appropriate personnel, which may include a superintendent, starters and instructors. Tenant shall discharge any employee whose conduct or activity, in Tenant's reasonable business judgment, shall be deemed to be detrimental or offensive to the public patronizing the Premises

8. IMPROVEMENTS AND ALTERATIONS

8.1 Construction or Installation of Alterations

(a) Conditions and Requirements for Alterations

Tenant shall not construct, install, or permit any Alterations (including modifying any existing Improvements) in, to, or about the Premises, without City's prior written consent in each instance, which City may give or withhold at its sole and absolute discretion. Tenant shall submit a project review application to City at least ninety (90) days before the proposed commencement of construction of any Alterations, and shall undergo SFPUC's Project Review process, unless the General Manager or his or her designee, in consultation with SFPUC's Bureau of Environmental Management, determines that the proposed project is appropriate for administrative review. The Parties acknowledge that City may not consider any proposed Alteration before any environmental review required under applicable Law, as defined in **Section 2** (Definitions), is completed. Tenant shall consult with SFPUC regarding environmental review and shall bear the cost of any investigations and studies needed for such environmental review. If the City approves any proposed Alterations, such approvals shall be conditioned upon Tenant obtaining any regulatory permits and approvals that may be required under applicable Law in accordance with **Section 11.2** (Regulatory Approvals). In considering any proposed Alterations, the City retains sole discretion to (1) make such modifications to any of the proposed Alterations as may be necessary to mitigate significant environmental impacts; (2) select feasible alternatives to the proposed Alterations that avoid significant adverse impacts; (3) require the implementation of specific measures to mitigate the significant adverse environmental impacts as part of the decision to approve the Alterations; (4) balance the benefits of the proposed Alterations against any significant environmental impacts before taking final actions to approve the proposed Alterations if such significant impacts cannot otherwise be avoided; or (5) determine not to

approve the proposed Alterations. Subject to such approval, any allowed Alterations shall be done at Tenant's sole expense (i) in strict accordance with plans and specifications approved in advance by City in writing and any conditions and requirements specified by SFPUC in a Project Review Certificate, (ii) by duly licensed and bonded contractors or mechanics approved by City, (iii) in a good and professional manner, (iv) in strict compliance with all applicable Laws, and (v) subject to all other conditions that City may reasonably impose, including provision of such completion security as is acceptable to City. In no event shall the making, construction, or installation of any such Alterations impair the use or operation of any portion of the SFPUC Facilities, or City's access to the Premises or the SFPUC Facilities. Before the commencement of any work on the Premises to construct any allowed Alterations, at its sole expense, Tenant shall procure all required permits and approvals and shall promptly upon receipt deliver copies of all such documents to City. No material change from the plans and specifications approved by City may be made without City's prior, written consent. City and its Agents may observe and inspect the course of such construction at all times. Tenant shall require from each contractor and subcontractor performing any work on or about the Premises insurance as specified in **Section 19** (Tenant's Insurance).

In no event shall City's approval of any plans, specifications or working drawings be deemed to constitute a representation or warranty by City concerning the suitability of the proposed Alterations or repairs for Tenant's purposes or that the work called for in the plans and specifications complies with applicable building codes or other applicable Laws or industry standards nor shall such approval release Tenant from Tenant's obligation to supply plans and specifications that conform to applicable codes, other Laws and industry standards.

Tenant shall construct, perform, complete and maintain all construction and installations covered by this Lease in a good and professional manner and with quality materials, and shall furnish all tools, equipment, labor and material necessary to perform and complete all construction and installations.

Upon completion of any Alterations, Tenant shall furnish City with two (2) complete sets of as-built construction drawings on mylar or its equivalent acceptable to the City, and an electronic copy in a software program acceptable to the City. Such drawings shall include, if applicable, all circuit breakers, mechanical equipment, switches, plumbing and fire sprinkler section and main valves plainly labeled and a master index. With the as-builts, Tenant shall provide the operating manuals for all building equipment and systems; and copies of all written warranties.

Upon termination of this Lease, whether upon expiration of the Term or sooner termination or cancellation, Tenant shall assign to City all express warranties furnished by other persons in connection with the provision of labor and/or material to the Improvements covered by this Lease.

(b) Local Hiring Requirements

If the estimated cost of an Alteration exceeds Seven Hundred Fifty Thousand Dollars (\$750,000), unless otherwise exempt, Tenant shall comply with the Local Hiring Policy set forth in San Francisco Administrative Code Section 6.22(G) (the "**Local Hiring Policy**") in the construction or performance of the Alteration. Before starting any such Alteration, Tenant shall contact City's Office of Economic Workforce and Development ("**OEWD**") to verify the Local Hiring Policy requirements that apply to the Alteration, and Tenant shall comply with all such requirements. Failure to comply shall be deemed a breach of this Lease, and may subject Tenant to penalties as set forth in the Local Hiring Policy.

Any capitalized term used in this Section that is not defined will have the meaning given to such term in the Local Hiring Policy.

(c) Tenant's Alterations that Disturb or Remove Lead Based Paint

Tenant, on behalf of itself and its Agents or Invitees, shall comply with all requirements of the San Francisco Building Code, Section 3407, and all other applicable present or future Laws (including the requirements of any board of fire underwriters or other similar body, any directive or occupancy certificate issued pursuant to any Law by any public officer or officers acting in their regulatory capacity, and the California and United States Occupational Health and Safety Acts and their implementing regulations) when the work of improvement or alteration disturbs or removes exterior lead-based or "presumed" lead-based paint (as defined below). Tenant and its Agents or Invitees shall give City three (3) business days' prior, written notice of any disturbance or removal of exterior lead-based or presumed lead-based paint. Further, Tenant and its Agents or Invitees, when disturbing or removing exterior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (i) acetylene or propane burning and torching; (ii) scraping, sanding, or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (iii) hydroblasting or high-pressure wash without containment barriers; (iv) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (v) heat guns operating above 1,100 degrees Fahrenheit. Paint on the exterior of buildings built before December 31, 1978, is presumed to be lead-based paint unless lead-based paint testing, as defined in Section 3407 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on an exterior surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface. Notice to City under this Lease shall not constitute notice to the City's Department of Building Inspection required under Section 3407 of the San Francisco Building Code.

8.2 Intentionally Omitted

8.3 All-Gender Toilet Facilities

If applicable, Tenant shall comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of any new building on City-owned land and within existing buildings leased by the City where extensive renovations are made. An "all-gender toilet facility" means a toilet that is not restricted to use by persons of a specific sex or gender identity by means of signage, design, or the installation of fixtures, and "extensive renovations" means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by this section. If Tenant has any question about applicability or compliance, Tenant should contact the City's Director of Property for guidance.

8.4 Capital Improvement Fund

(a) Tenant established and maintains a separate, interest-bearing account (the "Capital Improvement Fund") pursuant to the Original Lease. Amounts in the Capital Improvement Fund are held by Tenant in trust for the benefit of the City's interest in the Premises, including its reversionary interest in the Premises upon the expiration or earlier termination of the Original Lease. City desires that Tenant continue to maintain the Capital Improvement Fund for the duration of the Lease Term under this Lease, and carry the balance remaining at the expiration of the Original Lease forward to the Capital Improvement Fund under this Lease in lieu of Tenant remitting the balance of the Capital Improvement Fund to City upon termination of the Original Lease. If the parties do not enter into a New Long-term Lease upon expiration or termination of this Lease, Tenant shall remit the remaining balance of the Capital Improvement Fund to City upon expiration or termination of this Lease. If City and Tenant do enter into a New Long-term Lease upon expiration or sooner termination of this

Lease, the parties shall carry the remaining balance of the Capital Improvement Fund forward to the Capital Improvement Fund under the New Long-term Lease.

(b) For the duration of the Term Tenant shall, on or before the twentieth day of each month, deposit an amount into the Capital Improvement Fund equal to two percent (2%) of the Gross Revenues from the preceding month.

(c) Interest earned on funds held in Capital Improvement Fund account shall become part of the Capital Improvement Fund and all amounts remaining in the Capital Improvement Fund at the end of the Term or any earlier termination of this Lease shall be remitted to City.

(d) Funds held in the Capital Improvement Fund shall be used exclusively for the repair and replacement of capital items, including Alterations, fixtures, furniture or equipment, which are needed to repair or replace, over time, capital items which are subject to wearing out after a useful life and which are included in, located on or used in connection with the Premises, and which if not maintained or repaired, could adversely affect the City's interest in the Premises, including its reversionary interest in the Premises upon the expiration or earlier termination of this Lease. Construction of any such capital improvements shall be conducted in accordance with all provisions of **Section 8.1**.

8.5 Ownership of Alterations

Any Alterations constructed on or affixed to the Premises by or on behalf of Tenant shall become City's property upon installation unless City, at its sole option, elects in writing to require Tenant to remove such Alterations at the expiration or termination of this Lease [in which event, Tenant shall remove all such Alterations from the Premises in accordance with the provisions of **Section 22.1** (Surrender of the Premises)].

8.6 Tenant's Personal Property

All furniture, furnishings, and articles of movable personal property and equipment installed in the Premises by or for the account of Tenant that can be removed without structural or other material damage to the Premises (all of which are referred to in this Lease as "**Tenant's Personal Property**") shall be and remain the property of Tenant and may be removed by it subject to the provisions of **Section 22.1** (Surrender of the Premises). At least ten (10) days before delinquency, Tenant shall pay all taxes levied or assessed upon Tenant's Personal Property and shall deliver to City satisfactory evidence of such payment.

9. REPAIRS AND MAINTENANCE

9.1 Tenant Responsible for Maintenance and Repair

Tenant assumes full and sole responsibility for the condition, operation, repair, maintenance, and management of the Premises and any Alterations from and after the Commencement Date. City shall not under any circumstances be responsible for the performance of any repairs, changes, or Alterations to the Premises or any adjoining property (including access roads, utilities, and other infrastructure serving the Premises), nor shall City be liable for any portion of the cost of any such repairs, changes, or Alterations. However, to the extent such repair or replacement is of a capital nature, the cost thereof may be paid from the Capital Improvement Fund in accordance with **Section 8.4(d)**. Tenant shall make all repairs and replacements, interior and exterior, structural as well as non-structural, ordinary as well as extraordinary, foreseen and unforeseen, that may be necessary to maintain the Premises including the existing Improvements and any permitted Alterations at all times in clean, safe, attractive, and sanitary condition and in good order and repair, and in a condition appropriate for

a first class golf course to City's reasonable satisfaction and so that the Premises, including the Improvements and Alterations, shall be at least equal in quality, value, and utility to the Premises as it exists on the Commencement Date. Maintenance shall be performed in accordance with the guidelines attached hereto as **Exhibit D**. If any portion of the Premises or any of City's property located on or about the Premises is damaged by any of the activities conducted by Tenant or its Agents or Invitees under or pursuant to this Lease, at its sole cost, Tenant shall immediately repair any and all such damage and restore the Premises or City's property to its previous condition.

9.2 Utilities

Except for the SFPUC Facilities, City has no responsibility or liability of any kind with respect to any utility facilities that may be on or about the Premises. With respect to the use of the Premises by or on behalf of Tenant, its Agents, and its Invitees, Tenant has the sole responsibility to locate any utility facilities and protect them from damage. With respect to services needed for Tenant's operations at the Premises, Tenant shall make all arrangements directly with the utility companies for, and shall pay for, any and all utilities and services furnished to or used by it, including gas, electricity, water, sewage, telephone service, trash collection, and janitorial service, and for all deposits, connection, and installation charges. Tenant shall be responsible for installation and maintenance of all facilities required in connection with such utility services. All electricity necessary for operations in the Premises shall be purchased from SFPUC, at SFPUC's standard rates charged to third parties, unless SFPUC determines, in its sole judgment, that it is not feasible to provide such service to the Premises. SFPUC is the provider of electric services to City property, and the Interconnection Services Department of SFPUC's Power Enterprise coordinates with Pacific Gas and Electric Company and others to implement this service. To arrange for electric service to the Premises, Tenant shall contact the Interconnection Services Department in the Power Enterprise of the SFPUC. Any and all utility improvements shall be subject to the provisions of **Section 8.1** (Construction of Alterations), and shall be deemed Alterations. During the Term, Tenant shall be obligated to repair and maintain any and all utility systems and improvements located on or within the Premises (except for the SFPUC Facilities) in good operating condition. City shall not be liable for any failure or interruption of any utility service furnished to the Premises, and no such failure or interruption shall entitle Tenant to any abatement in Rent or to terminate this Lease.

9.3 Maintenance of Fences

Tenant shall maintain in good condition and repair at its expense any existing fences along or about the property line of the Premises.

9.4 No Right to Repair and Deduct

Tenant expressly waives the benefit of any existing or future Law or judicial or administrative decision that would otherwise permit Tenant to make repairs or replacements at City's expense, or to terminate this Lease because of City's failure to keep any part of the Premises or any adjoining property (including access roads, utilities, and other infrastructure serving the Premises) in good order, condition, or repair, or to abate or reduce any of Tenant's obligations under this Lease on account of any part of the Premises or any adjoining property (including access roads, utilities, and other infrastructure serving any part of the Premises) being in need of repair or replacement. Without limiting the foregoing, Tenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 and any similar Laws with respect to any right of Tenant to terminate this Lease and with respect to any obligations of City for tenantability of the Premises and any right of Tenant to make repairs or replacements and deduct the cost of any such repairs or replacements from Rent.

10. LIENS

Tenant shall keep the Premises and all of City's property free (including the SFPUC Facilities) from any liens arising out of any work performed, material furnished, or obligations incurred by or for Tenant. If, within five (5) days following the imposition of any such lien, Tenant does not cause the lien to be released of record by payment or posting of a proper bond, in addition to all other remedies provided under this Lease and by Law or equity, City shall have the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by City and all expenses it incurs in connection therewith (including reasonable attorneys' fees) shall be payable to City by Tenant upon demand. At all times, City may post and keep posted on the Premises any notices permitted or required by Law or that City deems proper for its protection and protection of the Premises and City's property, from mechanics' and material supplier's liens. Tenant shall give City at least fifteen (15) days' prior, written notice of the commencement of any repair or construction on any of the Premises. Notwithstanding the foregoing, upon posting of an adequate bond or other security acceptable to City, Tenant may contest any such lien, and, in such case, City shall not seek to satisfy or discharge such lien unless Tenant has failed to do so within ten (10) days after final determination of the validity of such lien. Tenant shall Indemnify City, the other Indemnified Parties, and the Premises against any and all Losses arising out of any such contest.

11. COMPLIANCE WITH LAWS

11.1 Compliance with Laws

At no cost to City, Tenant shall maintain the Premises and any permitted Alterations, and conduct its use and operations on and about the Premises, in strict compliance at all times with all present and future Laws, whether foreseen or unforeseen, ordinary as well as extraordinary. Such Laws shall include all Laws relating to health and safety and disabled accessibility including the Americans with Disabilities Act, 42 U.S.C. Sections 12101 et seq. and Title 24 of the California Code of Regulations, all present and future Environmental Laws (as defined in this Lease below), and all present and future life safety, fire sprinkler, seismic retrofit, and other building code requirements. The Parties acknowledge and agree that Tenant's obligation to comply with all laws as provided in this Lease is a material part of the bargained-for consideration under this Lease. Tenant's obligation under this Section shall include Tenant's responsibility to make substantial or structural repairs and alterations to the Premises, regardless of, among other factors, the relationship of the cost of curative action to the Rent under this Lease, the length of the then remaining Term, the relative benefit of the repairs to Tenant or City, the degree to which the curative action may interfere with Tenant's use or enjoyment of the Premises, the likelihood that the parties contemplated the particular Law involved, and whether the Law involved is related to Tenant's particular use of the Premises. Without limiting **Section 5.6** (Net Lease), no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant from its obligations under this Lease, or shall give Tenant any right to terminate this Lease in whole or in part or to otherwise seek redress against City. Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease, to receive any abatement, diminution, reduction, or suspension of payment of Rent, or to compel City to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

11.2 Regulatory Approvals

(a) Responsible Party

Tenant understands and agrees that Tenant's use of the Premises may require authorizations, approvals, or permits from governmental regulatory agencies with jurisdiction

over the Premises. Tenant shall be solely responsible for obtaining any and all such regulatory approvals. Tenant shall not seek any regulatory approval without first obtaining City's written consent. Tenant shall bear all costs associated with applying for, obtaining, and maintaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval. Tenant shall pay and discharge immediately any fines or penalties levied as a result of Tenant's failure to comply with the terms and conditions of any regulatory approval and City shall have no liability, monetary or otherwise, for any such fines or penalties. Tenant shall Indemnify City and the other Indemnified Parties against all Losses arising in connection with Tenant's failure to obtain or comply with the terms and conditions of any regulatory approval.

(b) City Acting as Owner of Real Property

Tenant acknowledges that City, acting by and through its SFPUC, is entering into this Lease in its capacity as a property owner with a proprietary interest in the Premises and not as a regulatory agency with police powers. Nothing in this Lease shall limit in any way Tenant's obligation to obtain any required approvals from any governmental authority or agency (including City departments, boards, or commissions) having jurisdiction over the Premises. By entering into this Lease, City is in no way modifying or limiting Tenant's obligation to cause the Premises and any permitted Alterations to be used and occupied in accordance with all applicable Laws, as provided further above.

11.3 Compliance with City's Risk Management Requirements

Tenant shall not do anything, or permit anything to be done, in or about the Premises or any Alterations permitted under this Lease that would create any unusual fire risk, and shall take commercially reasonable steps to protect City from any potential premises liability. At its expense, Tenant shall faithfully observe any and all reasonable requirements of City's Risk Manager with respect to such obligations and with the requirements of any policies of public liability, fire, or other policies of insurance at any time in force with respect to the Premises and any Alterations as required by this Lease.

11.4 Reports

Tenant shall submit a report and provide such documentation to City as City may from time to time request regarding Tenant's operations and evidencing compliance with this Lease and all Laws.

12. FINANCING; ENCUMBRANCES; SUBORDINATION

12.1 Encumbrance of City's Fee Interest

The following provisions shall apply notwithstanding anything to the contrary contained in this Lease.

(a) Encumbrance by City

To the extent permitted by applicable Law, City may at any time sell or otherwise transfer or encumber its fee estate in any portion of the Premises provided that (i) any such sale or Encumbrance shall be subject and subordinate to all of the terms of this Lease and the leasehold estate created hereby, (ii) the right of possession of Tenant to the Premises shall not be affected or disturbed by any such sale or Encumbrance, or by the exercise of any rights or remedies by any purchaser or Encumbrancer arising out of any instrument reflecting such sale or Encumbrance, so long as no Event of Default or Unmatured Event of Default is outstanding under this Lease.

(b) Encumbrance By Tenant

Tenant shall not under any circumstances whatsoever Encumber in any manner any portion of: the Premises, the SFPUC Facilities, City's estate in the Premises or any adjoining property, or City's interest under this Lease.

12.2 Leasehold Encumbrances

Without limiting **Section 16** (Assignment and Subletting), Tenant shall not Encumber this Lease, or assign or pledge assignment of the same as security for any debt, without first obtaining City's written consent, which City may give or withhold at its sole discretion.

13. DAMAGE OR DESTRUCTION

13.1 Damage to or Destruction of the Improvements

In the case of damage to or destruction of the Premises by fire or any other casualty, whether insured or uninsured, at its sole cost and with reasonable promptness and diligence, Tenant shall restore, repair, replace, or rebuild the Premises as nearly as possible to the same condition, quality, and class the Premises were in immediately before such damage or destruction, unless such damage or destruction was caused solely and directly by the gross negligence or willful misconduct of City or its Agents. Tenant shall comply with the requirements of **Section 8.1** (Construction or Installation of Alterations) in connection with such restoration, repairs, replacement and/or rebuilding.

13.2 Abatement in Rent

In the event of any damage or destruction to the Premises or any permitted Alterations, there shall be no abatement in the Base Rent or Additional Charges payable pursuant to this Lease.

13.3 Waiver

The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of damage or destruction to the Premises or any permitted Alterations, and City and Tenant each hereby waives and releases any right to terminate this Lease in whole or in part under Sections 1932.2 and 1933.4 of the California Civil Code or under any similar Laws now or hereafter in effect, to the extent such rights are inconsistent with the provisions of this Lease.

14. CONSTRUCTION PROJECTS

Tenant acknowledges that during the Term, it is likely that one or more significant construction projects will be undertaken on property in the vicinity of the Premises, including, but not limited to SFPUC utility work and Caltrans work on the I-280 on- and off-ramps. Tenant is aware that the construction of such projects and the activities associated with such construction could generate certain adverse impacts, which may result in some inconvenience to or disturbance of Tenant or its business at the Premises. Such impacts may include increased vehicle and truck traffic, traffic delays and re-routings, impediments to access, loss of street and public parking, dust, dirt, construction noise, and visual obstructions. Tenant hereby waives any and all claims against SFPUC, City, and their respective Agents based on such inconvenience or disturbance, including any abatement or reduction of Rent.

15. EMINENT DOMAIN

15.1 General

If during the Term or during the period between the execution of this Lease and the Commencement Date, any Taking of all or any part of the Premises or any interest in this Lease occurs, the rights and obligations of the Parties shall be determined pursuant to this Section. City and Tenant intend that the provisions hereof govern fully in the event of a Taking and accordingly, each Party hereby waives any right to terminate this Lease in whole or in part under Sections 1265.120 and 1265.130 of the California Code of Civil Procedure or under any similar Law now or hereafter in effect.

15.2 Total Taking; Automatic Termination

If a total Taking of the Premises occurs, then this Lease shall terminate as of the Date of Taking.

15.3 Partial Taking; Election to Terminate

(a) If a Taking of any portion (but less than all) of the Premises occurs, then this Lease shall terminate in its entirety under either of the following circumstances: (i) if all of the following exist: (A) the partial Taking renders the remaining portion of the Premises untenable or unsuitable for continued use by Tenant, (B) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but City is unwilling or unable to cure such condition, and (C) Tenant elects to terminate; or (ii) if City elects to terminate, except that this Lease shall not terminate if Tenant agrees to, and does, continue to pay full Rent and Additional Charges, without abatement, and otherwise agrees to, and does, fully perform all of its obligations under this Lease.

(b) If a partial Taking of a substantial portion of the SFPUC Facilities or any of City's adjoining real property, but not the Premises, occurs, City may terminate this Lease in its entirety.

(c) Either Party electing to terminate under the provisions of this Section shall do so by giving written notice to the other Party before or within thirty (30) days after the Date of Taking, and thereafter this Lease shall terminate upon the later of the thirtieth (30th) day after such written notice is given or the Date of Taking.

15.4 Termination of Lease; Rent and Award

Upon termination of this Lease in its entirety pursuant to **Section 15.2** (Total Taking; Automatic Termination), or pursuant to an election under **Section 15.3** (Partial Taking; Election to Terminate), then: (a) Tenant's obligation to pay Rent shall continue up until the date of termination and thereafter shall cease, and (b) City shall be entitled to the entire Award in connection therewith, except that Tenant may make a claim, and receive an Award for Tenant's relocation expenses allowed by applicable Law, the interruption of or damage to Tenant's business, damage to Tenant's Personal Property, and the value of Tenant's leasehold interest for the unexpired Term.

15.5 Partial Taking; Continuation of Lease

If a partial Taking of the Premises occurs and this Lease is not terminated in its entirety under **Section 15.3** (Partial Taking; Election to Terminate), then this Lease shall terminate as to the portion of the Premises so taken, but shall remain in full force and effect as to the portion not taken, and the rights and obligations of the Parties shall be as follows: (a) Base Rent shall be

reduced by an amount that is in the same ratio to the Base Rent as the area of the Premises taken bears to the area of the Premises before the Date of Taking, and (b) City shall be entitled to the entire Award, except that Tenant may make a claim and receive an Award for the interruption of or damage to Tenant's business, damage to Tenant's Personal Property, and the value of Tenant's leasehold interest in the Premises Taken for the unexpired Term.

15.6 Temporary Takings

Notwithstanding anything to contrary in this Section, if a Taking occurs with respect to all or any part of the Premises for a limited period of time not in excess of sixty (60) consecutive days, this Lease shall remain unaffected by such Taking, and Tenant shall continue to pay Rent and to perform all of the terms, conditions, and covenants of this Lease. In the event of such temporary Taking, Tenant shall be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Premises during the Term up to the total Rent owing by Tenant for the period of the Taking, and City shall be entitled to receive the balance of any Award.

16. ASSIGNMENT AND SUBLETTING

16.1 Restriction on Assignment and Subletting

Tenant shall not directly or indirectly (including by merger, acquisition, sale, or other transfer of any controlling interest in Tenant or any entity controlling Tenant), voluntarily or by operation of Law, sell, assign, encumber, pledge, or otherwise transfer any part of its interest in or rights with respect to the Premises, the business conducted on the Premises, any Alterations, or its leasehold estate created by this Lease (each, an "Assignment"), or permit any portion of the Premises or any Alterations to be occupied by anyone other than itself, or sublet any portion of the Premises or any permitted Alterations placed or to be placed on the Premises (each, a "Sublease"), without City's prior, written consent in each instance, which City shall not unreasonably withhold. Any Assignment or Sublease, without City's prior written consent, shall be voidable at City's option at its sole and absolute discretion; and the General Manager may terminate this Lease immediately by sending written notice to Tenant. For purposes of this Section 16, "control" or a "controlling interest" shall mean direct or indirect ownership of 50% or more of all of the voting stock of a corporation or 50% or more of the legal or equitable interest in any other business entity, or the power to direct the operations of any entity (by equity ownership, contract or otherwise).

Tenant further agrees and understands that the intent and purpose of this Lease is to allow for use or uses as provided in the Basic Lease Information, and not for the purpose of creating an investment in property. Therefore, while Tenant may charge to a City-approved assignee or sublessee an amount in excess of that rent which is at the time being charged by City to Tenant, all rental income or other consideration received by Tenant that is attributable to the value of the leasehold estate created by this Lease over and above that Rent charged to Tenant by City shall be paid directly to City with no profit, direct or indirect, to Tenant attributable to the value of the leasehold estate created by this Lease.

16.2 Notice of Proposed Transfer

If Tenant desires to enter into an Assignment or a Sublease, then it shall give written notice (a "Notice of Proposed Transfer") to City of its intention to do so. The Notice of Proposed Transfer shall include a copy of the proposed Assignment or Sublease (or, in the case of a merger or other change of control, a detailed description of the proposed change), identify the proposed Transferee, and state the terms and conditions under which Tenant is willing to enter into such proposed Assignment or Sublease, including a copy of the proposed Assignment or Sublease agreement. Tenant shall provide City with financial statements for the proposed

Transferee and such additional information regarding the proposed Transfer as City may reasonably request.

16.3 City's Response

Within twenty (20) business days after City's receipt of the Notice of Proposed Transfer and any such additional information requested by City (the "**Response Period**"), by written notice to Tenant, City may elect to: (a) sublease the portion of the Premises specified in the Notice of Proposed Transfer on the terms and conditions set forth in such notice, except as otherwise provided in **Section 16.4** (Sublease or Recapture Premises), or (b) terminate this Lease as to the portion (including all) of the Premises that is specified in the Notice of Proposed Transfer, with a proportionate reduction in Base Rent (a "**Recapture**").

If City declines to exercise either of the options provided in clauses (a) and (b) above, then, for a period of ninety (90) days following the earlier of City's notice that it will not elect either such option or the expiration of the Response Period, Tenant may enter into such Assignment or Sublease, subject to City's prior, written approval of the proposed Transferee and the terms and conditions of the proposed Transfer. The Parties recognize and agree that the purpose of this Lease is to allow for the permitted uses and not to create an investment in property, and, therefore, City may condition its consent to any Assignment or Sublease on the receipt of some or all of the consideration realized by Tenant under any such Assignment or Sublease (or the amount of such consideration attributable to the Premises if the transaction includes other properties) in excess of the Base Rent and Additional Charges payable pursuant to this Lease, after deducting the proportionate share of any reasonable broker's commissions or transaction costs incurred by Tenant. Tenant shall provide City with such information regarding the proposed Transferee and the proposed Assignment or Sublease as City may reasonably request.

Notwithstanding the foregoing, if following City's decline to exercise the foregoing options, Tenant desires to enter into such Assignment or Sublease on terms and conditions materially more favorable to Tenant than those contained in the Notice of Proposed Transfer, then Tenant shall give City a new Notice of Proposed Transfer, which notice shall state the terms and conditions of such Assignment or Sublease and identify the proposed Transferee, and City shall again be entitled to elect one of the options provided in clauses (a) and (b) above at any time within fifteen (15) business days after City's receipt of such new Notice of Proposed Transfer.

If City elects either of the options provided in clauses (a) or (b) above, at its sole option, City may enter into a lease, sublease, or assignment agreement with respect to the Premises (or portion of the Premises specified in such new Notice of Proposed Transfer) with the proposed Transferee identified in Tenant's notice.

Notwithstanding the foregoing, if any Event of Default or Unmatured Event of Default by Tenant exists at the time of Tenant's Notice of Proposed Transfer, then City may elect by notice to Tenant to refuse to consent to Tenant's proposed Transfer and pursue any of its rights or remedies pursuant to this Lease or at Law or in equity.

16.4 Sublease or Recapture Premises

If City elects to Sublease or Recapture from Tenant as provided in **Section 16.3** (City's Response), the following shall apply:

(a) Sublease

In the case of a Sublease, **(i)** City may use the portion of the Premises covered by the Notice of Proposed Transfer (the "**Sublease Premises**") for any legal purpose, **(ii)** the rent payable by City to Tenant shall be the lesser of that set forth in the Notice of Proposed Transfer or the Rent payable by Tenant under this Lease at the time of the Sublease (or the amount of such Rent proportionate to the Sublease Premises if for less than the entire Premises), **(iii)** City may make alterations and improvements to the Sublease Premises as it may elect, and City may remove any such alterations or improvements, in whole or in part, before or upon the expiration of the Sublease, provided that City shall repair any damage or injury to the Sublease Premises caused by such removal, **(iv)** City may further sublease or assign the Sublease Premises to any party, without Tenant's consent, and **(v)** Tenant shall pay to City on demand any costs incurred by City in physically separating the Sublease Premises (if less than the entire Premises) from the balance of the Premises and in complying with any applicable Laws relating to such separation.

(b) Recapture

In the case of Recapture, **(i)** the portion of the Premises subject to the Recapture (the "**Recapture Premises**") shall be deleted from the Premises for all purposes under this Lease, and Tenant and City shall be relieved of all of their rights and obligations under this Lease with respect to the Recapture Premises except to the extent the same would survive the Expiration Date or other termination of this Lease pursuant to its terms, and **(ii)** City shall pay any cost incurred in physically separating the Recapture Premises (if less than the entire Premises) from the balance of the Premises and in complying with any applicable governmental Laws relating to such separation.

16.5 Effect of Transfer

No Sublease or Assignment by Tenant, nor any City consent to a Sublease or Assignment, shall relieve Tenant, or any guarantor, of any obligation to be performed by Tenant under this Lease. At its sole and absolute discretion, City may determine that any Sublease or Assignment that does not comply with this Section is void and, at City's option, shall constitute a material Event of Default by Tenant under this Lease. City's acceptance of any Rent or other payments from a proposed Transferee shall not constitute City's consent to such Sublease or Assignment or its recognition of any Transferee, or its waiver of any failure of Tenant or other transferor to comply with this Section.

16.6 Assumption by Transferee

Each authorized Transferee shall assume all of Tenant's obligations under this Lease and shall be and remain liable jointly and severally with the assignor or sublessor for the payment of Rent, and for the performance of all of the terms, covenants, and conditions to be performed by Tenant under this Lease. No Assignment shall be binding on City unless Tenant or Transferee shall deliver to City a copy of the fully executed Assignment and the fully executed instrument that contains a covenant of assumption by such Transferee satisfactory in substance and form to City, and consistent with the requirements of this Section. A Transferee's failure or refusal to execute such instrument of assumption, however, shall not release such Transferee from its liability as set forth above. Tenant shall reimburse City on demand for any of City's reasonable costs incurred in connection with any proposed Transfer, including the costs of making investigations as to the acceptability of the proposed Transferee and legal costs incurred in connection with the granting of any requested consent.

16.7 Indemnity for Relocation Benefits

Without limiting **Section 16.6** (Assumption by Transferee), Tenant shall cause any authorized Transferee to expressly waive entitlement to any and all relocation assistance and benefits in connection with this Lease. Tenant shall Indemnify City and the other Indemnified Parties for any and all Losses arising out of any relocation assistance or benefits payable to any Transferee.

16.8 IPM Plan and Form CMD-12B-101

As a condition to any Assignment or Sublease, the approved Transferee shall execute Form CMD 12B-101 (as such term is defined in **Section 25.24** (Non Discrimination in City Contracts and Benefits Ordinance)) with supporting documentation and secure the CMD's approval of such form. As a condition to any Assignment or Sublease, the approved Transferee shall assume the IPM plan of Tenant or submit a new IPM plan in accordance with the requirements of **Section 7.2(j)** (Pesticides Prohibition) or obtain an exemption, through SFPUC. Any transferee must also comply with all other provisions of this Lease, including but not limited to the insurance provisions.

16.9 CourseCo Agreement

The Parties acknowledge and agree that Tenant has entered into a separate management agreement dated March 15, 1996, with CourseCo, Inc., a California corporation ("**CourseCo**"), in form and substance satisfactory to City (the "**CourseCo Agreement**") attached hereto as **Exhibit E**, pursuant to which Tenant has contracted with CourseCo to manage the daily operations of the Premises and supervise the operations and the employees at the Premises, all in accordance with the terms and conditions of this Lease. The Parties acknowledge that City is relying on the special skill, experience and expertise of CourseCo and the principals and employees of CourseCo as a material consideration for entering into this Lease. Accordingly, Tenant shall not terminate, amend, or allow the expiration or termination of the CourseCo Agreement, or any change in "control" (as defined in **Section 16.1**) of the CourseCo Agreement, during the Term without the prior written consent of City, which consent shall be governed by this **Article 16** when such action is in connection with an Assignment.

17. DEFAULT; REMEDIES

17.1 Events of Default

Any of the following shall constitute an event of default ("**Event of Default**") by Tenant under this Lease:

(a) Rent

Any failure to pay any Rent or other sums as and when due, provided Tenant shall have a period of three (3) days from the effective date of City's written notice of such failure within which to cure any default in the payment of Rent or other sums; provided, however, that City shall not be required to provide such notice regarding Tenant's failure to make such payments when due more than twice during any calendar year, and any such failure by Tenant after Tenant has received two such notices in any calendar year from City shall constitute a default by Tenant under this Lease without any requirement on the part of City to give Tenant notice of such failure or an opportunity to cure except as may be required by Section 1161 of the California Code of Civil Procedure;

(b) Capital Improvement Fund

Failure to make any required deposit into the Capital Improvement Fund as required by **Section 8.4**, or any withdrawal from the Capital Improvement Fund which is not in accordance with **Section 8.4**.

(c) Termination or Amendment of CourseCo Agreement

Termination, expiration or amendment of the CourseCo Agreement, or a change in control of CourseCo, without City's prior written consent;

(d) Covenants, Conditions, and Representations

Any failure to perform or comply with any other covenant, condition, or representation made under this Lease, provided Tenant shall have a period of fifteen (15) days from the effective date of City's written notice of such failure within which to cure such default under this Lease, or, if such default is not capable of cure within such 15-day period, Tenant shall have a reasonable period to complete such cure if Tenant promptly undertakes action to cure such default within such 15-day period and thereafter diligently prosecutes the same to completion and Tenant uses its best efforts to complete such cure within sixty (60) days after the receipt of notice of default from City; provided further, however, that upon the occurrence during the Term of two defaults of the same obligation City shall not be required to provide any notice regarding Tenant's failure to perform such obligation, and any subsequent failure by Tenant after Tenant has received two such notices shall constitute a default by Tenant under this Lease without any requirement on the part of City to give Tenant notice of such failure or an opportunity to cure;

(e) Vacation or Abandonment

Any vacation or abandonment of the Premises for more than fourteen (14) consecutive days; and

(f) Bankruptcy

The appointment of a receiver to take possession of all or substantially all of the assets of Tenant, or an assignment by Tenant for the benefit of creditors, or any action taken or suffered by Tenant under any insolvency, bankruptcy, reorganization, moratorium, or other debtor relief act or statute, whether now existing or hereafter amended or enacted, if any such receiver, assignment, or action is not released, discharged, dismissed, or vacated within sixty (60) days.

17.2 Remedies

Upon the occurrence of an Event of Default by Tenant, City shall have the following rights and remedies, in addition to all other rights and remedies available to City at Law or in equity:

(a) Terminate Lease and Recover Damages

The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate Tenant's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Base Rent and Additional Charges for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Tenant proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2. City's

efforts to mitigate the damages caused by Tenant's breach of this Lease shall not constitute a waiver of City's rights to recover damages upon termination.

(b) Continue Lease and Enforce Rights

The rights and remedies provided by California Civil Code Section 1951.4 (continuation of lease after breach and abandonment), which allows City to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due, for so long as City does not terminate Tenant's right to possession, if Tenant has the right to sublet or assign, subject only to reasonable limitations. For purposes of this Lease, none of the following shall constitute a termination of Tenant's right of possession: acts of maintenance or preservation; efforts to relet the Premises, the appointment of a receiver upon City's initiative to protect its interest under this Lease; or withholding consent to an Assignment or Sublease, or terminating an Assignment or Sublease if the withholding or termination does not violate the rights of Tenant specified in subdivision (b) of California Civil Code Section 1951.4. If City exercises its remedy under California Civil Code Section 1951.4, from time to time, City may sublet any part of the Premises for such term or terms (which may extend beyond the Term) and at such rent and upon such other terms as City may deem advisable at its sole discretion, with the right to make alterations and repairs to the Premises. Upon each such subletting, in addition to Base Rent and Additional Charges due under this Lease, Tenant shall be immediately liable for payment to City of the cost of such subletting and such alterations and repairs incurred by City and the amount, if any, by which the Base Rent and Additional Charges owing under this Lease for the period of such subletting (to the extent such period does not exceed the Term) exceeds the amount to be paid as Base Rent and Additional Charges for the Premises for such period pursuant to such subletting. No action taken by City pursuant to this Subsection shall be deemed a waiver of any Tenant default and, notwithstanding any such subletting without termination, at any time thereafter, City may elect to terminate this Lease for such previous default.

(c) Appointment of Receiver

The right to have a receiver appointed for Tenant upon application by City to take possession of the Premises, operate the business, and apply any revenue collected from the Premises to Rent and other obligations of Tenant under the Lease, and to exercise all other rights and remedies granted to City pursuant to this Lease.

17.3 City's Right to Cure Tenant's Defaults

If Tenant defaults in the performance of any of its obligations under this Lease, then, at any time thereafter, City may remedy such Event of Default for Tenant's account and at Tenant's expense by giving Tenant at least three (3) days' prior oral or written notice (except in the event of an emergency as determined by City, when no such notice shall be required). Promptly upon demand, Tenant shall pay to City, as Additional Rent, all sums expended by City, or other costs, damages, expenses, or liabilities incurred by City, including reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Tenant's obligations under this Section shall survive the termination of this Lease. Nothing in this Lease shall imply any duty of City to do any act that Tenant is obligated to perform under any provision of this Lease, and City's cure or attempted cure of Tenant's Event of Default shall not constitute a waiver of Tenant's Event of Default or any of City's rights or remedies on account of such Event of Default.

17.4 Special Administrative Charges.

Without limiting City's other rights and remedies set forth in this Lease, at law, or in equity, if Tenant (i) constructs or installs any Alteration without City's written approval as

required by **Section 8** (Improvements and Alterations) of this Lease, **(ii)** fails to make a repair required by **Section 9** (Repairs and Maintenance) on a timely basis, or **(iii)** fails to provide evidence of the required insurance coverage described in **Section 19** (Insurance) below on a timely basis, then, upon City's written notice of such failure or unauthorized action, Tenant shall pay, as Additional Charges, the respective amount specified in the table below in consideration of City's administrative cost and expense in providing notice or performing inspections. If Tenant fails to remove the unauthorized Alteration and restore the Premises or perform the necessary repair or provide the necessary document, as applicable, within the time period set forth in such notice and City delivers to Tenant additional written notice requesting such document or evidence of such repair, or performs additional inspections to verify compliance, then Tenant shall pay to City, as Additional Charges, the respective amount specified in the table below for each additional written notice City delivers to Tenant requesting such corrective action.

<u>Violation</u>	<u>Lease Section</u>	<u>Initial inspection and/or notice</u>	<u>Follow up inspection and/or notice</u>
Construction of Alterations that are not approved by City	8	\$700.00	\$800.00
Failure to make required repairs	9	\$600.00	\$700.00
Failure to obtain/maintain insurance	19	\$600.00	\$700.00

Such administrative fees shall be due and payable as Additional Rent. The parties agree that the charges set forth in this Section represent a fair and reasonable estimate of the administrative cost and expense that City will incur in connection with providing notices or performing inspections as set forth above and that City's right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights under this Lease, at law or in equity. City may increase such administrative fees from time to time, but in no event more than once in any calendar year.

18. WAIVER OF CLAIMS; INDEMNIFICATION

18.1 Waiver of Claims

Tenant covenants and agrees that City shall not be responsible for, or liable to Tenant for, and, to the fullest extent allowed by Law, Tenant hereby waives all rights against City and its Agents and releases City and its Agents from, any and all Losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident, or death of any person or loss or damage to any property, in or about the Premises or any other City property, from any cause whatsoever. Nothing in this Lease shall relieve City from liability caused solely and directly by the gross negligence or willful misconduct of City or its Agents, but City shall not be liable under any circumstances for any consequential, incidental, or punitive damages. Without limiting the foregoing:

(a) Tenant expressly acknowledges and agrees that the Rent payable under this Lease does not take into account any potential liability of City for any consequential or incidental damages including lost profits arising out of disruption to any Improvements or Tenant's uses of the Premises pursuant to this Lease. City would not be willing to enter into this Lease in the absence of a complete waiver of liability for consequential or incidental damages

resulting from the acts or omissions of City or its Agents, and Tenant expressly assumes the risk with respect to such acts or omissions. Accordingly, without limiting any of Tenant's indemnification obligations or other waivers contained in this Lease and as a material part of the consideration for this Lease, Tenant fully RELEASES, WAIVES, AND DISCHARGES forever any and all claims, demands, rights, and causes of action against City for consequential and incidental damages (including lost profits), and covenants not to sue for such damages City, its departments, commissions, officers, directors, and employees, and all persons acting by, through or under each of them, arising out of this Lease or the uses authorized by this Lease, including any interference with uses conducted by Tenant pursuant to this Lease regardless of the cause, and whether or not due to the negligence or gross negligence of City or its Agents.

(b) In connection with the foregoing releases, Tenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH
THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS
OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE,
WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY
AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Tenant acknowledges that the releases contained in this Lease include all known and unknown, disclosed and undisclosed, and anticipated and unanticipated claims. Tenant realizes and acknowledges that it has agreed upon this Lease in light of this realization and, being fully aware of this situation, it nevertheless intends to waive the benefit of California Civil Code Section 1542, or any statute or other similar law now or later in effect. Tenant's releases contained in this Lease shall survive any termination of this Lease.

18.2 Tenant's Indemnity

On behalf of itself and its successors and assigns, Tenant shall Indemnify City and the other Indemnified Parties from and against any and all Losses incurred in connection with or arising directly or indirectly, in whole or in part, out of: (a) any accident, injury to, or death of a person, including Tenant's Agents and Invitees, or loss of or damage to property (including the SFPUC Facilities) howsoever or by whomsoever caused, occurring in or on the Premises; (b) any default by Tenant in the observation or performance of any of the terms, covenants, or conditions of this Lease to be observed or performed on Tenant's part; (c) the use, occupancy, conduct, or management, or manner of use, occupancy, conduct, or management by Tenant, its Agents, or its Invitees or any person or entity claiming through or under any of them, of the Premises; (d) the condition of the Premises; (e) any construction or other work undertaken by Tenant on or about the Premises whether before or during the Term; or (f) any acts, omissions, or negligence of Tenant, its Agents, or its Invitees, or of any trespassers, in, on, or about the Premises; all regardless of the sole negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on, the Indemnified Parties, except to the extent that such Indemnity is void or otherwise unenforceable under applicable Law in effect on or validly retroactive to the date of this Lease and further except only such Losses as are caused exclusively by the gross negligence and intentional wrongful acts and omissions of the Indemnified Parties. The foregoing Indemnity shall include reasonable fees of attorneys, consultants, and experts and related costs and City's costs of investigating any Loss. Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend City and the other Indemnified Parties from any claim that actually or potentially falls within this indemnity provision even if such allegation is or may be groundless, fraudulent, or false, which obligation arises at the time such claim is tendered to Tenant by City and continues at all times thereafter. Tenant's obligations under this Section shall survive the expiration or sooner termination of the Lease.

19. INSURANCE

19.1 Tenant's Insurance

Throughout the Term of this Lease, Tenant shall procure and maintain at its expense, and cause any contractor performing work on the Premises to procure and maintain at its expense, insurance in the following amounts and coverages:

(a) Property Insurance

Tenant shall procure and maintain property insurance, on the Improvements, personal property, merchandise, and equipment related to the business, on an all-risk form for one hundred percent (100%) of the full insurable value of the Premises including the Improvements with any deductible not to exceed Ten Thousand Dollars (\$10,000) each occurrence. Such insurance shall include Tenant and City as their respective interests may appear. Tenant shall further procure and maintain business income (business interruption) insurance and extra expense coverage with coverage amounts that will reimburse Tenant for all direct or indirect loss of income and charges and costs incurred arising out of all perils insured against by Tenant's property insurance coverage, including prevention of, or denial of use of or access to, all or part of the Premises, as a result of those perils. Such insurance shall also cover business interruptions due to failures or interruptions in telecommunications services, strikes, employee lockouts, riots, or other civil commotion. The business income and extra expense coverage shall be issued by the insurer that issues Tenant's all-risk property insurance, shall provide coverage for no less than twelve (12) months of the loss of income, charges, and costs contemplated under the Lease and shall be carried in amounts necessary to avoid any coinsurance penalty that could apply. "Full insurable value" shall (i) mean the actual replacement cost of the Improvements (excluding foundation and excavation costs but without deduction for physical depreciation) and (ii) be determined at the inception, and each renewal of, policy coverage by the insurer(s) selected and paid by Tenant and reasonably acceptable to City; provided, however, that, at any time, City may ascertain the full insurable value at its own expense, except that if such full insurable value exceeds the value of the then existing amount of insurance coverage procured by Tenant, Tenant shall pay the expense of determining the full insurable value.

(b) Boiler and Machinery Insurance

Tenant shall procure and maintain boiler and machinery insurance, commercial form, covering damage to pressure vessels, heating and air conditioning systems, electrical apparatus, and similar property in an amount not less than One Million Dollars (\$1,000,000) each accident, including Tenant and City as named insureds as their respective interests may appear, with any deductible not to exceed Ten Thousand Dollars (\$10,000) each accident.

(c) Commercial General Liability Insurance

Tenant shall procure and maintain and cause any contractor performing work on the Premises to procure and maintain commercial general liability insurance with limits not less than Three Million Dollars (\$3,000,000) each occurrence combined single limit for bodily injury and broad-form all perils property damage, including contractual liability, independent contractors, liquor liability, personal injury, products, completed operations, and no exclusion for explosion, collapse and underground (XCU).

(d) Builder's Risk Insurance

During construction of any Alteration consisting of construction or modification of a structure and costing more than One Hundred Thousand Dollars (\$100,000), Tenant shall

procure and maintain or cause its contractor to procure and maintain builder's risk insurance on an all-risk form for one hundred percent (100%) of the completed value of the Alteration, including materials in transit and storage off-site, if such construction is beyond the scope of the coverage in Tenant's property policy for remodeling or renovation. Such policy shall name as insureds Tenant, City, any contractor in connection with such construction and subcontractors of all tiers, with any deductible not to exceed Ten Thousand Dollars (\$10,000) each occurrence. Any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed

(e) Worker's Compensation Insurance

Tenant shall procure and maintain and cause any contractor performing work on the Premises to procure and maintain workers' compensation insurance in statutory amounts, with employer's liability coverage not less than One Million Dollars (\$1,000,000) each accident. Regarding workers' compensation, Tenant waives subrogation which any insurer of Tenant may acquire from Tenant by virtue of the payment of any loss. Tenant shall include in any contract between Tenant and a contractor for work to be performed on the Premises a provision by which the contractor waives subrogation which any insurer of the contractor may acquire from the contractor by virtue of the payment of any workers' compensation loss. Each workers' compensation policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by Tenant and its Agents related to this Lease or the Premises.

(f) Business Automobile Liability

Tenant shall procure and maintain and cause any contractor performing work on the Premises to procure and maintain business automobile liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including owned, non-owned, and hired vehicles as applicable, if Tenant or the contractor uses or causes to be used any vehicles in connection with its use of the Premises.

(g) Environmental Pollution Liability

Tenant shall procure and maintain during the Term, and shall cause any contractor performing Hazardous Material Remediation on the Premises to procure and maintain, pollution legal liability, environmental remediation liability and other environmental insurance, including coverage for bodily injury, sickness, disease, mental anguish or shock sustained by any person, including death; Environmental Damages; property damage including but not limited to physical injury to or destruction of tangible property including the resulting loss of use thereof, cleanup costs, and the loss of use of tangible property that has not been physically injured or destroyed; defense costs, charges and expenses incurred in the investigation, adjustment of defense claims for such compensatory damages; sudden and non-sudden pollution conditions including the discharge, dispersal, release or escape of Hazardous Material into or upon the Premises, other City property, Tenant's Alterations, the atmosphere or watercourse or body of water, which results in Environmental Damages; transportation coverage for the hauling of any Hazardous Material by Tenant or Tenant's contractors or Agents, from the Premises to the final disposal location; and first party environmental remediation that pays for the cost of cleanup and remediation of the Premises or any Alterations required to comply with all applicable Laws. Such insurance shall be endorsed to provide third party disposal site coverage that covers third party bodily injury, property damage and cleanup coverage for pollution conditions emanating from a disposal site or landfill used by the Tenant or Tenant's Agents. Tenant shall maintain limits no less than: One Million Dollars (\$1,000,000) per accident and Two Million Dollars (\$2,000,000) annual aggregate for bodily injury and property damage. The City and its officers, commissioners, agents, volunteers and employees shall be included as additional insureds and as

loss payees under the pollution legal liability/environmental remediation/cleanup liability insurance policy.

(h) Licensed professionals (i.e., architects, engineers, certified public accountants, etc.) shall provide professional liability insurance with limits not less than \$1,000,000 each claim with respect to negligent acts, errors or omissions in connection with professional services to be provided to Tenant under this Lease or to the Premises.

(h) Other Insurance

City reserves the right to change amounts and types of insurance as permitted use of the property may change from time to time.

19.2 General Requirements

(a) All insurance provided for under this Lease shall be effected under valid enforceable policies issued by insurers of recognized responsibility and reasonably approved by City.

(b) Should any of the required insurance be provided under a claims-made form, Tenant shall maintain such coverage continuously throughout the Term and, without lapse, for a period of three (3) years beyond the expiration or termination of this Lease, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Lease, such claims shall be covered by such claims-made policies.

(c) Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general aggregate limit shall be double the occurrence or claims limits specified above.

(d) All liability insurance policies required by this Lease shall be endorsed to:

(i) Name City, its officers, agents, and employees, as additional insureds, as their respective interests may appear with respect to the Premises or under this Lease.

(ii) Provide that such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Lease, and that insurance applies separately to each insured against whom claim is made or suit is brought, except with respect to the insurer's limit of liability.

(e) Each insurance policy required pursuant to **Section 19.1** (Tenant's Insurance) shall be issued by an insurance company licensed in the State of California and with a general policyholders' rating of "A-" or better and a financial size ranking of "Class VIII" or higher in the most recent edition of Best's Insurance Guide.

(f) Tenant shall provide thirty (30) days' advance written notice to City of cancellation, intended non-renewal, or reduction in coverages, except for non-payment for which no less than ten (10) days' notice shall be provided to City. Notices shall be sent to the City addresses set forth in **Section 25.1** (Notices). Tenant shall provide City with a copy of any insurer's notice of intent to cancel or materially reduce, or cancellation, material reduction, or depletion of, its required coverage within one business day of Tenant's receipt and take prompt action to prevent cancellation, material reduction, or depletion of coverage, reinstate or replenish the cancelled, reduced, or depleted coverage, or obtain the full coverage required by

Section 19.1 (Tenant's Insurance) from a different insurer meeting the qualifications of this Section.

19.3 Proof of Insurance; Failure to Provide

On or before the Commencement Date, Tenant shall deliver to City certificates of insurance and additional insured policy endorsements from insurers evidencing the coverages required by this Lease in a form satisfactory to City, together with complete copies of the policies promptly upon City's request, and Tenant shall provide City with certificates thereafter at least ten (10) days before the expiration dates of expiring policies. Tenant and its contractors shall submit or cause their respective insurance brokers to submit requested information through the Exigis insurance verification program designated by City or any successor program used by City for verification of tenant and contractor insurance coverage. If Tenant or its contractors fail to procure required insurance, or to deliver such policies, certificates or information, at its option, City may procure the same for Tenant's account, and Tenant shall pay City the resulting cost within five (5) business days after delivery to Tenant of invoices reflecting the amounts so paid by City.

19.4 Review of Insurance Requirements

Tenant and City shall periodically review the limits and types of insurance carried pursuant to **Section 19.1** (Tenant's Insurance). If the general commercial practice in the City and County of San Francisco is to carry insurance in an amount or coverage materially greater than the amount or coverage then being carried by Tenant with respect to risks comparable to those associated with the Premises, then, at City's option, Tenant shall increase at its sole cost the amounts or coverages carried by Tenant to conform to such general commercial practice.

19.5 No Limitation on Indemnities

Tenant's compliance with the provisions of this Section shall not relieve or decrease in any way Tenant's indemnification obligations under **Sections 18.2** (Tenant's Indemnity) and **23.2** (Tenant's Environmental Indemnity), or any of Tenant's other obligations or liabilities under this Lease.

19.6 Lapse of Insurance

Notwithstanding anything to the contrary in this Lease, at City's sole and absolute discretion, City may elect to terminate this Lease upon the lapse of any required insurance coverage by written notice to Tenant.

19.7 City's Self Insurance

Tenant acknowledges that City self-insures against casualty, property damage and public liability risks and agrees that City may at its sole election, but shall not be required to, carry any third party insurance with respect to the Premises or otherwise.

19.8 Waiver of Subrogation

Notwithstanding anything to the contrary in this Lease, City and Tenant (each a "**Waiving Party**") each hereby waives any right of recovery against the other Party for any loss or damage relating to the Premises or any operations or contents in or on the Premises, whether or not such loss is caused by the fault or negligence of such other Party, to the extent such loss or damage is covered by any insurance policy that is required to be purchased by the Waiving Party under this Lease (or would have been covered had such Waiving Party carried the required

insurance) or is actually covered by any insurance policy held by the Waiving Party or its agents. Each Waiving Party agrees to obtain a waiver of subrogation rights endorsement from applicable insurance carriers issuing policies relating to the Premises; provided, the failure to obtain any such endorsement shall not affect the above waiver.

20. ACCESS BY CITY

20.1 Access to Premises by City

(a) General Access

City reserves for itself and its designated Agents the right to enter any portion of the Premises at all reasonable times upon not less than forty-eight (48) hours' oral or written notice to Tenant (except in the event of an emergency) for any purpose.

(b) Emergency Access

In the event of any emergency, as determined by City, at its sole option and without notice, City may enter the Premises and alter or remove Tenant's Personal Property and any Improvements, including any Alterations, on or about the Premises. City may use any and all means City considers appropriate to gain access to any portion of the Premises in an emergency. In such case, City shall not be responsible for any damage or injury to any such property, nor for the replacement of any such property and any such emergency entry shall not be deemed to be a forcible or unlawful entry onto or a detainer of, the Premises, or an eviction, actual or constructive, of Tenant from any portion of the Premises.

(c) No Liability

City shall not be liable in any manner, and Tenant hereby waives any claims, for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of City's entry onto the Premises, except damage resulting directly and exclusively from the gross negligence or willful misconduct of City or its Agents and not contributed to by the acts, omissions, or negligence of Tenant, its Agents, or its Invitees.

(d) No Abatement

Tenant shall not be entitled to any abatement in Rent if City exercises any rights reserved in this Section.

(e) Minimize Disruption

City shall use its reasonable good faith efforts to conduct any activities on the Premises allowed under this Section in a manner that, to the extent practicable, will minimize any disruption to Tenant's use of the Premises pursuant to this Lease.

20.2 Pipeline and Utility Installations

Without limiting **Section 20.1** (Access to Premises by City), at all times, City may enter upon the Premises upon forty-eight (48) hours' advance, written or oral notice (except in cases of emergency as determined by City), to inspect, use, install, construct, repair, maintain, operate, replace, and remove SFPUC Facilities or any other public utility facilities. City shall bear the expense of any such activities, unless the need is occasioned by the acts, omissions, or negligence of Tenant, its Agents, or its Invitees. City shall not be responsible for any temporary loss or disruption of Tenant's use of the Premises occasioned by any such facility installations or other activities.

20.3 Roadways

City and its Agents may enter upon and pass through and across the Premises on any existing or future roadways and as City otherwise determines necessary or appropriate for purposes related to the inspection, operation, construction, maintenance, repair, or replacement of the SFPUC Facilities.

21. ESTOPPEL CERTIFICATES

From time to time during the Term, upon not less than twenty (20) days' prior, written request from a Party, the other Party shall execute, acknowledge, and deliver to the requesting Party, or such persons or entities designated by such requesting Party, a statement in writing certifying: (a) the Expiration Date of this Lease; (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications); (c) that there are no known defaults under this Lease (or if so, specifying the same); and (d) the dates, if any, to which the Rent has been paid. Any such certificate shall be in one of the forms attached as Exhibit C, and may be relied upon by the requesting Party or any prospective purchaser or Encumbrancer of its estate. The General Manager shall be authorized to execute, acknowledge, and deliver any such certificates requested of City.

22. SURRENDER

22.1 Surrender of the Premises

Upon the Expiration Date or any earlier termination of this Lease pursuant to its terms, Tenant shall surrender to City the Premises, in good condition, order, and repair, free from debris and hazards, and free and clear of all liens, easements, and other Encumbrances created or suffered by, through, or under Tenant. On or before the Expiration Date or any earlier termination of this Lease, at its sole cost, Tenant shall remove from the Premises any and all of Tenant's Personal Property and any Improvements installed by or for Tenant that City has required in writing be removed from the Premises. In addition, at its sole expense, Tenant shall repair any damage to the Premises resulting from the removal of any such Tenant's Personal Property and Improvements and restore the Premises to their condition immediately prior to the presence of such items. In connection with any such repair, Tenant shall obtain any and all necessary permits and approvals, including any environmental permits, and execute any manifests or other documents necessary to complete the demolition, removal, or restoration work required by this Lease. Tenant's obligations under this Section shall survive the expiration or other termination of this Lease. At City's option, any items of Tenant's Personal Property remaining on or about the Premises after the Expiration Date or sooner termination of this Lease may be deemed abandoned and, in such case, City may assume ownership of such property or dispose of such property in accordance with Section 1980 et seq. of the California Civil Code or in any other manner allowed by Law.

If Tenant fails to surrender the Premises to City on the Expiration Date or earlier termination of the Term as required by this Section, Tenant shall Indemnify City against all resulting Losses, including Losses incurred by a succeeding tenant resulting from Tenant's failure to surrender the Premises as required by this Section.

Tenant hereby waives any and all rights, benefits, or privileges of the California Relocation Assistance Law, California Government Code Sections 7260 et seq., the Uniform Relocation Assistance and Real Property Acquisition Policies Act, 42 U.S.C. Sections 4601 et seq., or under any similar Law now or hereafter in effect, except as provided in **Section 15** (Eminent Domain).

22.2 Automatic Reversion

Upon the Expiration Date or earlier termination of this Lease, the Premises shall automatically, and without further act or conveyance on the part of Tenant or City, become City's property, free and clear of all liens and Encumbrances and without payment therefor by City and shall be surrendered to City upon such date. Upon or at any time after the date of termination of this Lease, if requested by City, Tenant shall promptly deliver to City, without charge, a quitclaim deed to the Premises suitable for recordation and any other instrument reasonably requested by City to evidence or otherwise effect the termination of Tenant's leasehold estate under this Lease and to effect such transfer or vesting of title to the Premises.

23. HAZARDOUS MATERIAL

23.1 No Hazardous Material

Tenant covenants and agrees that neither Tenant nor any of its Agents or Invitees shall cause or permit any Hazardous Material to be brought upon, kept, used, stored, generated, or disposed of in, on, or about the Premises or any Alterations or transported to or from the Premises or any Alterations. Notwithstanding the foregoing, Tenant is permitted to bring onto the Premises (i) motorized vehicles, containing fuel in the fuel tanks and motor oil, for the authorized uses described in this Lease, and (ii) fertilizer, pesticides and other materials and products that may contain material considered hazardous, of such types and in such quantities as are necessary for golf course operation, maintenance, construction or repair purposes, provided that any such products and materials shall be used, stored, and disposed of with due care, in compliance with all applicable Environmental Laws, all applicable provisions of this Lease (including an IPM plan approved in accordance with **Section 7.2(j)**), and SFPUC's reasonable requirements. Any storage of fuel on the Premises, other than in vehicle fuel tanks, shall require SFPUC's prior written consent, which may be granted or withheld at SFPUC's sole discretion. Tenant shall immediately notify City if and when Tenant learns or has reason to believe there has been any Release of Hazardous Material in, on, or about the Premises or any Alterations. From time to time, City may request that Tenant provide adequate information for City to determine that any Hazardous Material permitted by this Lease is being handled in compliance with all applicable Environmental Laws, and Tenant shall promptly provide all such information. Without limiting **Section 20** (Access by City), City and its Agents may inspect the Premises for Hazardous Material and compliance with the provisions of this Lease at all reasonable times upon reasonable, advance, oral or written notice to Tenant (except in the event of an emergency).

23.2 Tenant's Environmental Indemnity

If Tenant breaches any of its obligations contained in **Section 23.1** (No Hazardous Material), or, if any act, omission, or negligence of Tenant or any of its Agents or Invitees results in any Release of Hazardous Material in, on, under, or about the Premises (including any existing Improvements on the Premises), any Alterations, or any other City property, without limiting Tenant's general Indemnity contained in **Section 18.2** (Tenant's Indemnity), Tenant, on behalf of itself and its successors and assigns, shall Indemnify City and the Indemnified Parties, and each of them, from and against all Hazardous Material Claims arising during or after the Term and relating to such Release. The foregoing Indemnity includes all costs associated with the Investigation and Remediation of Hazardous Material and with the restoration of the Premises or any other City property to its prior condition including fines and penalties imposed by regulatory agencies, natural resource damages and losses, and revegetation of the Premises or other City property. Without limiting the foregoing, if Tenant or any of Tenant's Agents or Invitees, causes or permits the Release of any Hazardous Material in, on, under, or about the Premises or any other City property, immediately and at no expense to City, Tenant shall take any and all appropriate actions to return the Premises or other City property affected thereby to the condition existing prior to such Release and otherwise Investigate and Remediate the Release in

accordance with all Environmental Laws. Tenant shall provide City with written notice of, and afford City a full opportunity to participate in, any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, permit, approvals, or other compromise or proceeding involving Hazardous Material.

24. SECURITY DEPOSIT

24.1 Security Deposit

On or before the Effective Date, Tenant shall pay to City the sum specified for the security deposit in the Basic Lease Information as security for the faithful performance of all terms, covenants, and conditions of this Lease. City may (but shall not be required to) apply the security deposit in whole or in part to remedy any damage to the Premises or SFPUC Facilities caused by Tenant, its Agents, or its Invitees to pay any fines assessed against Tenant under this Lease, or for any other failure of Tenant to perform any other terms, covenants, or conditions contained in this Lease, without waiving any of City's other rights and remedies under this Lease, at Law, or in equity. Should City use any portion of the security deposit to cure any Event of Default by Tenant or pay any fine of Tenant, then Tenant shall immediately replenish the security deposit to the original amount, and Tenant's failure to do so within five (5) days of City's request shall constitute a material Event of Default under this Lease. City's obligations with respect to the security deposit are solely that of debtor and not trustee. City shall not be required to keep the security deposit separate from its general funds, and Tenant shall not be entitled to any interest on such deposit. The amount of the security deposit shall not be deemed to limit Tenant's liability for the performance of any of its obligations under this Lease.

24.2 Performance Bond; Letter of Credit

In lieu of, or in replacement of, the security deposit provided in **Section 24.1** above, Tenant may deliver to City at any time during the Term a "clean" (i.e. unconditional), irrevocable letter of credit issued by a financial institution acceptable to SFPUC's General Manager and in form approved by the City Attorney with an original term of no less than one year and automatic extensions through the end of the Term of this Lease and thirty (30) days thereafter. Tenant shall keep such letter of credit, at its expense, in full force and effect until the sixtieth day after the Expiration Date or other termination hereof, to insure the faithful performance by Tenant of all of the covenants, terms and conditions of this Lease. Such letter of credit shall provide thirty (30) days' prior written notice to City of cancellation or material change thereof. In the event of any non-extension of the letter of credit, Tenant shall replace such security with another form permitted hereunder at least ten (10) days prior to expiration and if Tenant fails to do so City shall be entitled to present its written demand for payment of the entire face amount of such letter of credit and to hold the funds so obtained as the Security Deposit required hereunder. Any unused portion of the funds so obtained by City shall be returned to Tenant upon replacement of the letter of credit or deposit of cash security in the full amount required hereunder.

25. GENERAL PROVISIONS

25.1 Notices

Except as otherwise expressly provided in this Lease, any notice, consent, request, or approval given under or pursuant to this Lease shall be effective only if in writing and given by delivering such notice, consent, request, or approval in person or by sending it first-class or certified mail with a return receipt requested or via reliable commercial overnight courier, return receipt requested, with postage prepaid, to: **(a)** Tenant **(i)** at Tenant's address(es) set forth in the Basic Lease Information, if sent before Tenant's taking possession of the Premises, or **(ii)** at the Premises if sent on or subsequent to Tenant's taking possession of the Premises, or **(iii)** at any

place where Tenant or any Agent of Tenant may be found if sent subsequent to Tenant's vacating, abandoning, or surrendering the Premises; or (b) City at City's address set forth in the Basic Lease Information; or (c) to such other address as either City or Tenant may designate as its new address for such purpose by notice given to the other Party in accordance with the provisions of this Section at least ten (10) days before the effective date of such change. A properly addressed notice, consent, request, or approval transmitted by one of the foregoing methods shall be deemed received upon the confirmed date of delivery, attempted delivery, or rejected delivery, whichever occurs first. Any facsimile numbers provided are for convenience of communication and neither Party may give an official or binding notice, consent, request, or approval by facsimile. The effective time of a notice, consent, request, or approval shall not be affected by the receipt, prior to receipt of the original, of a telefacsimile copy of the notice, consent, request, or approval.

25.2 No Implied Waiver

No failure by City to insist upon the strict performance of any Tenant obligation under this Lease or to exercise any right, power, or remedy arising out of a breach, irrespective of the length of time for which such failure continues, no acceptance of full or partial Base Rent or Additional Charges during the continuance of any such breach, or possession of the Premises before the expiration of the Term by any Agent of City, shall constitute a waiver of such breach or of City's right to demand strict compliance with such term, covenant, or condition or operate as a surrender of this Lease. No express written waiver of any default or the performance of any provision of this Lease shall affect any other default or performance, or cover any other period of time, other than the default, performance, or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision of this Lease shall not be deemed to be a waiver of a subsequent default or performance. City's consent given in any instance under the provisions of this Lease shall not relieve Tenant of any obligation to secure City's consent in any other or future instance under this Lease.

25.3 Amendments

Neither this Lease, nor any term or provision of this Lease, may be changed, waived, discharged, or terminated, except by a written instrument signed by the Parties.

25.4 Authority

If Tenant signs as a corporation, partnership, or limited liability company, each of the persons executing this Lease on behalf of Tenant does hereby covenant and warrant that Tenant is a duly authorized and existing entity, that Tenant has done and is qualified to do business in California, that Tenant has full right and authority to enter into this Lease, and that each and all of the persons signing on behalf of Tenant are authorized to do so. Upon City's request, Tenant shall provide City with evidence reasonably satisfactory to City confirming the foregoing representations and warranties.

25.5 Joint and Several Obligations

The word "Tenant" as used in this Lease shall include the plural as well as the singular. If there is more than one Tenant, the obligations and liabilities under this Lease imposed on Tenant shall be joint and several.

25.6 Interpretation of Lease

The captions preceding the sections and subsections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated

at arm's length and between persons sophisticated and knowledgeable in the matters dealt with in this Lease and has been drafted through a cooperative effort of both Parties, with both Parties having the opportunity to have the Lease reviewed and revised by legal counsel. Accordingly, neither Party shall be considered the drafter of this Lease and this Lease shall be interpreted to achieve the intents and purposes of the Parties, without any presumption against the Party responsible for drafting any part of this Lease. Provisions in this Lease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice, or to undertake any other action occurs on a Saturday, Sunday, or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "**including**" or similar words shall not be construed to limit any general term, statement, or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used. Unless otherwise provided in this Lease, whenever City's consent is required to be obtained by Tenant pursuant to this Lease, City may give or withhold such consent at its sole and absolute discretion.

25.7 Successors and Assigns

Subject to the provisions of **Section 16** (Assignment and Subletting), the terms, covenants, and conditions contained in this Lease shall bind and inure to the benefit of City and Tenant and, except as otherwise provided in this Lease, their personal representatives and successors and assigns; provided, however, that upon any sale, assignment, or transfer by City (or by any subsequent landlord) of its interest in the Premises as owner or lessor, including any transfer by operation of Law, City (or any subsequent landlord) shall be relieved from all subsequent obligations and liabilities arising under this Lease subsequent to such sale, assignment, or transfer.

25.8 Brokers

Except as identified in the Basic Lease Information, neither Party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection with the leasing of the Premises, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with this Lease. Accordingly, any such commission or finder's fee, if due, shall be paid pursuant to a separate written agreement between such broker and the Party through which such broker contracted. If any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings, or communication, the Party through whom the broker or finder makes a claim shall be responsible for such commission or fee and shall indemnify the other Party from any and all Losses incurred by the indemnified Party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

25.9 Severability

If any provision of this Lease or the application of such provision to any person, entity, or circumstance shall be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities, or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the fullest extent permitted by Law, except to the extent that enforcement of this Lease without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Lease.

25.10 Governing Law

This Lease shall be construed and enforced in accordance with the Laws of the State of California and the City's Charter.

25.11 Entire Agreement

This instrument (including all attached exhibits referenced in this instrument, which are made a part of this Lease) contains the entire agreement between the Parties concerning the subject matter of this Lease and, except for the Original Lease (which will be terminated effective upon the Commencement Date of this Lease) and any surviving obligations under such Original Lease, supersedes all prior written or oral negotiations, discussions, understandings, and agreements. The Parties further intend that this Lease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts and any changes from such drafts) may be introduced in any judicial, administrative, or other legal proceeding involving this Lease. Tenant hereby acknowledges that neither City nor City's Agents have made any representations or warranties with respect to the Premises or this Lease except as expressly set forth in this Lease, and no rights, easements, or licenses are or shall be acquired by Tenant by implication or otherwise unless expressly set forth in this Lease.

25.12 Attorneys' Fees

If either City or Tenant fails to perform any of its obligations under this Lease or if a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting Party or the non-prevailing Party in such dispute, as the case may be, shall pay the prevailing Party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing Party in connection with the prosecution or defense of such action and enforcing or establishing its rights under this Lease (whether or not such action is prosecuted to a judgment). For purposes of this Lease, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the Parties, which may include printing, duplicating, and other expenses, air freight charges, hiring of experts and consultants, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

25.13 Holding Over

Any holding over by or on behalf of Tenant after the expiration of the Term with City's express consent shall be construed to automatically extend the Term on a month-to-month basis at the monthly Base Rent payable immediately prior to expiration or at such other Base Rent as determined by City as part of its consent, and shall otherwise be on the terms and conditions specified in this Lease so far as applicable (except for those pertaining to the Term). Any holding over without City's consent shall constitute a default by Tenant, shall be at a Base Rent equal to 150% of the Base Rent in effect at the start of the Holdover, and shall entitle City to exercise any or all of its remedies as provided in this Lease, notwithstanding that City may elect to accept one or more payments of Rent.

25.14 Time of Essence

Time is of the essence with respect to all provisions of this Lease in which a definite time for performance is specified.

25.15 Cumulative Remedies

All rights and remedies of either Party set forth in this Lease shall be cumulative, except as may otherwise be provided in this Lease.

25.16 Financial Statements.

Within 45 days after the end of each Lease Year, Tenant shall provide to City a balance sheet and a detailed profit and loss statement for the Premises for the preceding Lease Year, and a detailed accounting of Gross Revenues and of the Capital Improvement Fund for the preceding Lease Year, all audited by an independent certified public accounting firm approved by City and in form acceptable to City.

25.17 Transition Procedures.

Upon the expiration of the Term or earlier termination of this Lease, for whatever reason, Tenant and City shall do the following (and the provisions of this **Section 25.17** shall survive the expiration or termination of this Lease until they have been fully performed) and, in general, shall cooperate in good faith to effect an orderly transition of the management of the Premises.

(a) Transfer of Licenses.

Upon the expiration or earlier termination of the Lease, Tenant shall use its best efforts (i) to transfer to City or City's nominee all licenses, operating permits and other governmental authorizations and all contracts which City elects to assume, including contracts with governmental or quasi-governmental entities and management contracts, that may be necessary for the operation of the Premises and completion of any repairs, maintenance, or Alterations (collectively, "**Licenses**"), or (ii) if such transfer is prohibited by law or City otherwise elects, to cooperate with City or City's nominee in connection with the processing by City or City's nominee of any applications for, all Licenses; provided, in either case, that the costs and expenses of any such transfer or the processing of any such application shall be paid by City or City's nominee.

(b) Leases and Concessions.

Tenant shall assign to City or City's nominee simultaneously with the termination of this Lease, and the assignee shall assume, all leases, subleases, and concession agreements in effect with respect to the Premises then in Tenant's possession which City or City's nominee elects to assume.

(c) Books and Records.

All books and records for the Premises kept by Tenant shall be delivered promptly to City or City's nominee, simultaneously with the termination or expiration of this Lease, but such books and records shall thereafter be available to Tenant at all reasonable times for inspection, audit examination, and transcription for a period of one year and Tenant may retain (on a confidential basis) copies or computer records thereof.

(d) Tenant's Personal Property.

Tenant shall negotiate in good faith with City or City's nominee for the sale of all or any portion of Tenant's Personal Property which City or City's nominee elects to purchase.

25.18 Survival of Indemnities

Termination of this Lease shall not affect the right of either Party to enforce any and all indemnities and representations and warranties given or made to the other Party under this Lease, nor shall it affect any provision of this Lease that expressly states it shall survive termination of this Lease. Tenant specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Lease, Tenant has an immediate and independent obligation to defend City and the other Indemnified Parties from any claim that actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent, or false, which obligation arises at the time such claim is tendered to Tenant by City and continues at all times thereafter.

25.19 Relationship of Parties

City is not a partner in Tenant's business, or joint venturer or member in any joint enterprise with Tenant, and none of the provisions in this Lease shall be deemed to render City as such a partner, joint venturer, or member. Neither Party shall act as the agent of the other Party in any respect with regard to this Lease, and, except as specifically provided in this Lease, neither Party shall have any authority to commit or bind the other Party without such Party's consent as provided in this Lease. This Lease is not intended nor shall it be construed to create any third-party beneficiary rights in any third party, unless otherwise expressly provided. The granting of this Lease by City does not constitute City's authorization or approval of any activity conducted by Tenant on, in, or relating to the Premises.

25.20 Transfer by City

If City sells or otherwise transfers the Premises, City shall be released from its obligations under this Lease arising on or after the date of such sale or transfer and Tenant shall look solely to City's successor-in-interest with respect to the Premises. Upon City's sale of the Premises, Tenant shall attorn to the purchaser or transferee, such attornment to be effective and self-operative without the execution of any further instruments on the part of the parties to this Lease. This Lease shall not be deemed to constitute any commitment by City, or create any priority or right in favor of Tenant, with regard to any future sale or other disposition of all or any part of the Premises.

25.21 Recording

Tenant shall not record this Lease nor any memorandum or short form of this Lease in the Official Records.

25.22 Non-Liability of City Officials, Employees, and Agents

No elective or appointive board, commission, member, officer, employee, or other Agent of City shall be personally liable to Tenant or its successors and assigns for any City default or breach or for any amount that may become due to Tenant or its successors and assigns, or for any obligation of City under this Lease.

25.23 Wages and Working Conditions

Tenant agrees that any person performing labor in connection with any Alteration at the Premises that is a "public work or improvement," as defined under Section 6.22(e) of the San Francisco Administrative Code or a "public work" as defined under California Labor Code Section 1720 et seq. (which includes certain construction, alteration, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds or the

equivalent of public funds) shall be paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(e) of the San Francisco Administrative Code, and shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Tenant shall include in any contract for such Alterations a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Tenant shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing such labor at the Premises.

Tenant shall also pay, and shall require its subtenants, and contractors and subcontractors (regardless of tier) to pay, prevailing wages for the following activities and services on the Premises as set forth in and to the extent required by San Francisco Administrative Code Chapter 21C: Janitorial Services (as defined in Section 21C.2), Theatrical Services (as defined in Section 21C.4), Trade Show and Special Event Work (as defined in Section 21C.8), and Broadcast Services (as defined in Section 21C.9).

25.24 Non-Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

In the performance of this Lease, Tenant agrees not to discriminate against any Tenant employee, any City employee working with Tenant, or any applicant for employment with Tenant, 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.

(b) Subleases and Other Subcontracts

Tenant shall include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such Subtenant or other subcontractor in substantially the form of Subsection (a) above. In addition, Tenant shall incorporate by reference in all subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all Subtenants and other subcontractors to comply with such provisions. Tenant's failure to comply with the obligations in this Subsection shall constitute a material breach of this Lease.

(c) Non-Discrimination in Benefits

As of the date of this Lease, Tenant does not, and will not during the Term, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for the City or elsewhere within 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 Section 12B.2(b) of the San Francisco Administrative Code.

(d) CMD Form

As a condition to this Lease, Tenant shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the CMD. Tenant hereby represents that prior to execution of this Lease, (i) Tenant executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and (ii) the CMD approved such form.

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth in this Lease. Tenant shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Tenant understands that pursuant to Section 12B.2(h) 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 may be assessed against Tenant and/or deducted from any payments due Tenant.

25.25 Requiring Health Benefits for Covered Employees

Unless exempt, Tenant 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 ("Chapter 12Q"), including the implementing regulations, as the same may be amended or updated from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Lease as though fully set forth in this Lease. The text of the HCAO is currently available on the web at <http://www.sfgov.org/olse/hcao>. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12Q.

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

(b) Notwithstanding the above, if Tenant meets the requirements of a "small business" as described in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with Subsection (a) above.

(c) Tenant's failure to comply with the requirements of the HCAO shall constitute a material breach by Tenant of this Lease. If, within thirty (30) days after receiving City's written notice of a breach of this Lease for violating the HCAO, Tenant fails to cure such breach or, if such breach cannot reasonably be cured within such thirty (30)-day period, Tenant fails to commence efforts to cure within such period, or thereafter fails to diligently pursue such cure to completion, City shall have the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

(d) Any Sublease or Contract regarding services to be performed on the Premises entered into by Tenant shall require the Subtenant or Contractor and Subcontractors, as applicable, to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Tenant shall notify the Purchasing Department when it enters into such a Sublease or Contract and shall certify to the

Purchasing Department that it has notified the Subtenant or Contractor of the obligations under the HCAO and has imposed the requirements of the HCAO on the Subtenant or Contractor through written agreement with such Subtenant or Contractor. Tenant shall be responsible for ensuring compliance with the HCAO by each Subtenant, Contractor and Subcontractor performing services on the Premises. If any Subtenant, Contractor, or Subcontractor fails to comply, City may pursue the remedies set forth in this Section against Tenant based on the Subtenant's, Contractor's, or Subcontractor's failure to comply, provided that the Contracting Department has first provided Tenant with notice and an opportunity to cure the violation.

(e) Tenant shall not discharge, reprimand, penalize, reduce the compensation of, or otherwise discriminate against any employee for notifying City of any issue relating to the HCAO, for opposing any practice proscribed by the HCAO, for participating in any proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) Tenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the requirements of the HCAO.

(g) Tenant shall keep itself informed of the requirements of the HCAO, as they may change from time to time.

(h) Upon City's request, Tenant shall provide reports to City in accordance with any reporting standards promulgated by City under the HCAO, including reports on Subtenants, Contractors, and Subcontractors.

(i) Within five (5) business days after any City request, Tenant shall provide City with access to pertinent records relating to any Tenant's compliance with the HCAO. In addition, City and its Agents may conduct random audits of Tenant at any time during the Term. Tenant shall cooperate with City in connection with any such audit.

25.26 Notification of Limitations on Contributions

By its execution of this Lease, Tenant acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that City elective officer serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, 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. Tenant 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. Tenant further acknowledges that the prohibition on contributions applies to each entity constituting Tenant; each member of Tenant's board of directors, and Tenant's chief executive officer, chief financial officer, and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in Tenant; any subcontractor listed in the contract with City; and any committee that is sponsored or controlled by Tenant. Additionally, Tenant acknowledges that Tenant must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Tenant shall provide City with the names of each person, entity, or committee described above.

25.27 Preservative-Treated Wood Containing Arsenic

Tenant may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Tenant may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Tenant from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

25.28 No Relocation Assistance; Waiver of Claims

Tenant acknowledges that it will not be a displaced person at the time this Lease is terminated or expires by its own terms, and Tenant fully RELEASES, WAIVES, AND DISCHARGES forever any and all claims, demands, rights, and causes of action (including consequential and incidental damages) against, and covenants not to sue, City, its departments, commissions, officers, directors, and employees, and all persons acting by, through, or under each of them, under any Laws, including any and all claims for relocation benefits or assistance from City under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Lease with respect to a Taking.

25.29 MacBride Principles - Northern Ireland

The provisions of San Francisco Administrative Code §12F are incorporated herein by this reference and made part of this Lease. By signing this Lease, Tenant confirms that Tenant has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

25.30 Conflicts of Interest

Through its execution of this Lease, Tenant acknowledges that it is familiar with the provisions of (a) San Francisco Charter Section 15.103; (b) Article III, San Francisco Campaign and Governmental Conduct Code, Chapter 2; and (c) California Government Code Sections 87100 et seq. and Sections 1090 et seq. and certifies that it does not know of any facts that would constitute a violation of said provisions, and agrees that if Tenant becomes aware of any such fact during the Term, Tenant shall immediately notify the City.

25.31 Tropical Hardwood and Virgin Redwood Ban

City urges companies not to import, purchase, obtain, or use for any purpose any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood wood product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Tenant shall not provide any items to the construction of any Alterations, or otherwise in the performance of this Lease that are tropical hardwoods; tropical hardwood wood products, virgin redwood, or virgin redwood wood products. If Tenant fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Tenant shall be liable for liquidated damages for each violation in any amount equal to

Tenant's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater.

25.32 Prohibition of Tobacco Sales and Advertising

Tenant acknowledges and agrees that no advertising or sale of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product.

25.33 Prohibition of Alcoholic Beverage Advertising

Tenant acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product

25.34 Consents, Approvals, Elections, and Options

Whenever this Lease requires or permits the giving by City or SFPUC of any consent or approval, the General Manager of SFPUC, or his or her designee, shall be authorized to provide such consent or approval, except as otherwise provided by applicable law, including City's Charter, or by SFPUC's Real Estate Guidelines. No consent, approval, election or option shall be effective unless given in writing.

25.35 Counterparts

This Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

25.36 Disclosure

Tenant understands and agrees that the City's Sunshine Ordinance (San Francisco Administrative Code Chapter 67) and the State Public Records Law (California Gov't Code Section 6250 et seq.), apply to this Lease and any and all records, information, and materials submitted to the City in connection with this Lease. Accordingly, any and all such records, information, and materials may be subject to public disclosure in accordance with the City's Sunshine Ordinance and the State Public Records Law. Tenant hereby authorizes the City to disclose any records, information, and materials submitted to the City in connection with this Lease.

25.37 Food Service Waste Reduction

Tenant agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided in that statute, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated in this Lease by reference and made a part of this Permit as though fully set forth in this Lease. This provision is a material term of this Lease. By entering into this Lease, Tenant agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine. Without limiting City's other rights and remedies, Tenant agrees that the sum of One Hundred Dollars (\$100.00) liquidated damages for the first breach, Two Hundred Dollars (\$200.00) liquidated

damages for the second breach in the same year, and Five Hundred Dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Tenant's failure to comply with this provision.

25.38 Bottled Drinking Water

Unless exempt, Tenant agrees to comply fully with and be bound by all of the provisions of the San Francisco Bottled Water Ordinance, as set forth in San Francisco Environment Code Chapter 24, including the administrative fines, remedies, and implementing regulations provided in that statute, as the same may be amended from time to time. The provisions of Chapter 24 are incorporated by reference and made a part of this Lease as though fully set forth.

25.39 Criminal History in Hiring and Employment Decisions

(a) Unless exempt, Tenant agrees to comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions; "**Chapter 12 T**"), which are hereby incorporated as may be amended from time to time, with respect to applicants and employees of Tenant who would be or are performing work at the Premises.

(b) Tenant shall incorporate by reference the provisions of Chapter 12T in all subleases of some or all of the Premises, and shall require all Subtenants to comply with such provisions. Tenant's failure to comply with the obligations in this Subsection shall constitute a material breach of this Lease.

(c) Tenant and any Subtenants shall not inquire about, require disclosure of, or if such information is received, base an Adverse Action on an applicant's or potential applicant for employment, or employee's: (i) Arrest not leading to a Conviction, unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (ii) participation in or completion of a diversion or a deferral of judgment program; (iii) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (iv) a Conviction or any other adjudication in the juvenile justice system; (v) a Conviction that is more than seven years old, from the date of sentencing; or (vi) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

(d) Tenant and any Subtenants shall not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in Subsection (c) above. Tenant and Subtenants shall not require such disclosure or make such inquiry until either after the first live interview with the person, or after a conditional offer of employment.

(e) Tenant and any Subtenants shall state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment with Tenant or subtenant at the Premises, that the Tenant or subtenant will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Chapter 12T.

(f) Tenant and any Subtenants shall post the notice prepared by the Office of Labor Standards Enforcement ("**OLSE**"), available on OLSE's website, in a conspicuous place at the Premises and at other workplaces within San Francisco where interviews for job opportunities at the Premises occur. The notice shall be posted in English, Spanish, Chinese,

and any language spoken by at least 5% of the employees at the Premises or other workplace at which it is posted.

(g) Tenant and any Subtenants understand and agree that upon any failure to comply with the requirements of Chapter 12T, City may pursue any rights or remedies available under Chapter 12T or this Lease, including but not limited to a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Lease.

(h) If Tenant has any questions about the applicability of Chapter 12T, it may contact the City's Real Estate Division for additional information. City's Real Estate Division may consult with the Director of the City's Office of Contract Administration who may also grant a waiver, as set forth in Section 12T.8.

25.40 Vending Machines; Nutritional Standards

Tenant shall not install or permit any vending machine on the Premises without the prior written consent of the City's Director of Property. Any permitted vending machine must comply with the food nutritional and calorie labeling requirements set forth in San Francisco Administrative Code section 4.9-1(c), as may be amended from time to time (the "**Nutritional Standards Requirements**"). Tenant agrees to incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this **Section 25.40** shall be deemed a material breach of this Lease. Without limiting Landlord's other rights and remedies under this Lease, Landlord shall have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements. In addition, any restaurant located on the Premises is encouraged to ensure that at least 25% of Meals (as defined in Administrative Code section 4.9-1(b)) offered on the menu meet the nutritional standards set forth in San Francisco Administrative Code section 4.9-1(e), as may be amended.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, TENANT ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS LEASE UNLESS AND UNTIL A RESOLUTION OF THE SFPUC AND OF THE CITY'S BOARD OF SUPERVISORS SHALL HAVE BEEN DULY PASSED APPROVING THIS LEASE AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY AND THE MAYOR APPROVES THE SAME. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY UNDER AND PURSUANT TO THIS LEASE ARE CONTINGENT UPON PASSAGE OF SUCH RESOLUTIONS, AND THIS LEASE SHALL NOT BE EFFECTIVE UNLESS AND UNTIL THE SFPUC AND THE BOARD OF SUPERVISORS APPROVE THIS LEASE, EACH AT THEIR SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS.

[SIGNATURES ON FOLLOWING PAGES]

City and Tenant have executed this Lease in triplicate as of the date first written above.

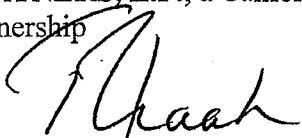
CITY:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

By: _____
HARLAN L. KELLY, JR.
General Manager
San Francisco Public Utilities
Commission

TENANT:

CRYSTAL SPRINGS GOLF PARTNERS, L.P., a California limited partnership

By:  _____

Its: President, Montgomery Street Golf Golf Investors, Inc. – General Partner

By: _____

Its: _____

AUTHORIZED BY

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Resolution No. _____
Adopted: _____

Attested: _____
Secretary

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Carolyn Johnson Stein
Deputy City Attorney

City and Tenant have executed this Lease in triplicate as of the date first written above.

CITY:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

TENANT:

CRYSTAL SPRINGS GOLF PARTNERS, L.P., a California limited partnership

By: _____
HARLAN L. KELLY, JR.
General Manager
San Francisco Public Utilities
Commission

By: _____

Its: _____

By: *[Signature]*

Its: 470 OF MONTGOMERY STREET
GOLF INVESTORS, INC. - GEN. PARTNER

AUTHORIZED BY

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Resolution No. _____
Adopted: _____

Attested: _____
Secretary

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Carolyn Johnson Stein
Deputy City Attorney


City and Tenant have executed this Lease in triplicate as of the date first written above.

CITY:

TENANT:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

CRYSTAL SPRINGS GOLF PARTNERS, L.P., a California limited partnership

By: 
HARLAN L. KELLY, JR.
General Manager
San Francisco Public Utilities
Commission

By: _____

Its: _____

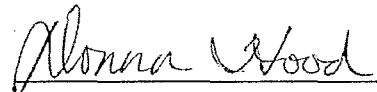
By: _____

Its: _____

AUTHORIZED BY

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Resolution No. 17-0063
Adopted: March 28, 2017

Attested: 
Secretary

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney


By: 
Carolyn Johnson Stein
Deputy City Attorney

EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

All that certain real property located in the County of San Mateo, State of California, described as follows:

Portions of Parcel 31 as conveyed by the Spring Valley Water Company to the City and County of San Francisco by deed dated and recorded March 3, 1930, in Volume 491 of Official Records San Mateo County of page 1; said portions being more particularly described as follows:

PARCEL 1.

Commencing at a point on the Westerly Right of Way Line of State of California Highway Route 280 opposite Sta. J 454+79.20; which point is South 37° 02' 04" East 868.4 feet measured southerly from the Rancho Line common to the Burlingame and San Mateo Ranchos; thence from said point commence Northerly and on a curve to the left with a radius of 1891 feet, through an angle of 24° 48' 58" with an arc length of 817.04 feet; thence North 65° 57' 00" 118.81 feet intersecting aforementioned San Mateo, Buri-Buri Ranchos line; thence continuing North 65° 57' 00" West 248.53 feet; thence North 71° 59' 04" West 181.74 feet; thence South 8° 00' 56" West 240.00 feet; thence South 0° 39' 48" West 209.07 feet, intersecting said Rancho line; thence South 31° 08' 43" East 2140.91 feet; thence South 37° 02' 04" East 1600.00 feet; thence South 45° 31' 38" East 711.00 feet; thence South 16° 12' 03" East 3064.26 feet; thence South 68° 32' 57" East 1372.46 feet; thence North 50° 29' 32" East 719.35 feet; thence, North 35° 03' 04" West 158.76 feet; thence North 42° 48' 59" West 201.68 feet; thence North 33° 30' 01" West 150.08 feet; thence North 31° 54' 31" West 425.80 feet; thence North 22° 52' 50" West 230.49 feet; thence North 29° 12' 46" West 352.06 feet; thence North 35° 24' 33" West 197.58 feet; thence North 33° 50' 45" West 203.33 feet; thence Northwesterly along a curve to the line right with a radius of 5122 feet, through an angle of 7° 56' 17", an arc length of 709.63 feet, through an angle of 7° 56' 17", an arc length of 709.63 feet, and North 26° 37' 53" West 1415.61 feet; thence North 34° 51' 11" West 252.84 feet; thence North 25° 14' 23" West 147.01 feet; thence North 37° 02' 04" West 2847.49 feet to the point of commencement.

PARCEL 2

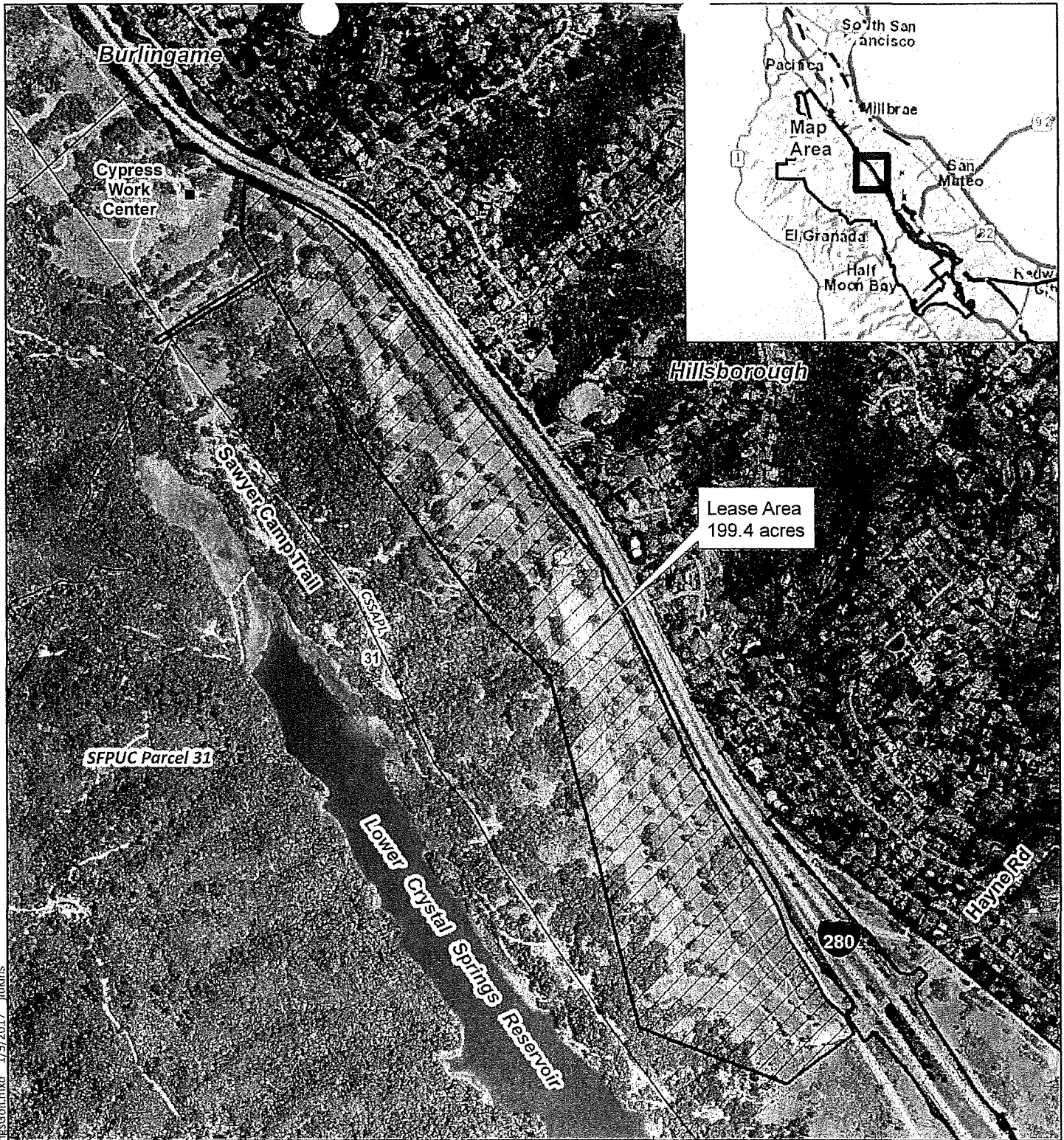
Commencing at a point on the line described as South 31°08' 43" East 2,140.91 feet in the above-mentioned Parcel 1 and distant thereon 380.00 feet southeasterly from the northerly extremity of said course referred to as south 31° 08' 43" East 2,140. 91 feet; thence from said point of commencement South 53°51' 17" West 1100 feet; South 36° 08' 43" East 40,00 feet; North 53° 51' 17" East 1096.50 feet; North 31 °08' 43", West 40.15 feet to the point of commencement.

THE ENTIRE AREA HEREBY DEMISED BEING 199 ACRES, MORE OR LESS.



EXHIBIT B



SFPUC DRAWING OF PREMISES

Drawing No. _____



Legend

-  Area of Lease / License
-  SFPUC Pipelines

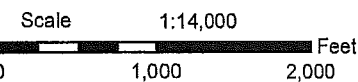
-  SFPUC Parcels (Fee Owned)
-  SFPUC Parcels (Easement / Road)



Hetch Hetchy
Regional Water System
San Francisco Public Utilities Commission
Real Estate Services

**Lease 3736B to
Crystal Springs
Golf Partners**

The City does not guarantee that the information is accurate or complete. The City is not responsible for any damages arising from the use of data. Users should verify the information before making project commitments.



Date: 1-5-17 Author: JGL

EXHIBIT C

FORM OF ESTOPPEL CERTIFICATES

LANDLORD ESTOPPEL CERTIFICATE

[ADDRESS]

Re: Lease, dated _____, 20__ (the "Lease"), by and between the City and County of San Francisco, a municipal corporation, acting by and through its Public Utilities Commission ("City"), as landlord, and _____, a _____ ("Tenant"), as tenant, relating to certain property located in the County of _____, California (the "Premises")

Ladies and Gentlemen:

The undersigned hereby confirms, represents and warrants to Tenant that:

1. Attached is a true and correct copy of the Lease;
2. The Expiration Date of the Lease is _____;
3. The Lease is in full force and effect and, except as shown in the attachments to this Certificate, has not been assigned, modified, supplemented, or amended in any way;
4. The Lease represents the entire agreement between Tenant and City with respect to the Premises;
5. To City's knowledge, on this date, there are no known defaults under this Lease and no event has occurred, which with the giving of notice, the passage of time, or both, would constitute a default by City or Tenant under the Lease [except as set forth in Schedule A attached to this Certificate];
6. All rent amounts due and owing to date have been paid, and no rental, other than for the current month, has been paid in advance [except as set forth in Schedule A to this Certificate];
7. The undersigned executing this estoppel certificate represents and warrants that he or she is duly authorized to execute this certificate on behalf of City.

The truth and accuracy of the certifications contained in this Certificate may be relied upon by Tenant and the addressee set forth above, and their successors and assigns.

Very truly yours

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation, acting through its Public
Utilities Commission

By: _____
Name:
Title:
Date: _____

TENANT ESTOPPEL CERTIFICATE

[ADDRESS]

Re: Lease, dated _____, 20__ (the "Lease"), by and between the City and County of San Francisco, a municipal corporation, acting by and through its Public Utilities Commission ("City"), as landlord, and _____, a _____ ("Tenant"), as tenant, relating to certain property located in _____ County, California (the "Premises")

Ladies and Gentlemen:

The undersigned hereby confirms, represents and warrants to City that:

1. Attached is a true and correct copy of the Lease;
2. Tenant has accepted possession of the Premises under the Lease;
3. The Expiration Date of the Lease is _____;
4. The Lease is in full force and effect and, except as shown in the attachments to this Certificate, has not been assigned, modified, supplemented, or amended in any way;
5. The Lease represents the entire agreement between Tenant and City with respect to the Premises;
6. To Tenant's knowledge, on this date, there are no known defaults under this Lease and no event has occurred, which with the giving of notice, the passage of time, or both, would constitute a default by City or Tenant under the Lease [except as set forth in Schedule A attached to this Certificate];
7. All rent amounts due and owing to date have been paid, and no rental, other than for the current month, has been paid in advance [except as set forth in Schedule A to this Certificate];
8. The undersigned executing this estoppel certificate represents and warrants that he or she is duly authorized to execute this certificate on behalf of Tenant.

The truth and accuracy of the certifications contained in this Certificate may be relied upon by City and the addressee set forth above, and their successors and assigns.

Very truly yours

[SIGNATURE BLOCK FOR TENANT]

EXHIBIT D

Maintenance Guidelines for Crystal Springs

(See Section 9.1)

Task	Maintenance Guidelines for Crystal Springs
PUTTING GREENS:	
Mowing Frequency	Spring, Summer and Fall. Five to six days per week, if tournament schedule they will be mowed on the seventh day. Winter - Two to three times per week, greens to be rolled on non-mowing days. Weather dependent.
Height of cut	1/8" - 3/16" (may increase during extreme heat).
Changing cups	Daily year round, when open. Pin placement per USGA recommended standards.
General Maintenance	Repair ballmarks, divots, or any other damaged turf on all greens and practice putting greens daily.
Fertilization	Pounds of N per year and other nutrients based on USGA research recommendations. Other nutrients will be based on soil sampling and/or tissue analysis. Foliar application will be worked into overall program. Applications will conform to the Chemical and Hazardous Materials Plan approved by SFPUC and IPM Plan approved by SFPUC pursuant to Lease Section 7.2(j) ("CHAMP/IPM Plan").
Aerification	Three to five times per year, concentrated in March/April, September/October: Utilizing multiple methods (coring, PlanetAir, verti-drain, solid tine and HydroJect).
Spiking	As needed for compaction control and to improve water infiltration. To be used in conjunction with other forms of greens cultivation.
Top dressing	Topdress using approved material following three major aerifications, to fill aerification holes. Light topdressing as needed to maintain a smooth putting surface.
Vertical mowing	Vertical mowing each month during the growing season. Greens will be topdressed lightly w/sand following.

Task	Maintenance Guidelines for Crystal Springs
Pesticide Usage	Follow the CHAMP/IPM plan. PCA recommendation required, restricted materials use permit and notice of intent may be required. Certified applicator required on site during application.
COLLAR MAINTENANCE:	
Height of cut	1/2" to 3/4", height may vary to seasonal adjustment.
Fertilization	Follow greens program.
Pesticide Usage	Follow the CHAMP/IPM.
TEE MAINTENANCE:	
Mowing Frequency	Two to three times per week in peak season; one to 2 times in off-season, subject to weather.
Height of cut	7/16" to 3/4", height may vary due to seasonal adjustment.
Fertilization	Monthly, with formulation based on soil test and seasonal requirements. All applications will conform to CHAMP/IPM Plan.
Vertical Mowing	Tees will be cultivated (aerified, verticut, sliced and spiked) for grain and thatch control.
Aerification	Minimum two times per year. As needed to stimulate growth and eliminate compaction, solid tines may also be used.
Topdressing	Following aerification and during divot repair in conjunction with seeding.
Overseeding	Perennial rye grass used in conjunction with aerifications. May be broadcast or slice seeded. Tee will be spot seeded for divot replacement.
Tee Markers	Move daily and use program of tee marker/pin placement rotation. All tee equipment will be maintained as needed.
Permanent Yardage Markers	Keep visible at all times
Pesticide Usage	Follow the CHAMP/IPM plan.
FAIRWAY MAINTENANCE:	
Mowing Frequency	Minimum of three times per week in Spring/Summer/Fall: Minimum once per week in the winter as weather permits
Height of cut	1/2" to 3/4" dependent on season
Fertilization	Minimum of three times per year. Formulation based on soil test and in conformance with the CHAMP/IPM Plan.

Task	Maintenance Guidelines for Crystal Springs
Aerification	Minimum of two times per year, additional slicing during the growing season to relieve compaction and increase water infiltration.
Overseeding	An annual fall overseeding program will strengthen fairways, improve the lie of the ball.
Pesticide Usage	Follow the CHAMP/IPM Plan.

SHOULDER MAINTENANCE:

Mowing Frequency	Minimum of twice per week, increased frequency as needed.
Height of cut	1-1/4" to 2" dependent on seasonal variance.
Fertilization	Same as fairways
Aerification	Same as fairways.
Overseeding	Seed as necessary to maintain healthy stand of turf.
Pesticide Usage	Follow the CHAMP/IPM Plan.

IRRIGATION:

Maintenance	Maintain system, including valves, lateral lines, sprinkler heads and controllers in good repair, functioning properly and conforming to related codes and regulations. Maintain all landscaped and nursery irrigation to the same standard.
Frequency	Irrigate as required to maintain adequate moisture for growth rate and appearance.
Wind problems	In areas where wind creates problems of spraying onto private property or road right of way, operation should occur during periods of lowest wind velocity.
System check	System should be checked daily. Adjust or repair as needed.
Inspection of Controllers	Inspect daily and adjusted weekly or more frequently as required.
Priority water distribution	In the event of water reduction, priority is: 1) greens, 2) tees, 3) fairways, 4) trees, 5) other turf and landscape areas.

NURSERY:

Greens	Maintain same as putting green.
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FORMULATIONS OF MATERIALS USED:

All materials will be approved prior to use, including but not limited to fertilizers and pesticides. All applications will be in

Task	Maintenance Guidelines for Crystal Springs
conformance with CHAMP/IPM Plan filed with City.	
OTHER AREAS:	
Tee Markers	Three sets each hole. Replace immediately if broken or damaged.
Benches/Tee Signs	If vandalized, remove benches and tee signs from service immediately. Repair and replace.
Yard Markers	Replace as needed
Greens flags, poles, cups	Replace when discolored, frayed or well worn.
Ball washers	Check for water/soap daily. Replace tee towels as needed. Remove ball washer immediately if vandalized or broken. Replace with new washer or repair old one.
Sand trap rakes	One rake per trap or more as needed. Replace immediately if missing or broken.
Out of bounds/hazard stakes	Replace immediately if missing or broken. White for OB, red for water and lateral hazards.
Lakes	Aerate ponds for algae control. Weed control as needed by mechanical means or chemical means in conformance with CHAMP/IPM Plan.
Driving range	Keep area clean of debris, trash; edges free of weeds by means not destructive to netting.
Weed Control (Non-selective)	Follow the CHAMP/IPM Plan.
Litter	Remove daily
Trash and debris (from maintenance area)	Remove as it occurs.
Soil, water samples	Soil samples annually. Tissue samples as needed. Water samples minimum once per year and in conformance with CHAMP/IPM Plan.
Rodent Control	Manual control (trapping) will be the principal method. Specific steps will be taken to encourage raptors. Other eradication methods will be addressed in the CHAMP/IPM Plan.
Sand Traps	Keep sand at 4" depth minimum. Keep clean of weeds. When using power rake, stay about one foot from edge of bunker. When hand-raking edge, push sand inward on low side and pull outward on the high side. Edge sand bunkers monthly or as needed. Rake bunkers daily, weather dependent. Do not drag sand out of trap when exiting trap with power rake.

Task	Maintenance Guidelines for Crystal Springs
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Ideally to be raked every day.

Trees	<p>All new trees will be staked and protected from predation by deer and rodents. Keep basins (tree wells) clean and free of debris.</p> <p>Keep trimmed at least 6' from ground to prevent damage to golf cart tops/maintenance equipment. Maintain a safe, healthy and aesthetically pleasing condition at all times. Spray or mow tree wells as needed. Broken limbs to be removed immediately.</p> <p>All new trees will be irrigated to insure proper growth.</p> <p>Tree wells will be kept free of grass until the tree well is removed. No mechanical removal will be allowed; Roundup and Surflan can be used for weed control subject to CHAMP/IPM Plan.</p> <p>Remove damaged or downed trees immediately. Replace with approved species.</p>
Weed Control (Selective)	Follow the CHAMP/IPM Plan.
USGA Green Section visit	<p>Visits scheduled yearly during late summer so staff agronomist can clearly see changes to facility.</p> <p>Recommendations are to be considered and acted upon if appropriate.</p>
Leaf Pickup	Fall leaves to be totally removed from golf courses by January 1st. Needles removed back to drip line.
Vandalism/Graffiti	Graffiti to be removed within 72 hours. Vandalism to be corrected immediately.
Safety	<p>Hard hats, gloves, safety glasses, and all other required safety equipment will be worn. Hard hats must be worn when in or on an open vehicle on the golf course. Accidents must be reported immediately.</p> <p>If an accident occurs on a weekend, a supervisor must be notified. Observe and follow label instructions on chemical containers as to their use. Proper attire must be worn when working with pesticides.</p> <p>Correct all unsafe conditions or report them to your supervisor. Use safety lights on equipment when golfers are present. Clean equipment when finished and check for missing or damaged parts.</p>

CLUBHOUSE & BUILDINGS:

Task	Maintenance Guidelines for Crystal Springs
	Golf staff must view clubhouse areas daily to ensure that areas are being maintained and cleaned properly to include the following. Litter is to be picked up immediately by all staff on site.
Restrooms	Maintain daily or more frequently as needed in a manner to provide a clean and sanitary facility. Management staff to inspect at least twice daily.
Lobby and patio	Vacuumed, dusted and swept daily.
General Maintenance & Repair	Maintain all structural areas and fixtures as needed to ensure proper function, safety and appearance. Mechanical systems to be inspected annually. Filters changed annually.
ENTRY AREA/CLUBHOUSE GROUNDS:	
Flower beds/Planters	All annual plantings shall be maintained free of all trash, debris, weeds and be maintained and trimmed in a proper manner. Plantings, when appropriate shall be of the native, low water, low cultivation type. Landscape and Habitat Plans will identify appropriate species consistent with goals.
Fences	All fencing surrounding and inside the facility shall be maintained and repaired as necessary. Gates and locks replaced or repaired as needed.
Grass	Mowed weekly.
Trash	Picked up daily.
Foot brushes	Clean and check daily - replace when worn.
Walkways/Cart Paths	Daily, sweep or blow. Cart paths to be edged as needed.
Trash and cigarette cans	Dump daily
Leaks from golf carts	Clean up immediately and inform Pro shop staff of the problem.
Landscape shrubbery	Trim monthly, or as needed.
Annual plantings	Remove and replant as needed.
PARKING LOTS:	
Sweeping	Monthly - may be done by contractor.
Loose trash and garbage cans	Picked up and checked daily.
Broken glass/bottles	Picked up immediately.
CORPORATION YARD/FUEL STATIONS:	
Equipment	To be stored in an orderly and consistent fashion. To be cleaned prior to parking. Observe all legal requirements and

Task	Maintenance Guidelines for Crystal Springs
safety regulations according to CAL-OSHA	
Yard	Maintain maintenance rooms and storage yards in clean, orderly, safe condition at all times, conforming to applicable laws and regulations.
Fuel stations	To remain accessible at all times.
Emergency shutoffs	Employees to know where emergency shutoffs are located.
Spilled fuel	To be cleaned up immediately, using proper techniques.
Employee bulletin board	Kept up-to-date.

PESTICIDE/MATERIALS STORAGE:

To be kept in neat and orderly fashion. The site to be approved by the City.

To be kept locked at all times.

Proper recording methods to be used. Only employees with certified applicator's license will be permitted access to facility.

Observe all legal requirements and safety regulations in accordance with CAL-OSHA.

EXHIBIT E

CourseCo Agreement dated March 15, 1996

(Per Lease Section 16.9)

MANAGEMENT AGREEMENT

This Management Agreement ("Agreement") is made as of March 15, 1996, between Crystal Springs Golf Partners, L.P., a California limited partnership ("Owner"), and CourseCo, Inc., a California corporation ("Manager").

W I T N E S S E T H:

WHEREAS, Owner has been awarded the right to operate the Crystal Springs Golf Course ("Golf Course") pursuant to that certain 12-month management agreement between Owner and the City and County of San Francisco ("City") ("12-Month Management Agreement"); and

WHEREAS, City has selected Owner as the probable recipient of a 20-year lease between Owner and City for the lease of the Golf Course ("20-Year Lease"); and

WHEREAS, the 12-Month Management Agreement and the 20-Year Lease shall be referred to herein as the "Golf Course Lease;" and

WHEREAS, the 12-Month Management Agreement and the right to negotiate for the 20-Year Lease has been awarded to Owner based upon proposals and commitments made by Manager and its affiliates Thomas B. Isaak and John C. Telischak; and

WHEREAS, City conditioned its award of the 12-Month Management Agreement and its selection of Owner as the probable recipient of the 20-Year Lease upon the management of the Golf Course by Manager; and

WHEREAS, Manager and Owner desire to appoint Manager to manage the Golf Course in order, among other things, to ensure that Manager and its affiliates have the authority to manage the Golf Course in a manner consistent with the commitments made by Manager, its affiliates, and the Partnership to the City and County of San Francisco in connection with obtaining the 12-Month Management Agreement and the 20-Year Lease; and

WHEREAS, Manager has been approved and named in that certain limited partnership agreement of Owner (the "Partnership Agreement"), as the manager of the Golf Course on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

1. Defined Terms. The terms defined in the Partnership Agreement shall have the same meaning when used herein, except as otherwise herein indicated.
2. Designation and Appointment. Owner hereby appoints Manager, and Manager hereby accepts such appointment, as Manager for the Golf Course.
3. Term. The term of this Agreement shall commence on the date hereof and, unless earlier terminated in accordance with the terms of this Agreement shall end upon the termination of the Golf Course Lease and any extensions or renewals thereof. As described in the Recitals, one of the purposes of this Management Agreement is to assure that Manager and its affiliates

are able to fulfill the commitments they made to the City and County of San Francisco in connection with the proposals to manage and lease the Golf Course. Accordingly, the agency created by this Management Agreement is coupled with an interest, and this Management Agreement may not be terminated by Owner, except for a material default by Manager and otherwise in accordance with the terms and conditions of Paragraph 10.

4. Compensation of Manager.

a. Management Fee. Owner shall pay to Manager for its management services hereunder a fee equal to five percent (5%) of Gross Revenues (as defined below) received by Owner from the operations of the Golf Course. Such fee shall be paid on a monthly basis. As used herein, "Gross Revenues" shall have the same meaning as that term is given in the Golf Course Lease.

b. Development Supervision Fee. Owner shall pay Manager a Development Supervision Fee of the Applicable Percentage of the total soft and hard costs incurred in connection with the design, approval, and construction of the Improvements (as defined in the Golf Course Lease). Manager may elect to have this fee paid either (i) in installments as the Owner pays the soft and hard costs for design, approval, and construction of such Improvements, in which case the applicable percentage shall be five percent (5%) or (ii) in the third year of the term of this Management Agreement, in which case the Applicable Percentage shall be ten percent (10%).

5. Management Authority and Responsibility. Manager

shall have the authority and responsibility to manage the Golf Course in all respects, including the following:

- a. Develop and implement an operating plan, including appropriate staffing levels, job descriptions, and organizational structure.
- b. Develop and implement marketing strategies and plans.
- c. Create and implement merchandising plans with recommended inventory and pricing.
- d. Recommend and assist Owner in connection with acquisition of equipment necessary to carry out operational plans, including, but not limited to food, beverage, golf shop, maintenance, and administration.
- e. Develop and implement a strategy for food and beverage service, including menu and pricing.
- f. Supervision of on-site staff and management in the implementation of the operating plan and establishment of budgets.
- g. Supervision and oversight of establishment of accounting and control systems, including management reports, which provide appropriate operating information and comparisons with budget.
- h. Recruitment, interview, and hiring of professional and administrative staff.
- i. Planning and coordination with appropriate contractors to carry out construction undertaken by Owner.

j. Maintenance of active governmental and community relations that affect the operation of the Golf Course.

k. Periodic review of staff performance and provision of appropriate follow up evaluations and personnel decisions.

l. Consultation with Owner concerning improvements to golf course and maximizing profits to Owner.

m. Development of policies, criteria, and pricing for greens fees, tournament play, club membership, and Golf Course use.

n. Development of budgets and plans for the operation of the Golf Course as a whole.

o. Any other functions necessary to the management and operation of the Golf Course and the business related thereto.

6. Obligations of Owner. Owner shall perform the following obligations:

a. Provide the capital and funds necessary to perform the obligations of Owner under the Golf Course Lease and any other projects that Owner wishes Manager to carry out in connection with the Golf Course.

b. Owner shall place on its payroll all Golf Course personnel, including restaurant personnel, golf course professionals, and maintenance staff.

c. Owner shall provide for appropriate accounting services and functions.

7. Management of the Golf Course. During the term of this Agreement, upon and subject to the terms and conditions hereof, Manager shall have the authority and be responsible for the day-to-day maintenance and operation of the Golf Course, which shall be done in accordance with the standards set forth in the Golf Course Lease. Without limiting the generality of the foregoing, Manager's authority and duties hereunder shall include the following:

a. General Maintenance. Manager shall perform, or cause to be performed, all maintenance and repairs to the Golf Course as shall be required (i) by applicable laws, restrictions, regulations, ordinances, requirements, including the requirements of any insurance carriers providing insurance with respect to Owner or the Golf Course (hereafter "applicable laws"), and (ii) to maintain the Golf Course in accordance with prudent standards of property maintenance and in accordance with the terms of the Golf Course Lease. In connection with such maintenance, Manager is authorized to purchase such supplies and to make such Service Contracts (as hereinafter defined) as are necessary and appropriate therefor; provided, however, that each such contract shall provide, unless Owner shall otherwise consent, that such contract shall terminate within thirty (30) days of the termination of this Agreement.

b. Tenant Improvements and Installations. Manager shall perform, or cause to be performed, all of the obligations of Owner, as landlord, required under the Golf Course

Lease. All contracts for construction or other services shall be entered into by Owner.

c. Administration of Contracts. Manager, in the name of Owner, shall enter into any contracts approved and authorized by Owner, shall coordinate the performance of the Owner's obligations under any such contract and shall enforce the other parties' obligations thereunder. In the event any legal action is required to enforce any contract, Manager shall so inform Owner and, upon Owner's request, shall institute such legal action as it deems appropriate, for which purpose Manager may employ competent legal counsel approved by Owner. Any request by Owner shall be reasonable under the circumstances, including the amount at issue and the estimated cost to contest.

d. Insurance. Manager, at Owner's direction and cost, shall obtain and maintain insurance as required by the Golf Course Lease and such other insurance as Owner shall deem reasonably necessary or desirable for the protection of the Golf Course and of the interests of Owner and Manager in connection with the Golf Course. Each policy of insurance shall name at least Owner and Manager as insureds, and the public liability insurance policies shall contain a severability of interest clause and coverage for personal injury. Manager shall cooperate with and provide reasonable access to the Golf Course to agents of any and all insurance companies and/or insurance brokers or agencies who may, from time to time, be involved with the issuance of insurance policies or with inspections of the Golf Course in

connection with insurance policies then in force. Manager shall use its best efforts to comply with any and all requirements of such insurance companies or their agents.

e. Golf Course Lease. Manager shall advise Owner of its obligation to pay promptly when due all rent or other amounts payable to the City under the Golf Course Lease and any and all other obligations required of Owner thereunder.

f. Governmental Reports. Manager shall prepare and file, or cause to be prepared and filed, when due, all reports relating solely to the Golf Course required by the Golf Course Lease and/or by any applicable laws. In connection with unemployment insurance, social security taxes and like taxes and charges, if Owner employs the employees at the Golf Course, Manager shall, unless otherwise instructed by Owner, prepare and file all necessary reports with respect thereto. Manager may, if it deems it to be advisable, make use of the services of Owner's accountants and counsel in the preparation and filing of any such reports.

g. Damage, Injury and Legal Documents. Manager shall promptly notify Owner of any substantial damage to the Golf Course or any personal injury or property damage suffered by any person on or with respect to the Golf Course and Manager's recommendations with respect thereto. Manager shall forward to Owner all summonses, subpoenas and other like legal documents served upon Manager relating to actual or alleged liability of Owner or Manager, together with its recommendations with respect

thereto.

h. Supervision of Legal Activities. Manager shall provide advice and recommendations to Owner in connection with retaining legal counsel on matters which arise in the normal course of business. This shall include advice as to proper procedures for the enforcement of lease terms, the interpretations of legal obligations, and for the protection and enforcement of Owner's rights and duties. Said recommendations to retain counsel should include information on the law firm being proposed, including the estimated cost or fee for the legal services. Either Owner or Manager may request the commencement and prosecution of any legal action or proceeding; counsel shall be selected or approved by the parties hereto for that action or proceeding. Any request by Owner or Manager shall be reasonable under the circumstances, including the amount at issue and the estimated cost to contest.

i. Owner's Funds. Promptly upon receipt thereof, Manager shall deposit funds of Owner in an account or accounts of a type, in form and name and in a bank or banks approved by Owner. Within fifteen (15) days of the end of each month, Owner shall pay Manager the amount of Manager's fee owed for the preceding month.

8. Income and Expenses of the Golf Course. Owner shall be liable for the payment of, and shall pay any and all costs and expenses, of any kind whatsoever, whether seen or unforeseen, in connection with the construction, maintenance and

operation of the Golf Course, including all costs and expenses of Manager arising out of the performance of its duties hereunder.

9. Liability of Manager. Manager shall be liable only for bad faith, gross negligence or breach of an express provision of this Agreement (after notice and failure to cure after a reasonable time), but in other respects shall not be liable for mistakes of judgment.

10. Default. In the event of a Default (as defined below) on the part of either party hereunder, the other party may terminate this Agreement and pursue any or all remedies provided for by law. "Default" shall mean (i) the failure of a party to pay any sum due any party hereto or any third party required by this Agreement, and such failure continues for fifteen (15) days after notice thereof, (ii) the failure of a party to perform, observe or comply with any of the provisions contained in this Agreement, and such party shall fail to commence curing such failure within fifteen (15) days after notice thereof, (iii) the making by a party hereto or any guarantor of a party hereto of an assignment for the benefit of creditors, (iv) the filing by a party hereto or any guarantor of a party hereto of a voluntary petition under any bankruptcy or insolvency law alleging an act of bankruptcy or insolvency or seeking reorganization or any arrangement, and (v) the filing against a party hereto of an involuntary petition alleging an act of bankruptcy or insolvency or seeking reorganization which is not finally dismissed within sixty (60) days after filing. In the event that either party

alleges that the other party is in default hereunder and the other party contests that allegation, such party may commence arbitration pursuant to Paragraph 16, and the commencement of such arbitration, prior to the expiration of the time periods set forth above, shall suspend the termination of this Agreement until the matter is finally determined by arbitration.

11. Notices. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be either personally delivered, transmitted by telecopy, or transmitted by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Owner: Crystal Springs Golf Partners, L.P.
 P.O. Box 5668
 Petaluma, CA 94955
 Attn: John C. Telischak

If to Manager: CourseCo, Inc.
 P.O. Box 5668
 1670 Corporate Circle, Suite 201
 Petaluma, CA 94955
 Attn: Thomas B. Isaak

The date of any notice or communication shall be deemed to be the date of receipt if delivered personally, the date of receipt with confirmed answerback if transmitted by telecopy, or the date seventy-two (72) hours after posting if transmitted by mail. Any party may change the address to which notices or other communications required or permitted under this Agreement shall be sent by providing written notice to the other party in accordance with the foregoing.

12. Construction and Headings. Words of any gender shall be held and construed to include any other gender, and

words in the singular number shall be held and construed to include the plural, unless the context otherwise requires. The terms "include," "includes," "including" and similar terms shall be construed to mean "without limitation." The headings used in this Agreement are for convenience only and are not to be considered in connection with the interpretation or construction of this Agreement.

13. Applicable Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by the laws of the State of California.

14. Waiver. No consent or waiver, express or implied, by either party to or of any breach or default by the other in the performance by the other of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations of such party hereunder.

15. Severability. If any provision of this Agreement or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

16. Arbitration or Judicial Reference. In the event of a dispute arising under this Agreement, the matter shall be resolved by arbitration under the jurisdiction and the rules of

the American Arbitration Association in San Francisco, California for the arbitration of commercial disputes. Notwithstanding anything to the contrary, in the event that either party purports to terminate this Agreement for a default of the other party, the party allegedly in default may file arbitration within twenty (20) days after the date of the alleged termination, which filing shall suspend the effect of the termination until the final resolution of the arbitration or agreement of the parties. During the pendency of arbitration, Manager and Owner shall have all of the rights, authority, and obligations provided herein.

17. Attorneys' Fees. Should any litigation or arbitration be commenced between the parties hereto or their representatives or should any party institute any proceeding in a bankruptcy or similar court which has jurisdiction over any other party hereto or any or all of his or its property or assets concerning any provision of this Agreement or the rights and duties of any person or entity in relation thereto, the party or parties prevailing in such litigation shall be entitled, in addition to such other relief as may be granted, to a reasonable sum as and for his or its or their attorneys' fees and court costs in such litigation, which shall be determined by the court in such litigation or in a separate action brought for that purpose.

18. Assignment by Manager. Manager shall have no right to assign its rights or obligations under this Agreement, except that Manager may assign its rights and obligations to a

management company in which Thomas B. Isaak and/or John C. Telischak owns more than 50% interest and/or over which they exercise effective control.

19. Owner's Approvals. Wherever Owner's approval or consent is required hereunder, Owner agrees not to unreasonably withhold or delay such consent or approval.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the day and year first above written.

OWNER: Crystal Springs Golf Partners, L.P.,
a California Limited Partnership

By: Montgomery Street Golf
Investors, Inc., a California
corporation,
General Partner

By: J. C. Telischak
Its: CHIEF FINANCIAL OFFICER

MANAGER: CourseCo., Inc.
a California corporation

By: Isaak
Its: President

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

L-3763
Crystal Springs
Golf

AMENDMENT TO GROUND LEASE

THIS AMENDMENT TO GROUND LEASE (this "Amendment") dated for reference purposes only as of June 1, 2003 is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Landlord"), and CRYSTAL SPRINGS GOLF PARTNERS, L. P., a California limited partnership ("Tenant").

BACKGROUND

A. Tenant and the City are parties to that certain Ground Lease dated as of November 26, 1996 (the "Original Lease") pursuant to which Tenant leases from the City that certain real property and the improvements thereon, located in Burlingame, California and more particularly described on Exhibit A attached hereto and made a part hereof (the "Premises"). The Original Lease permits Tenant to operate a public golf course and related facilities on the Premises pursuant to the terms thereof.

B. In 2002, Tenant requested modifications to the Original Lease due to the declining economy and golf market. In response to the Tenant's request, the City obtained an independent assessment of the economics of the Original Lease and the operations of the Premises pursuant thereto.

C. Tenant and the City now desire to amend the Original Lease as set forth herein below.

D. Capitalized terms used but not defined in this Amendment shall have the respective meanings provided in the Original Lease. The term "Lease," as used in this Amendment and in the Original Lease, shall mean the Original Lease, as modified by this Amendment.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Tenant and the City agree as follows:

1. **Base Rent.** The "Base Rent" portion of Section 1 of the Original Lease [Basic Lease Information] is hereby modified as follows with respect to the time periods described:

For the period commencing on June 1, 2003 and ending on May 31, 2006, Base Rent will be payable in equal monthly installments of One Hundred Thousand Dollars (\$100,000).

For the period commencing on June 1, 2006 and ending on the expiration of the Term, Base Rent for each annual period shall be calculated and shall be the greater of: (a) eighty percent (80%) of the average of the annual accrued Rent (not including Additional Charges) for the three (3) immediately previous annual periods, each commencing June 1; and (b) the CPI Adjusted Base Rent (as defined below).

The "CPI Adjusted Base Rent" means One Million Two Hundred Thousand Dollars (\$1,200,000) on June 1, 2003, as it would have been adjusted to the applicable date of calculation based on the provisions of Section 5.2(a) of the Original Lease [Base Rent Adjustments]; provided, however, that (i) in the event that the CPI Adjusted Base Rent in Lease Year 11 is less than One Million Four Hundred Thousand Dollars (\$1,400,000), the CPI Adjusted Base Rent shall automatically and immediately become \$1,400,000 at the commencement of Lease Year 11, which shall be thence increased each year as set forth in Section 5.2(a) of the Original Lease [Base Rent Adjustments], and (ii) in the event that the CPI Adjusted Base Rent in Lease Year 16 is less than One Million Six Hundred Thousand Dollars (\$1,600,000), the CPI Adjusted Base Rent shall automatically and immediately become \$1,600,000 at the commencement of Lease Year 16, which shall be thence increased each year as set forth in Section 5.2(a) of the Original Lease [Base Rent Adjustments].

2. Percentage Rent. The "Percentage Rent" portion of Section 1 of the Original Lease [Basic Lease Information] is hereby modified as follows with respect to categories of Percentage Rent and the time periods described:

8% of Gross Revenues derived from food and beverage sales; plus

Commencing on June 1, 2003 through the remainder of the Term, 8% of Gross Revenues derived from Merchandise Sales; plus

Commencing on June 1, 2003 through the remainder of the Term, 30% of Gross Revenues derived from all other sources up to and including the Revenue Threshold (as defined below), and 65% of Gross Revenues derived from all other sources that exceed the Revenue Threshold.

"Revenue Threshold" means (i) the amount of \$2,164,167 for the period of June 1, 2003 through December 31, 2003 (i.e., the annual amount of \$3,710,000 prorated over a seven month period); and (ii) for the calendar year of 2004 and for each subsequent calendar year during the Term (assuming a Revenue Threshold of \$3,710,000 for the full calendar year 2003), the amount of the Revenue Threshold for the previous calendar year increased or decreased by multiplying such amount by a fraction, the numerator of which is the Index which is published most immediately preceding January 1 of the then applicable calendar year, and the denominator of which is the Index which is published most immediately preceding January 1 of the calendar

year immediately preceding the then applicable calendar year. If the Lease should terminate before the end of a calendar year, the Revenue Threshold shall be prorated over the number of days during such calendar year through the Lease termination date.

3. **Security Deposit.** The "Security Deposit/Bond" portion of Section 1 of the Original Lease [Basic Lease Information] is hereby modified to read as follows:

Equal to three (3) months Base Rent.

The amount of the Security Deposit existing on June 1, 2003, shall be reduced to the amount stated above as of such date (i.e., \$300,000). On June 1, 2003, the amount of the Security Deposit in excess of \$300,000 shall be deposited by Tenant into the Capital Improvement Fund, up to a maximum deposit of \$500,000. If such amount in excess of \$300,000 is less than \$500,000, Tenant shall immediately deposit into the Capital Improvement Fund, the amount necessary to cause such total deposit to the Capital Improvement Fund to equal \$500,000 (the "Additional CIF Deposit Amount").

City shall reasonably cooperate, at no cost or risk to City, with Tenant in allowing for the reduction of Tenant's existing letter of credit submitted as the Security Deposit. This reduction in the amount of the letter of credit is required to allow for a release of the Security Deposit funds described above held by the financial institution that provided the letter of credit, which funds shall be paid into the Capital Improvement Fund and otherwise handled in accordance with this Section above; provided, however, that no delay or refusal of such financial institution in connection with the return of such funds shall relieve Tenant of its obligations set forth in this Section above or in the Lease.

4. **Capital Improvement Fund Contribution from City.** Commencing on June 1, 2003 and ending as described in this Section, the following shall occur: At the times provided under the Original Lease in Section 8.3 [Capital Improvement Program] for Tenant's contributions to the Capital Improvement Fund, in addition to Tenant's contributions, City shall make contributions to the Capital Improvement Fund in the amount of two percent (2%) of Gross Revenues (the "City's Capital Improvement Fund Contribution"). The City shall make the City's Capital Improvement Fund Contribution in the form of monthly rent credits to Tenant, the amounts of which Tenant shall immediately deposit into the Capital Improvement Fund. City's Capital Improvement Fund Contribution shall continue until such time as the total cumulative amount of City's Capital Improvement Fund Contributions equals the Additional CIF Deposit Amount contributed by Tenant pursuant to Section 3 above. Thereafter, the City's Capital Improvement Fund Contributions shall cease and the City shall have no further obligation whatsoever to fund the Capital Improvement Fund.

5. Capital Improvements.

(a) At any time during the Term of the Lease City may request in writing that Tenant undertake any Improvements or Alterations at the Premises (in addition to any obligations of Tenant set forth in the Lease). Upon such written request, Tenant shall promptly commence, diligently pursue, and timely complete such Improvements or Alterations in the manner set forth for Required Work in Section 8.2(b) of the Lease. In such event, the City will reimburse Tenant for Tenant's actual, out-of-pocket costs (without any payment to Tenant for any overhead, profit, construction management or administrative costs) associated with the construction of such requested Improvements or Alterations. The City may, at any time prior to the start of the actual construction of such requested Improvements or Alterations, terminate in writing all or part of any such project in its sole discretion and the City shall be obligated to reimburse the Tenant only for Tenant's actual, out-of-pocket costs (without any payment to Tenant for any overhead, profit, construction management or administrative costs) associated with the project for which Tenant has become obligated on or before the date of the City's written notice. Once approved in writing by the City, no changes will be made to any such project without the prior written approval of the City in its sole discretion.

(b) In the event that the Tenant wishes to undertake special capital improvement projects in connection with the Premises in addition to any and all obligations that Tenant may have under the Lease, the City, in its sole and absolute discretion will, upon the written request of Tenant, consider participating in the funding of such special capital improvement projects in light of the then existing economic conditions and other factors. The City shall be under no obligation whatsoever to participate or contribute to the funding of such projects unless and until agreed to in writing by the City at the time of any such request and after all applicable approvals required in order for the City to take any such action have been properly obtained.

(c) Section 8.3(e) of the Original Lease is deleted in its entirety and is replaced with the following:

"(e) Notwithstanding anything to the contrary in this Lease, the Parties anticipate that other necessary capital improvements to the Premises, including without limitation, new cart paths, a new cart barn, wash down area, and other golf course and clubhouse improvements, will be installed prior to the end of the twelfth (12th) Lease Year, and that other capital improvements to the Premises will be installed prior to the end of the Term, in accordance with Section 8.1. Tenant may use amounts deposited in the Capital Improvement Fund, to the extent authorized by City, to pay for the necessary capital improvements contemplated in this Section 8.3(e); provided that Tenant agrees that such capital improvements shall be addressed with particularity in an approved Capital Improvement Plan submitted in accordance with this Section 8.3 within the time frames set forth in this subsection 8.3(e); and provided further that Tenant acknowledges and agrees

that from and after the effective date of this Amendment, Tenant shall be obligated to expend an aggregate amount of not less than Two Million Dollars (\$2,000,000) in connection with completing such capital improvements, including an amount of not less than One Million Five-Hundred Thousand Dollars (\$1,500,000) to be expended in connection with completing the capital improvements required prior to the end of the twelfth (12th) Lease Year, and an additional amount of not less than Five Hundred Thousand Dollars (\$500,000) to be expended in connection with completing additional capital improvements prior to the end of the Term."

6. Two Year Lease Review. After City has received from Tenant a copy of the annual audited reports for 2004 as required under Section 24.16 of the Original Lease [Financial Statements] (the "Financial Statements"), the following shall occur. Audited operating income for 2003 and 2004 shall be compared to operating income as projected for such years in the report dated November of 2002 by Economic Research Associates ("ERA") entitled "Evaluation of Lease Terms and Recommended Revisions – Crystal Springs Golf Course, Burlingame, California" (the "ERA Report"). In order to compare like figures, Tenant shall instruct Tenant's auditor to include in the Financial Statements for 2003 and 2004 the calculation of "Net Operating Income After Rent and CIP" (referred to in this Amendment as "Audited NOI"). Audited NOI shall be compared to NOI After Rent & CIP (referred to in this Amendment as "Projected NOI"), shown in the ERA Report in the lower portion of Table 19, but modified as indicated later in this Section 6. The procedure for calculation of Audited NOI by the auditor shall be same as the procedure used for the calculation of Projected NOI and as such depreciation and amortization shall not be included in Audited NOI; provided, however, that where a provision of this Amendment would require a different calculation method, for example in the case of the calculation of Percentage Rent under Section 2 of this Amendment, Audited NOI shall be calculated using the method required under this Amendment. In all such cases, Projected NOI shall be recomputed using the calculation methods required under the provisions of this Amendment instead of the calculation method reflected in the ERA Report. With the exception of deletion of depreciation and amortization in calculating Audited NOI, the format of the Financial Statements shall otherwise be unchanged from the requirements of the Original Lease. If the average of Audited NOI for years 2003 and 2004 is more than \$150,000 greater than the average of Projected NOI for such years, an updated Lease evaluation report shall be prepared evaluating the Lease terms as of December 31, 2004 with a format and scope similar to those the ERA Report (an "Updated Report"). Tenant shall timely pay for all costs and fees in connection with the performance and delivery of the Updated Report and shall use all reasonable efforts to have the Updated Report delivered to City as quickly as is possible. In the event that the Updated Report recommends Lease modifications that the City wishes to implement, the City shall, within ninety (90) days after City's receipt of the final version of the Updated Report, prepare an amendment to the Lease reflecting modifications consistent with the recommendations of the Updated Report (which amendment shall include any other provisions that the City is required by law, statute or ordinance to include in a lease amendment of that nature), and Tenant shall promptly execute such amendment to the Lease. In the event that Tenant unreasonably refuses to

execute such amendment on or before thirty (30) days after Tenant's receipt thereof, City may at any time thereafter, notify Tenant in writing that the terms and provisions of any such amendment are in full force and effect, and Tenant shall be deemed to have executed such amendment and consented in writing thereto, and thereafter the Lease shall be automatically deemed to be amended to include the terms and provisions of such an amendment. If such amendment is not so provided by City, then the existing Lease terms shall remain in full force and effect.

7. **Non-Discrimination in City Contracts and Benefits Ordinance.** Section 24.25 [Non-Discrimination] of the Original Lease is deleted in its entirety and is replaced with the following:

(a) **Covenant Not to Discriminate.** In the performance of this Lease, Tenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, height, weight, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with Tenant, in any of Tenant's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Tenant.

(b) **Subleases and Other Subcontracts.** Tenant shall include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such Subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Tenant shall incorporate by reference in all subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all subtenants and other subcontractors to comply with such provisions. Tenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease.

(c) **Non-Discrimination in Benefits.** Tenant does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City or elsewhere within 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 Section 12B.2(b) of the San Francisco Administrative Code.

(d) **Condition to Lease.** As a condition to this Lease, Tenant 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.

(e) **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Tenant shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Tenant understands that pursuant to Section 12B.2(h) 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 may be assessed against Tenant and/or deducted from any payments due Tenant.

8. **Notification of Limitations on Contributions.** The following Section shall be added to the Original Lease as Section 24.38:

Through execution of this Agreement, Tenant acknowledges that it is familiar with Section 1.126 of City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services or for the furnishing of any material, supplies or equipment to the City, whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for the contract until three months after the date the contract is approved by the City elective officer or the board on which that City elective officer serves.

9. **Tropical Hardwood and Virgin Redwood Ban.** Section 24.30 of the Original Lease [Tropical Hardwood Ban] shall be deleted in its entirety and shall be replaced with the following:

The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood, or virgin redwood product.

10. **Burma (Myanmar) Business Prohibition.** Section 24.32 of the Original Lease [Burma (Myanmar) Business Prohibition] shall be deleted in its entirety.

11. **Disclosure.** The following Section shall be added to the Original Lease as Section 24.39:

Tenant understands and agrees that under the City's Sunshine Ordinance (S.F. Administrative Code Chapter 67) and the State Public Records Law (Gov't Code section 6250 et seq.), apply to this Lease and any and all records, information, and materials submitted to the City in connection with this Lease. Accordingly, any and all such records, information and materials may be subject to public disclosure in accordance with the City's Sunshine Ordinance and the State Public Records Law. Tenant hereby authorizes the City to disclose any records, information and materials submitted to the City in connection with this Lease.

12. **Miscellaneous.** (a) This Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Under no circumstances shall Tenant be entitled to any Rent abatement, improvement allowance, leasehold improvements, or other work to the Premises, or any similar economic incentives, unless specifically set forth in this Amendment. (b) Except as herein modified, the provisions, conditions and terms of the Original Lease shall remain unchanged and in full force and effect. (c) In the case of any inconsistency between the provisions of the Original Lease and this Amendment, the provisions of this Amendment shall govern and control. (d) Tenant hereby represents to City that Tenant has dealt with no broker in connection with this Amendment. Tenant agrees to Indemnify the Indemnified Parties from all claims of any brokers claiming to have represented Tenant in connection with this Amendment.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AMENDMENT, TENANT ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL A RESOLUTION OF THE PUC AND OF THE BOARD OF SUPERVISORS SHALL HAVE BEEN DULY PASSED APPROVING THIS AMENDMENT AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY AND THE MAYOR APPROVES THE SAME. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON PASSAGE OF SUCH RESOLUTIONS, AND THIS AMENDMENT SHALL NOT BE EFFECTIVE UNLESS AND UNTIL THE PUC AND THE BOARD OF SUPERVISORS APPROVE THIS AMENDMENT, EACH IN THEIR SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS.

City and Tenant have executed this Amendment to Ground Lease in triplicate as of the date first written above.

TENANT:

**CRYSTAL SPRINGS GOLF
PARTNERS, L. P., a California limited
partnership**

By: Montgomery Street Golf Investors, Inc.
a California corporation,

General Partner

By: 

Thomas B. Isaak, President

By: 

John C. Telischak,

Chief Financial Officer

CITY:

**CITY AND COUNTY OF SAN
FRANCISCO, a municipal corporation**

By: 

Patricia Martel, General Manager

Public Utilities Commission

APPROVED BY:

PUBLIC UTILITIES COMMISSION

PURSUANT TO RESOLUTION NO. 03-0123

ADOPTED  Secretary

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: 

Deputy City Attorney

EXHIBIT A

REAL PROPERTY DESCRIPTION

All that certain real property located in the County of San Mateo, State of California, described as follows:

Portions of Parcel 31 as conveyed by the Spring Valley Water Company to the City and County of San Francisco by deed dated and recorded March 3, 1930, in Volume 491 of Official Records San Mateo County of page 1; said portions being more particularly described as follows:

PARCEL 1

Commencing at a point on the Westerly Right of Way Line of State of California Highway Route 280 opposite Sta. J 454+79.20; which point is South 37°02'04" East, 868.64 feet measured southerly from the Rancho Line common to the Buri-Buri and San Mateo Ranchos; thence from said point commence Northerly and on a curve to the left with a radius of 1891 feet, through an angle of 24°48'58" with an arc length of 817.04 feet; thence North 65°57'00" West 118.81 feet intersecting aforementioned San Mateo, Bur-Buri Ranchos line; thence continuing North 65°57'00" West 248.53 feet; thence North 71°59'04" West 181.74 feet; thence South 8°00'56" West 240.00 feet; thence South 0°39'48" West 209.07 feet, intersecting said Rancho line; thence South 31°08'43" East 2140.91 feet; thence South 37°02'04" East 1600.00 feet; thence South 45°31'38" East 711.00 feet; thence South 16°12'03" East 3064.26 feet; thence South 68°32'57" East 1372.46 feet; thence North 50°29'32" East 719.35 feet; thence North 35°03'04" West 158.76 feet; thence North 42°48'59" West 201.68 feet; thence North 33°30'01" West 150.08 feet; thence North 31°54'31" West 425.80 feet; thence North 22°52'50" West 230.49 feet; thence North 29°12'46" West 352.06 feet; thence North 35°24'33" West 197.58 feet; thence North 33°50'45" West 203.33 feet; thence Northwesterly along a curve to the line right with a radius of 5122 feet, through an angle of 7°56'17", an arc length of 709.63 feet, through an angle of 7°56'17", an arc length of 709.63 feet, and North 26°37'53" West 1415.61 feet; thence North 34°51'11" West 252.84 feet; thence North 25°14'23" West 147.01 feet; thence North 37°02'04" West 2847.49 feet to the point of commencement.

PARCEL 2.

Commencing at a point on the line described as South 31°08'43" East 2,140.91 feet in the above mentioned Parcel 1 and distant thereon 380.00 feet southeasterly from the northerly extremity of said course referred to as South 31°08'43" East 2,140.91 feet; thence from said point of commencement South 53°51'17" West 1100 feet; South 36°08'43" East 40.00 feet; North 53°51'17" East 1096.50 feet; North 31°08'43" West 40.15 feet to the point of commencement.

THE ENTIRE AREA HEREBY DEMISED BEING 199.4 ACRES,
MORE OR LESS.

L-3736

CRYSTAL SPRINGS GOLF PARTNERS, L.P.

PUBLIC UTILITIES COMMISSION
SAN FRANCISCO WATER DEPARTMENT

GROUND LEASE

between

CITY AND COUNTY OF SAN FRANCISCO,
as Landlord

and

CRYSTAL SPRINGS GOLF PARTNERS, L.P.,
as Tenant

For the lease of

199± acres, located in County of
San Mateo, California

November 26, 1996
PUBLIC UTILITIES COMMISSION
SAN FRANCISCO WATER DEPARTMENT

GROUND LEASE

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PUBLIC UTILITIES COMMISSION
SAN FRANCISCO WATER DEPARTMENT

GROUND LEASE

THIS GROUND LEASE (this "Lease") dated for reference purposes only as of November 26, 1996, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Landlord"), and CRYSTAL SPRINGS GOLF PARTNERS, L.P., a California limited partnership ("Tenant").

City and Tenant hereby agree as follows:

1 BASIC LEASE INFORMATION

The following is a summary of basic lease information (the "Basic Lease Information"). Each item below shall be deemed to incorporate all of the terms set forth in this Lease pertaining to such item. In the event of any conflict between the information in this Article and any more specific provision of this Lease, the more specific provision shall control.

Lease Reference Date: November 26, 1996

Landlord: CITY AND COUNTY OF SAN FRANCISCO

Tenant: CRYSTAL SPRINGS GOLF PARTNERS, L.P.

Premises (Section 3.1): Land located in the County of San Mateo, California, owned by City and under the jurisdiction of its Public Utilities Commission, Water Department, as more particularly described in Exhibit A attached hereto, together with the City's existing improvements located thereon. Improvements include: an eighteen hole golf course; a driving range; a parking lot; a two story building housing the golf pro shop and administrative offices; a two story clubhouse which includes locker rooms, a restaurant, lounge and banquet space; a maintenance and golf cart storage facility; restrooms and small structures at the driving range.

Term
(Section 4.1): Estimated commencement date:
April 1, 1997

Expiration date:

March 31, 2017

Base Rent (Section 5.1): For the first three Lease Years:

Annual Base Rent: \$1,250,000

Monthly payments: \$104,167

For the fourth through tenth Lease Year:

Annual Base Rent: \$1,500,000

Monthly payments: \$125,000

For the eleventh through fifteenth Lease Year:

Annual Base Rent: \$2,000,000

Monthly payments: \$166,667

For the sixteenth Lease Year and each Lease Year thereafter:

Annual Base Rent: \$2,250,000

Monthly payments: \$187,500

Adjustment Dates

(Section 5.2):

Each anniversary of the Commencement Date, except for the fourth, eleventh and sixteenth anniversaries; provided, however, that if an adjustment to Base Rent calculated pursuant to Section 5.2 would result in a higher Base Rent than the fixed Base Rent set forth above on the fourth, eleventh or sixteenth anniversary, then any such anniversary shall be an "Adjustment Date" and the Base Rent shall adjusted as provided in Section 5.2 on such date.

Percentage Rent

(Section 5.3): 8% of Gross Revenues derived from food and beverage sales; plus 12% of Gross Revenues derived from Merchandise Sales; plus In Lease Years 1 and 2, 25% of Gross Revenues derived from all other sources; In Lease Years 3 through 5, 35% of Gross Revenues derived from all other sources; and In Lease Years 6 through 20, 40% of Gross Revenues derived from all other sources.

Use (Section 7.1): Operation of a public golf course and related facilities, including food and beverage service.

Security Deposit/ Bond (Article 23): Equal to six (6) months Base Rent

Notice Address of City (Section 24.1): San Francisco Water Department
425 Mason Street
San Francisco, CA 94102
Attn: Garrett M. Dowd
Fax No.: (415) 923-2439

with a copy to: Office of the City Attorney
1390 Market Street, 2nd Floor
San Francisco, CA 94102
Attn: PUC General Counsel
Fax No.: (415) 554-4283

Key Contact for City: Garrett M. Dowd

Telephone No.: (415) 923-2617

Alternate Contact for City: Anson B. Moran

Telephone No.: (415) 554-3160

Notice Address of Tenant
Section 24.1):

Tom Isaak
Post Office Box 1019
Petaluma, California 94953-1019
Fax No.: (707) 763-8355

with a copy to:

John Telischak
744 Montgomery Street, #200
San Francisco, California 94111
Fax No.: (415) 956-2701

Key Contact for Tenant: Tom Isaak

Telephone No.: (707) 763-0335

Alternate Contact
for Tenant:

John Telischak

Telephone No.: (415) 956-8754

2 DEFINITIONS

For purposes of this Lease, initially capitalized terms shall have the meanings ascribed to them in this Section:

2.1 "Additional Charges" means any and all real and personal property taxes, possessory interest taxes and other costs, impositions and expenses described in Article 6 hereof or otherwise payable by Tenant under this Lease.

2.2 "Adjustment Date(s)" means the date(s) for adjusting the Base Rent in accordance with the Index as specified in Basic Lease Information and Section 5.2 hereof.

2.3 "Adjustment Index" means the Index which is published most immediately preceding a particular Adjustment Date.

2.4 "Affiliate of Tenant" means any person or entity which directly or indirectly, through one or more intermediaries, controls, is controlled by or is under the common control with Tenant. As used above, the words "control", "controlled" and "controls" mean the right and power, directly or indirectly through one or more intermediaries, to direct or cause the direction of substantially all of the management and policies of a person or entity through ownership of voting securities or by contract, including, but not limited to, the right to fifty percent (50%) or more of the capital or earnings of a partnership or, alternatively, ownership of fifty percent (50%) or more of the voting stock of a corporation.

2.5 "Agents" means, when used with reference to either Party to this Lease, the officers, directors, employees, agents and contractors of such Party, and their respective heirs, legal representatives, successors and assigns.

2.6 "Alterations" means any alterations, installations or additions to any Improvements or to the Premises including, without limitation, any portions of the Required Work which consist of Alterations.

2.7 "Assignment" has the meaning given in Section 15.1 hereof.

2.8 "Award" means all compensation, sums or value paid, awarded or received for a Taking, whether pursuant to judgment, agreement, settlement or otherwise.

2.9 "Base Index" means in the case of the first Adjustment Date the Index which is published most immediately preceding the Commencement Date and, in the case of any subsequent Adjustment Date, the Adjustment Index which is published most immediately preceding the previous Adjustment Date.

2.10 "Basic Lease Information" means the information with respect to this Lease summarized in Article 1 hereof.

2.11 "Base Rent" means the annual Base Rent specified in the Basic Lease Information and described in Section 5.1 hereof.

2.12 "Capital Improvement Fund" means the account described in Section 8.3 and all moneys deposited therein and interest accrued thereon.

2.14 "City" means the City and County of San Francisco, a municipal corporation.

2.15 "Commencement Date" means the date on which the Term of this Lease commences as described in Section 4.2 hereof.

2.16 "Date of Taking" means the earlier of (i) the date upon which title to the portion of the Premises taken passes to and vests in the condemnor or (ii) the date on which Tenant is dispossessed.

2.17 "Default Rate" means a rate of ten percent (10%) per year, or, if a higher rate is legally permissible, the highest rate an individual is permitted to charge under Law.

2.18 "Effective Date" means the date on which this Agreement becomes effective pursuant to Section 4.5 hereof.

2.19 "Encumber" means create any Encumbrance; "Encumbrance" means any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance.

2.20 "Encumbrancer" means a mortgagee, beneficiary of a deed of trust or other holder of an Encumbrance.

2.21 "Environmental Laws" means any present or future federal, state or local Laws or policies relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal, discharge or storage) or to human health and safety, industrial hygiene or environmental conditions in, on, under or about the Premises (including any

permitted Improvements) and any other property, including, without limitation, soil, air and groundwater conditions:

2.22 "Event of Default" means any one of the events of default described in Section 16.1 hereof.

2.23 "General Manager" means the General Manager of the San Francisco Public Utilities Commission.

2.24 "Gross Revenues" when used with reference to Percentage Rent has the meaning given in Section 5.3(a) hereof.

2.25 "Hazardous Material" means any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Sections 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of any existing improvements on the Land, any Improvements to be constructed on the Land by or on behalf of Tenant, or are naturally occurring substances on, in or about the Land; and petroleum, including crude oil or any fraction thereof, and natural gas or natural gas liquids.

2.26 "Hazardous Material Claims" means any and all enforcement, Investigation, Remediation or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Environmental Laws, together with any and all Losses made or threatened by any third party against City, the PUC, the SFWD, their Agents, or the Premises or any Improvements, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, release

or discharge of any Hazardous Materials, including, without limitation, Losses based in common law. Hazardous Materials Claims include, without limitation, Investigation and Remediation costs, fines, natural resource damages, damages for decrease in value of the Premises or any Improvements, the loss or restriction of the use or any amenity of the Premises or any Improvements, and attorneys' fees and consultants' fees and experts' fees and costs.

2.27 "Improvements" means any and all buildings, structures, fixtures and other improvements constructed, installed or placed on the Premises by or on behalf of Tenant pursuant to this Lease, including, without limitation, any portions of the Required Work which consist of Improvements, any trailers, mobile homes, permanent tent facilities, signs, billboards or other advertising materials, roads, trails, driveways, parking areas, curbs, walks, fences, walls, stairs, poles, plantings and landscaping.

2.28 "Indemnify" means indemnify, protect, defend and hold harmless forever.

2.29 "Indemnified Parties" means City, including, but not limited to, all of its boards, commissions, departments, agencies and other subdivisions, including, without limitation, its PUC and SFWD, and all of its and their respective Agents, and their respective heirs, legal representatives, successors and assigns, and each of them.

2.30 "Index" means the Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is changed so that the base year differs from that used as of the date most immediately preceding the Commencement Date, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same

result as would be obtained if the Index had not been discontinued or revised.

2.31 "Institutional Lender" means any commercial, national or savings bank, savings and loan association, trust company, insurance company, real estate investment trust or pension or retirement fund or similar source of funds.

2.32 "Investigation" when used with reference to Hazardous Material means any activity undertaken to determine the nature and extent of Hazardous Material that may be located in, on, under or about the Premises, any Improvements or any portion thereof or which have been, are being, or threaten to be Released into the environment. Investigation shall include, without limitation, preparation of site history reports and sampling and analysis of environmental conditions in, on, under or about the Premises or any Improvements.

2.33 "Invitees" when used with respect to Tenant means the clients, customers, invitees, guests, members and licensees, assignees and subtenants of Tenant.

2.34 "Land" means the real property described in the attached Exhibit A.

2.35 "Landlord" means the City and County of San Francisco.

2.36 "Law" means any law, statute, ordinance, resolution, regulation, proclamation, order or decree of any municipal, county, state or federal government or other governmental or regulatory authority with jurisdiction over the Premises, or any portion thereof, whether currently in effect or adopted in the future and whether or not in the contemplation of the Parties.

2.37 "Lease" means this Lease as it may be amended in accordance with its terms.

2.38 "Lease Year" is a calendar year, except that the first Lease Year shall commence on the Commencement Date and the last

Lease Year shall end on the date this Lease expires or terminates.

2.39 "Losses" means any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, including, without limitation, reasonable attorneys' and consultants' fees and costs.

2.40 "Merchandise Sales" means (i) sales or rentals of golf supplies, apparel and equipment, magazines, newspapers and other merchandise from pro shops, (ii) sales or rentals of lockers, golf clubs and other golf equipment and supplies (excluding power golf carts), (iii) rental fees for the use of any clubhouse facilities, and (iv) fees charged for golf instruction.

2.41 "Official Records" means the official records of the county(ies) in which the Premises are located.

2.42 "Party" means City or Tenant; "Parties" means both City and Tenant.

2.43 "Percentage Rent" means rent in the sum equal to (i) the percentages of Gross Revenues in the categories described in the Basic Lease Information made from or upon the Premises and any Improvements during each Lease Year as specified in the Basic Lease Information, less (ii) Base Rent paid by Tenant during such Lease Year, to be calculated and payable as described in Section 5.3 hereof.

2.44 "Percentage Rent Period" means periods within each Lease Year ending on March 31, June 30, September 30 and December 31, whether or not consisting of three (3) months.

2.45 "Premises" has the meaning given in Section 3.1 hereof. The Premises shall include any permitted Improvements, together with any additions, modifications or other Alterations thereto permitted hereunder. Notwithstanding anything to the contrary in this Lease, the Premises do not include the SFWD

Facilities, nor any water, water rights, riparian rights, water stock, mineral rights or timber rights relating to the Premises.

2.46 "Prevailing Market Rate" for the Premises shall mean the rental and all other monetary payments and escalations, including, without limitation, percentage rental and consumer price indexing, that City could obtain from a third party desiring to lease the Premises for the then remaining Term taking into account all factors that would be relevant to a third party desiring to lease the Premises for the then remaining Term in determining the rental such party would be willing to pay therefore, and considering the then prevailing rent for premises comparable in size and use to the Premises in the general vicinity of the Premises leased on terms comparable to the terms contained in this Lease; provided, however, such determination shall be made as though the Improvements had not been constructed. The Prevailing Market Rate shall be determined in good faith by City.

2.47 "PUC" means the Public Utilities Commission of the City and County of San Francisco.

2.48 "Release" when used with respect to Hazardous Material means any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside any existing improvements or any Improvements constructed hereunder by or on behalf of Tenant, or in, on, under or about the Premises or SFWD Facilities or any portion thereof.

2.49 "Remediation" when used with reference to Hazardous Material means any activities undertaken to clean up, remove, contain, treat, stabilize, monitor or otherwise control Hazardous Materials located in, on, under or about the Premises or SFWD Facilities or which have been, are being, or threaten to be Released into the environment. Remediate includes, without limitation, those actions included within the definition of "remedy" or "remedial action" in California Health and Safety Code Section 25322 and "remove" or "removal" in California Health and Safety Code Section 25323.

2.50 "Rent" means the Base Rent, as adjusted pursuant to the provisions of Section 5.2 hereof, together with Percentage Rent and any and all Additional Charges.

2.51 "SFWD" means the San Francisco Water Department.

2.52 "SFWD Facilities" means any and all water pipelines, drainage pipelines, hatch covers, wells and other surface and subsurface utility facilities owned by the SFWD and now or later located in, under or on the Premises for the collection, storage, transportation or distribution of water for municipal purposes, together with all appurtenances thereto and all monuments thereof.

2.53 "Sublease" has the meaning given in Section 15.1 hereof.

2.54 "Taking" means a taking or damaging, including severance damage, by eminent domain, inverse condemnation or for any public or quasi-public use under Law. A Taking may occur pursuant to the recording of a final order of condemnation, or by voluntary sale or conveyance in lieu of condemnation or in settlement of a condemnation action.

2.55 "Tenant" means the Party identified as Tenant in the Basic Lease Information and at the beginning of this Lease. Except when immediately followed by the word "itself," the term Tenant shall also refer to the successors and assigns of Tenant's interests under this Lease, provided that the rights and obligations of Tenant's successors and assigns shall be limited to only those rights and obligations that this Lease permits to be transferred and that have been transferred in accordance with this Lease.

2.56 "Tenant's Personal Property" means the personal property of Tenant described in Section 8.5 hereof.

2.57 "Term" means the term of this Lease as determined under Section 4.1 hereof.

2.58 "Transfer" means any Assignment or Sublease. "

2.59 "Transferee" means any recognized assignee of any part of Tenant's leasehold interest hereunder or any recognized subtenant of any portion of the Premises, pursuant to a Transfer that complies with Article 15 hereof.

2.60 "Unmatured Event of Default" means any Event of Default that, with the giving of notice or the passage of time, or both, would constitute an Event of Default hereunder.

3 . PREMISES

3.1 Leased Premises. Subject to the terms, covenants and conditions of this Lease, City leases to Tenant and Tenant leases from City, the real property located in the County of San Mateo, State of California, more particularly described in the attached Exhibit A, together with any and all improvements existing thereon and owned by City as of the date of this Lease (the "Premises"); excluding therefrom and reserving unto City, its successors and assigns, the rights described in Section 3.2 below. The Premises are shown generally on SFWD Drawing No. B-4668, a copy of which is attached hereto as Exhibit B. Any acreage stated in this Lease with respect to the Premises is an estimate only, and City does not warrant it to be correct. However, the Parties agree that for all purposes of this Lease, any such acreage shall be deemed to be correct. Nothing in this Lease is intended to grant Tenant any right whatsoever to possess, use or operate the SFWD Facilities, or any portion thereof. The Premises do not include, and this Lease does not apply to, any personal property. Without limiting the foregoing, the fixtures, furniture, equipment and personal property owned or leased by any tenant, subtenant, licensee, manager or operator leasing or operating the Premises at any time prior to the commencement of this Lease are specifically excluded from this Lease.

3:2 Rights Reserved to City. Notwithstanding anything to the contrary in this Lease, during the Term City reserves and retains all of the following rights relating to the Premises:

(a) Any and all water and water rights, including, but not limited to (i) any and all surface water and surface water rights, including, without limitation, riparian rights and appropriative water rights to surface streams and the underflow of streams, and (ii) any and all groundwater and subterranean water rights, including, without limitation, the right to export percolating groundwater for use by City or its water customers;

(b) Any and all timber and timber rights, including, without limitation, all standing trees and downed timber;

(c) Any and all minerals and mineral rights of every kind and character now known to exist or hereafter discovered in the Premises, including, but not limited to, oil and gas and rights thereto, together with the sole, exclusive, and perpetual right to explore for, remove, and dispose of those minerals by any means or methods suitable to City or its successors and assigns, but without entering upon or using the surface of the lands of the Premises and in such manner as not to damage the surface of the Premises or to interfere with the permitted use thereof by Tenant, without Tenant's prior written consent;

(d) All rights to use, operate, maintain, repair, enlarge, modify, expand, replace and reconstruct the SFWD Facilities;

(e) The right to grant future easements and rights of way over, across, under, in and upon the Premises as City shall determine to be in the public interest, provided that any such easement or right-of-way shall be conditioned upon the grantee's assumption of liability to Tenant for damage to its property that Tenant may sustain hereunder as a result of the grantee's use of such easement or right of way;

(f) Without limiting the generality of Section 3.3(e) above, the right to grant future easements, rights of way,

permits and/or licenses over, across, under, in and upon the Premises for the installation, operation, maintenance, repair and removal of equipment for furnishing cellular telephone, radio or other telecommunications services, including, without limitation, antennas, radio devices, cables and other equipment associated with a telecommunications cell site, provided that any such easement, right-of-way, permit or license shall not materially interfere with Tenant's use and operation of the Premises hereunder, and provided further that the grant of any such easement, right-of-way, permit or license shall be conditioned upon the grantee's assumption of liability to Tenant for damage to its property that Tenant may sustain hereunder as a result of the grantee's use of such easement, right of way, permit or license; and

(g) All rights of access provided for in Article 19 below.

3.3 Subject to Pipeline Right-of-Way. Tenant acknowledges that the property of which the Premises are a part constitutes a portion of City's pipeline right-of-way and a larger watershed, which City holds for the purposes of collecting, storing, transporting and distributing water for municipal use. Tenant's rights under this Lease shall be subject to City's use of the Premises for such purposes and for other City uses. However, so long as there is no Event of Default or Unmatured Event of Default on the part of Tenant outstanding hereunder and subject to the terms and conditions of this Lease, City shall use its best efforts to avoid interfering with Tenant's quiet use and enjoyment of the Premises. The use of the terms "right-of-way" or "right-of-way lease" in this document shall not be deemed to imply that City holds less than fee title to the Premises or otherwise call into question the nature of City's title to any of its property.

3.4 As Is Condition of Premises.

(a) Inspection of Premises. Tenant represents and warrants that Tenant has conducted a thorough and diligent inspection and investigation, either independently or through

Agents of Tenant's own choosing, of the Premises and the suitability of the Premises for Tenant's intended use. Tenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses.

(b) As Is; Disclaimer of Representations. Tenant acknowledges and agrees that the Premises are being leased and accepted in their "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, and subject to all applicable Laws governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Lease is made subject to any and all covenants, conditions, restrictions, easements and other title matters affecting the Premises, or any portion thereof, whether or not of record. Tenant acknowledges and agrees that neither City, PUC, SFWD nor any of their Agents have made, and City hereby disclaims, any representations or warranties, express or implied, concerning (i) title or survey matters affecting the Premises, (ii) the physical, geological, seismological or environmental condition of the Premises, (iii) the quality, nature or adequacy of any utilities serving the Premises, (iv) the present or future suitability of the Premises for Tenant's business and intended uses, (v) the feasibility, cost or legality of constructing any Improvements on the Premises if required for Tenant's use and permitted under this Lease, or (vi) any other matter whatsoever relating to the Premises or their use, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

Tenant acknowledges that City has disclosed the matters relating to the Premises referred to in Schedule 1 attached hereto. Nothing contained in such schedule shall limit any of the provisions of this Section 3.4 or any other provisions of this Lease, or relieve Tenant of its obligations to conduct a diligent inspection and investigation of the Premises.

4 TERM

4.1 Term of Lease. The Premises are leased for a term (the "Term") commencing on the later of (i) the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or (ii) the Effective Date (as defined in Section 4.3 below). The Term of this Lease shall end on the expiration date specified in the Basic Lease Information, unless sooner terminated pursuant to the provisions of this Lease.

4.2 Commencement Date and Expiration Date. The dates on which the Term commences and terminates pursuant hereto are referred to respectively as the "Commencement Date" and the "Expiration Date." If the Commencement Date occurs on a date other than the Estimated Commencement Date, then Tenant shall execute and deliver to City a memorandum confirming the Commencement Date substantially in the form attached hereto as Exhibit C, but Tenant's failure to do so shall not affect the commencement of the Term.

4.3 Effective Date. This Lease shall become effective on the later of (i) the date the City's Board of Supervisors and Mayor, in their sole and absolute discretion, enact a resolution approving this Lease, in accordance with all applicable Laws, and (ii) the date on which the Parties hereto have duly executed and delivered this Lease (the "Effective Date").

4.4 Existing Management Agreement. The Parties acknowledge that the Premises currently are being managed by Tenant for City pursuant to that certain Management Agreement by and between City and Tenant, dated as of April 1, 1996 (the "Existing Agreement"). The Existing Agreement shall automatically terminate as of the Commencement Date.

5 RENT

5.1 Base Rent.

(a) Payment. Tenant shall pay to City during the Term of this Lease, beginning on the Commencement Date, the annual Base Rent specified in the Basic Lease Information (the "Base Rent"). The Base Rent shall be payable in equal consecutive monthly installments on or before the first day of each month, in advance, at the San Francisco Water Department, c/o PUC Finance, 425 Mason Street, 3rd Floor, San Francisco, California 94102 (Reference SFWD lease number), or such other place as City may designate in writing. If the Commencement Date occurs on a day other than the first day of a calendar month, or the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Rent for such fractional month shall be prorated based on a thirty (30) day month.

(b) Deferred Payment. If the Base Rent payable in the first or second Lease Year exceeds the Percentage Rent that would be payable during either such Lease Year, Tenant may, at its sole option, defer payment of all or any portion of such excess in accordance with this Section 5.1(b). Such excess amount shall be payable in equal monthly installments during the third through fifth Lease Years, together with interest thereon at a rate of 7.5% per annum. Sums paid by Tenant as repayment of a deferred payment under this Section 5.1 (b), if any, shall be in addition to and shall not be off-set against any Rent due and owing by Tenant, including without limitation, any percentage rent due and owing under Section 5.3 hereof. Tenant shall have the right to prepay all or a portion of such amount at any time, without penalty.

5.2 Adjustments in Base Rent: Credit.

(a) Base Rent Adjustments. On each date specified in the Basic Lease Information as an Adjustment Date, the Base Rent payable by Tenant shall be adjusted in the following manner. The Adjustment Index shall be compared with the Base Index. If the Adjustment Index has increased over the Base Index, then the Base

Rent payable on and after the Adjustment Date shall be set by multiplying the Base Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index. In no event shall the monthly Base Rent on or after the Adjustment Date be less than the monthly Base Rent in effect immediately prior to the Adjustment Date.

(b) Water Rate Credit. If the rate paid by Tenant for water used at the Premises during the Term is in excess of the Adjusted Base Water Rate, the Excess Amount shall be a credit against Base Rent. The term "Adjusted Base Water Rate" shall mean the rate per quantity of water charged to Tenant as of the Effective Date, as such rate may be increased throughout the Term in the same proportion as the Residential Rate Increase. The term "Residential Rate Increase" shall mean the amount of the increase from the Effective Date (expressed as a percentage) of the average water rate charged to residential customers of single family detached homes in the City. The term "Excess Rate" shall mean the amount by which the rate paid by Tenant for water used at the Premises exceeds the Adjusted Base Rate. The term "Excess Amount" shall mean the Excess Rate multiplied by the amount of water used by Tenant during the period that Tenant paid the Excess Rate for water used at the premises. An example of the calculation of the Water Rate Credit provided for in this Section 5.2(b) is attached hereto as Exhibit I.

Within thirty (30) days of each Adjustment Date, Landlord shall furnish Tenant with a statement (herein called "Landlord's Water Rate Statement"), setting forth all of the information necessary for the calculation of the Excess Amount for the preceding Lease Year, if any, including, without limitation, the amount of any Residential Rate Increase for the preceding Lease Year, if any. If there was an Excess Amount for such preceding Lease Year, Tenant may offset such Excess Amount against the next payment(s) of Rent due and owing Landlord after Tenant's receipt of Landlord's Water Rate Statement.

5.3 Percentage Rent. In addition to the Base Rent, Tenant shall pay to City percentage rent under the following terms and conditions:

(a) Gross Revenues. As used hereinbelow, the term "Gross Revenues" means the gross selling price of all merchandise or services sold, leased, licensed or delivered in or from the Premises and any Improvements by Tenant, any Affiliate of Tenant, or any of its or their subtenants, licensees, or concessionaires, whether for cash or on credit (whether collected or not), including the gross amount received by reason of orders taken on the Premises and any Improvements although filled elsewhere, and whether made by store personnel or vending machines. Gross Revenues shall include, without limitation, all revenues and income derived from (i) admission fees, entry fees, green fees, driving range fees, tournament fees, instructional fees (net of amounts paid to the golf professional staff), advance booking fees, membership and club dues and other fees and dues of any kind (including nonrefundable deposits), (ii) rental fees for lockers, golf carts, golf clubs and other golf equipment and supplies (without deduction for any rent, interest or other payments made by Tenant, any Affiliate of Tenant, or any of its or their subtenants, licensees or concessionaires, for any such golf carts, clubs, equipment or supplies which are subject to equipment leases, installment sales contracts or other financing devices), (iii) the operation of restaurants, bars, cocktail lounges, banquet facilities, pro shops and parking facilities, (iv) proceeds from business interruption insurance, loss of earnings insurance or other insurance of a similar kind, and (v) pay telephone, stamp machines, music machines, amusement machines or public toilet locks. Any transaction made or fees paid on an installment basis, including without limitation any "lay-away" sale, installment or deferred payments of dues or fees, or like transactions, or any transaction otherwise involving the extension of credit, shall be treated as a sale for the full price at the time of the transaction, irrespective of the time of payment or when title passes. Gross Revenues in credit card transactions shall include only the actual amount received by Tenant from the credit card issuer. Gross Revenues shall not include the full retail price of California State Lottery tickets sold from the Premises, but shall include the full amount of compensation and any incentive bonuses paid to and received by Tenant for such sales, as such compensation and bonuses are

determined from time to time by the State Lottery PUC and Director under California Government Code Section 8880.51 and other applicable California Laws. Gross Revenues shall not include, or if included there shall be deducted (but only to the extent they have been included), the following: (a) the selling price of all merchandise returned by customers and accepted for full credit, or the amount of discounts, refunds, and allowances made on such merchandise; (b) merchandise returned to sources or transferred to another store or warehouse owned by or affiliated with Tenant; (c) sums and credits received in the settlement of claims for loss of or damage to merchandise; (d) the price allowed on all merchandise traded in by customers for credit or the amount of credit for discounts and allowances made instead of acceptance of merchandise; (e) any sums paid to third parties (excluding, without limitation, any Affiliate of Tenant) for the use or rental of pay telephones, stamp machines, music machines, amusement machines, or public toilet locks; (f) gift certificates, or similar vouchers, until such time as they shall have been converted into a sale by redemption; (g) sales and use taxes, so-called luxury taxes, consumers' excise taxes, gross receipts taxes, and other similar taxes now or in the future imposed on the sale of merchandise or services; and (h) sales of fixtures, trade fixtures or personal property that are not merchandise as allowed in this Lease.

(b) Payment. Tenant shall pay to City, as Percentage Rent, a sum equal to the amount by which the percentages of Gross Revenues in the categories described in the Basic Lease Information made from or upon the Premises and any Improvements during each Lease Year as specified in the Basic Lease Information exceeds the Base Rent paid by Tenant during such Lease Year. Tenant shall compute Percentage Rent for each Percentage Rent Period, and on or before the twentieth (20th) day of the calendar month immediately following the close of each Percentage Rent Period, Tenant shall pay to City the amount by which the sum computed as the sum of the percentages of Gross Revenues by the categories set forth in the Basic Lease Information during the Percentage Rent Period exceeds the Base Rent that Tenant has paid during the Percentage Rent Period. Within forty-five (45) days after the end of each Lease Year,

City shall determine the amount of Percentage Rent based on the Gross Revenues during the Lease Year as disclosed by the reports delivered to City pursuant to Section 5.3(c) below, and the sums paid to City as Base Rent and Percentage Rent for the Lease Year. At such time, an adjustment shall be made between City and Tenant to the end that the total Percentage Rent paid to City for such Lease Year shall be a sum equal to the percentages by categories set forth in the Basic Lease Information multiplied by the total Gross Revenues in such categories made during such Lease Year, less the Base Rent paid pursuant to Section 5.1 above for such Lease Year; so that the Percentage Rent, although payable quarterly, shall be computed and adjusted on an annual basis. If Tenant has paid to City Percentage Rent in an amount greater than the Percentage Rent it is obligated to pay for the Lease Year as determined in accordance with this Section, then the excess amount shall be applied against the next Percentage Rent due to City, except that if any unused excess exists at the Expiration Date or other termination of the Term, the sum of the unused excess shall be refunded by City to Tenant. If Tenant has paid to City an amount of Percentage Rent less than Tenant is required to pay, Tenant shall immediately pay the difference to City, together with interest on such difference at the Default Rate, which interest shall accrue from the due date of the last quarterly payment until such difference is paid.

(c) Reports. Tenant shall furnish to City a statement of Gross Revenues within twenty (20) days after the end of each Percentage Rent Period, and an annual statement of Gross Revenues within forty-five (45) days after the end of each Lease Year. Such statements shall be in a form acceptable to City. Each statement shall be signed and certified to be correct by Tenant's general partner or, if Tenant's general partner is a corporation, by a duly authorized officer of Tenant's general partner. In addition, each annual statement shall be audited by an independent certified public accountant reasonably acceptable to City, as provided in Section 24.16 hereof. Tenant shall keep at the Premises complete and accurate books of account, records, cash receipts and other pertinent data, in accordance with good accounting practices and in a form approved by City, showing its Gross Revenues, including without limitation, accurate records of

every sale and other transaction made from the Premises and any Improvements. If Tenant does not install receipt-printing cash registers, Tenant may use serialized sales slips if such sales slips are kept and maintained as required in this paragraph and if Tenant records every sale and other transaction made from the Premises on such sales slips. Such books of account, records, cash receipts and other pertinent data shall be kept for a period of three (3) years after the end of each Lease Year. The receipt by City of any statement, or any payment of Percentage Rent for any period, shall not bind City as to the correctness of the statement or payment.

(d) Inspection and Audit. City shall be entitled at any time and from time to time during the Term and within three (3) years after the Expiration Date or other termination of this Lease, to inspect, examine, copy and audit all of Tenant's books of account, records, cash receipts, tax returns and underlying tax preparation documents, financial statements and other pertinent data. The primary purpose of such examination is to enable City to ascertain, clearly and accurately, Tenant's Gross Revenues and to verify that the form and method of Tenant's record keeping provide adequate and proper control and check of all such revenues. Tenant shall cooperate fully with City and City's Agents in making the examination. City shall also be entitled at City's option, once during each Lease Year and once after the Expiration Date or other termination of this Lease, to cause an independent audit to be performed by a certified public accountant designated by City. The audit shall be conducted during usual business hours at the Premises. If the audit shows that there is a deficiency in the payment of any Percentage Rent, then Tenant shall immediately upon notice pay the deficiency to City, together with interest thereon at the Default Rate, which interest shall accrue from the date on which such deficient amount would have been due until such deficiency is paid. City shall pay the costs of the audit unless the audit shows that Tenant understated Gross Revenues by more than two percent (2%), in which case Tenant shall pay all City's costs of the audit.

(e) Efforts to Maximize Revenue. Subject to the express terms and conditions of this Lease, Tenant shall use its

best efforts to maximize the production of Gross Revenues from the Premises and any Improvements thereon permitted hereunder.

(f) Covenant not to Compete. Without the prior written consent of the General Manager, which consent shall not be unreasonably withheld, neither Tenant nor any Affiliate of Tenant shall own, operate, or become financially interested in a business similar to the one conducted by Tenant on the Premises within ten (10) miles in any direction from the Premises, the mileage to be measured on a straight-line basis on a map, not following contours of the land and streets. If Tenant defaults in performance under this Section, City can elect to include the Gross Revenues from such other business in the Gross Revenues made from or upon the Premises for the purpose of computing Percentage Rent payable under this Lease.

5.4 Late Charge. If Tenant fails to pay any Rent within five (5) days after the date the same is due and payable, such unpaid amount will be subject to a late payment charge equal to six percent (6%) of the unpaid amount in each instance. The late payment charge has been agreed upon by City and Tenant, after negotiation, as a reasonable estimate of the additional administrative costs and detriment that City will incur as a result of any such failure by Tenant, the actual costs thereof being extremely difficult if not impossible to determine. The late payment charge constitutes liquidated damages to compensate City for its damages resulting from such failure to pay and Tenant shall promptly pay such charge to City together with such unpaid amount.

5.5 Default Interest. If any Rent is not paid within five (5) days following the due date, such unpaid amount shall bear interest from the due date until paid at the Default Rate. However, interest shall not be payable on late charges incurred by Tenant nor on any amounts on which late charges are paid by Tenant to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Tenant.

5.6 Net Lease. This Lease is a "net lease." Accordingly, Tenant shall pay to City the Base Rent, Percentage Rent, Additional Charges and any other payments hereunder free of any charges, assessments or deductions of any kind, without prior demand and without abatement (except as expressly and specifically provided herein), counterclaim or setoff. Under no circumstances, whether now existing or hereafter arising, and whether or not beyond the present contemplation of the Parties, shall City be expected or required to make any payment of any kind whatsoever with respect to Tenant's use or occupancy of the Premises and any permitted Improvements or this Lease, except as may otherwise be expressly set forth herein. Without limiting the foregoing, Tenant shall be solely responsible for paying each item of cost or expense of every kind and nature whatsoever, the payment of which City would otherwise be or become liable by reason of its estate or interests in the Premises and any Improvements, any rights or interests of City in or under this Lease, or the ownership, leasing, operation, management, maintenance, repair, rebuilding, remodeling, renovation, use or occupancy of the Premises, any permitted Improvements, or any portion thereof. Except as may be specifically and expressly provided otherwise in this Lease, no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant from its liability to pay all of the sums required by any of the provisions of this Lease, or shall otherwise relieve Tenant from any of its obligations under this Lease, or shall give Tenant any right to terminate this Lease in whole or in part. Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease or to receive any abatement (except as expressly and specifically provided herein), diminution, reduction or suspension of payment of such sums, on account of any such occurrence or situation.

5.7 Survival of Obligations. Without limiting any other provisions of this Lease, the Parties' obligations contained in this Article 5, including, without limitation, Tenant's payment and reporting obligations, shall survive the Expiration Date or any earlier termination of this Lease.

6 TAXES, ASSESSMENTS AND OTHER EXPENSES

6.1 Taxes and Assessments, Licenses, Permit Fees and Liens.

(a) Payment Responsibility. Tenant shall pay any and all real and personal property taxes, general and special assessments, excises, licenses, permit fees and other charges and impositions of every description levied on or assessed against the Premises, any Improvements, Tenant's Personal Property, the leasehold estate or any subleasehold estate, or Tenant's use of the Premises or any Improvements, including, without limitation, possessory interest taxes. Tenant shall make all such payments directly to the charging authority when due and payable and at least ten (10) days prior to delinquency, subject to Tenant's right to contest the validity of such charge pursuant to subsection (c) below. However, with respect to real property taxes and assessments levied on or assessed against the Premises for which City receives the tax bill directly from the taxing authority, Tenant shall reimburse City for payment of such sums immediately upon demand.

(b) Taxability of Possessory Interest. Without limiting the foregoing, Tenant recognizes and agrees that this Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest. Tenant further recognizes and agrees that any sublease or assignment permitted under this Lease may constitute a change in ownership for purposes of property taxation and therefore may result in a revaluation of any possessory interest created hereunder.

(c) No Liens. Tenant shall not allow or suffer a lien for any taxes payable by Tenant hereunder to be imposed upon the Premises or upon any equipment or other property located thereon without promptly discharging the same. Tenant may have a reasonable opportunity to contest the validity of any such taxes provided Tenant, before commencement of any proceeding or contest, furnishes to City a surety bond issued by a surety company qualified to do business in California and acceptable to City's Controller. The amount of such bond shall be equal to one

hundred twenty five percent (125%) of the amount of taxes in dispute and shall be in such form as approved by the City Attorney of City. The bond shall insure payment of any judgment that may be rendered should Tenant be unsuccessful in any such contest. Tenant shall Indemnify City, the other Indemnified Parties, and the Premises from and against any Losses arising out of any proceeding or contest provided for hereunder. The foregoing Indemnity shall not be limited by the amount of the bond.

(d) Reporting Requirement. Tenant agrees to provide such information as City may request to enable City to comply with any tax reporting requirements applicable to this Lease.

6.2 Other Expenses. Tenant shall be responsible for any and all other charges, costs and expenses related to its use, occupancy, operation or enjoyment of the Premises or any Improvements permitted thereon, including, without limitation, the cost of any utilities or services necessary for Tenant's use.

6.3 Evidence of Payment. Tenant shall, upon City's request, furnish to City within ten (10) days after the date when any charges are due and payable, official receipts of the appropriate taxing authority or other evidence reasonably satisfactory to City, evidencing payment thereof.

7 USE; COVENANTS TO PROTECT PREMISES AND SFWD FACILITIES

7.1 Tenant's Permitted Use. Tenant may use the Premises and any Improvements allowed hereunder only for the use specified in the Basic Lease Information, and for no other purpose.

7.2 Covenants Regarding Use. As a material inducement to City to enter into this Lease, Tenant covenants with City as follows:

(a) No Unlawful Uses or Nuisances. Tenant shall not use or occupy any of the Premises or any Improvements, or permit the use or occupancy thereof, in any unlawful manner or for any illegal purpose, or permit to be carried on any offensive,

immoral, noisy or hazardous use or any use in violation of the conditions of any certificate of occupancy. Tenant shall take all precautions to eliminate immediately any nuisances or hazards relating to its activities on or about the Premises or any Improvements permitted hereunder.

(b) Covenant Against Waste. Tenant shall not cause or permit any waste, damage or injury to the Premises.

(c) Covenant to Protect SFWD Facilities. At all times during the Term of this Lease, Tenant shall use its reasonable best efforts to protect the SFWD Facilities from any damage, injury or disturbance. If Tenant or any of its Agents or Invitees damages, injures or disturbs any of the SFWD Facilities, or any portion of the SFWD Facilities (including monuments), Tenant shall immediately notify City of that occurrence. City may, without limiting any of its other rights hereunder, take all actions it deems proper to repair such SFWD Facilities (including relocation of monuments) at Tenant's sole expense.

(d) Covenant to Protect Water Courses. Tenant shall not cause any ponding on the Premises or any flooding on adjacent land. Tenant shall not engage in any activity that causes any change, disturbance, fill, alteration or impairment to the bed, bank or channel of any natural water course, wetland, or other body of water on, in, under or about the Premises, nor shall Tenant engage in any activity that would pollute or degrade any surface or subsurface waters or result in the diminution or drainage of such waters.

(e) Covenant Against Dumping; Waste Disposal. Tenant shall not cause or permit the dumping or other disposal on, under or about the Premises of landfill, refuse, Hazardous Material or other materials that are unsightly or could pose a hazard to the human health or safety, native vegetation or wildlife, or the environment. Organic wastes from the Premises shall be composted on-site to the extent reasonably possible. Tenant shall use its best efforts to reduce the amount of trash and waste generated from the Premises, to acquire products for use on the Premises

which reuse or recycle packaging, and to recycle all materials used on the Premises to the extent reasonably possible. ~

(f) Covenant to Protect Trees or Other Native Vegetation. Tenant shall not engage in or permit the cutting, removal, or destruction of trees or any other native vegetation on the Premises, without the prior written approval of the SFWD.

(g) No Tree Planting. Tenant shall not plant any trees on the Premises, nor shall Tenant plant any other vegetation on the Premises without the prior written approval of the SFWD.

(h) Covenant Against Hunting or Fishing. Tenant shall not engage in or permit any hunting, trapping or fishing on or about the Premises, except for hunting or trapping for the purpose of controlling predators or problem animals by the appropriate use of selective control techniques approved in advance by the SFWD provided such hunting and trapping is done in strict accordance with all applicable Laws. Whenever possible, all measures used for such control shall be limited in their application to the specific problem animals. Tenant shall not use poison bait, cyanide guns, traps or other similar non-selective control techniques. In no event may Tenant use any prophylactic predator control measures. The restrictions of this Section applicable to the identification and control of predators and problem animals shall not apply to commensal rodents.

(i) Covenant Against Use of Chemical Herbicides and Pesticides. Tenant shall not cause or permit the application of biocides, defoliants, chemical fertilizers, pesticides or other agrichemicals, except that Tenant may use chemical herbicides and pesticides to control noxious weeds and pests only if (i) such use is clearly outlined in the approved CHAMP/IPM Plan attached hereto as Exhibit D, (ii) Tenant demonstrates to the General Manager's satisfaction that no other method of control is effective, (iii) the herbicide or pesticide and method of application are first approved for use by the General Manager and any appropriate governmental authorities or regulatory agencies, (iv) the herbicide or pesticide is used only in those amounts and

with that frequency of application which constitutes the minimum necessary for the control or containment of such weeds and pests, (v) the herbicide or pesticide will not get into any water supplies, and (vi) such use is in compliance with all applicable Laws.

(j) Weed Control. Tenant shall not introduce any noxious weeds on or about the Permit Area. Tenant shall control noxious weeds as required by applicable Law, provided that Tenant may use chemical herbicides only if such use complies with the requirements of Subsection (i).

(k) Maintenance of Roads. Tenant shall keep all roads on the Premises open and in the same condition as such roads are now in, ordinary wear and tear excepted, and shall not interfere with any travel on such roads.

(l) Covenant Against Burning. Tenant shall not burn any weeds, debris or other substances on or about the Premises. Tenant shall maintain and comply with the fire prevention program attached hereto as Exhibit F, with any revisions thereto as may be approved by City during the Term, in City's sole discretion.

(m) No Off-Road Vehicles. Tenant shall not use or permit the use of off-road vehicles on any portion of the Premises except on existing roads and in the manner for which such roads are intended.

(n) Restrictions on Heavy Equipment and Vehicles. To prevent damage to City's underground pipelines, Tenant shall strictly adhere to the following restrictions when using vehicles and equipment within twenty feet (20') of City's pipelines:

(i) The depth of soil cover over the tops of City's pipelines must be at least three feet (3') for steel cylinder pipe and four (4) feet for pre-stressed concrete cylinder pipe to accommodate the loading as defined below in item (ii). If any equipment with axle loading exceeds the weight stated in item (ii) below, Tenant shall submit to SFWD for review and approval, engineering calculations prepared by a registered

civil engineer to provide adequate protection of the pipelines showing that City's pipelines will not be adversely affected.

(ii) The effects of vehicle and equipment loads to the pipe must not exceed the effects of the "AASHO Standard H-10 Loading." H-10 loading is defined as loading caused by a two-axle truck with a gross weight of ten tons (20,000 lbs.), axles fourteen feet (14') apart, and rear axle carrying 8-tons (16,000 lbs.). Tenant shall be responsible to provide SFWD adequate evidence that Tenant's equipment and vehicles meet the foregoing requirements.

(iii) Tenant shall not use vibrating compaction equipment unless it first obtains SFWD's written approval.

(iv) If the depth of the soil cover over the pipeline (determined by potholing or other proof procedure) is less than the minimum stated in (i) above, unless an alternate method is approved by SFWD for all excavation and grading over the pipeline shall be performed manually. For any machinery equipment excavation and grading over and within twenty feet (20') on each side of the centerline of the pipeline (measured on the surface), Tenant shall submit a written proposal together with all supporting calculations and data to SFWD for review and approval. In any case, the two feet of soil around the pipeline shall be removed manually or by other methods approved by SFWD with due care as provided above.

(o) Watershed Management Plan. Tenant shall comply with any and all other regulations or requirements resulting from City's development of a watershed management plan, and any modifications or additions to such plan, provided that such regulations or requirements do not unreasonably interfere with Tenant's use and enjoyment of the Premises hereunder.

(p) Trespassing. As far as possible by the exercise at all times of reasonable diligence and care, Tenant shall protect the Premises from trespass. The customers, guests, permittees, and licensees of Tenant shall be restricted to the Premises and Tenant, by posting signs and otherwise, shall advise

and warn its contractors, employees, customers, guests, permittees and licensees that trespassing on adjoining property of the City will not be permitted, and shall adopt such rules for the conduct of its contractors, employees, customers and visitors as shall be required to prevent effectively such trespass. The City reserves the right to take such steps, either within or without the Premises, as will prevent trespassing onto adjoining property of City.

(q) Sewerage System. Tenant shall maintain at its sole cost and expense, and in accordance with the direction of and to the satisfaction of the General Manager and Chief Engineer of the Water Department, the sewerage system now installed on the Premises and shall not permit any sewage or fouled or waste water to be disposed of on the Premises, except as provided for by said sewerage system.

(r) Golf Course Operation. Tenant shall maintain and operate the golf course and related facilities located on the Premises as a public golf course, and the general public shall not be wholly or permanently excluded from any portion of the Premises. Tenant may encourage, create and accommodate golfing organizations, so long as such organizations comply with the covenant set forth, and the Laws referenced in, Section 24.25 of this Lease. Tenant shall operate the golf course and related facilities located on the Premises every day of the year at least from dawn to dusk, except in the event of emergency or inclement weather. Tenant shall at all times operate the Premises and conduct all operations on the Premises in a good businesslike manner and, in connection therewith, shall provide the public with good quality products and efficient and courteous service. Tenant shall provide services customarily associated with the operation of a golf course and the related facilities located on the Premises, including, without limitation, the rental of golf-related equipment, provision of golf instruction, and sale of food, beverages (including alcoholic beverages), golf supplies, apparel and equipment.

(s) Inventory and FF&E. Without limiting any other provision contained in this Lease, Tenant shall, at its sole

expense, acquire and maintain throughout the Term sufficient furniture, fixtures, equipment, and inventory as are required to operate the golf course and related facilities located on the Premises as contemplated by this Lease.

(t) Golf Carts. Tenant shall provide, through purchase or lease at its sole cost and expense, a sufficient number of golf carts to meet the public demand therefor at the Premises. Tenant shall provide all maintenance, repair and service required by such golf carts, and shall replace them as reasonably required or appropriate. Tenant shall charge a reasonable fee for usage of golf carts.

(u) Golf Course Fees and Prices. The golf course and related facilities located on the Premises shall be open to the public at a Cost of Golf (defined below) which is not in excess of the Cost of Golf charged by comparable public courses in the San Francisco Bay Area, as determined below. The Cost of Golf shall be subject to the initial approval of City. Thereafter, Tenant may, without the consent of City, increase such cost which it charges the public as provided in this Lease at such times as, in its reasonable business judgment, are necessary or desirable so long as any such increase does not cause such cost to exceed the Cost of Golf charged for comparable services by comparable public courses in the San Francisco Bay Area. For purposes of this section, "comparable public courses in the San Francisco Bay Area" shall initially mean the ten (10) golf courses that are listed on Schedule 2 attached hereto. If any of the included courses discontinues daily fee public play, replacement courses will be added to the list by mutual agreement of the parties. At any time that Tenant proposes an increase in the Cost of Golf, such costs shall be determined by a survey, conducted by Tenant, of the ten course's fees, eliminating the two (2) highest and the two (2) lowest courses and setting the fees within the range of the other six (6) courses. The survey and proposed fees shall be submitted to the General Manager at least thirty (30) days prior to any proposed increase. No increase in fees over the amount permitted in this section be made without the prior written approval of the General Manager. "Cost of Golf" shall mean the total cost to reserve a tee time and play one round of golf for

one individual at the posted nonmember daily fee rates for morning tee times of weekdays and weekends. Where such posted fees include carts (i.e. carts are required), the "Cost of Golf" shall be the posted fee with no credit or adjustment for the required cart.

(v) Food and Beverage Service. Tenant, or its designee (as provided below) shall operate a restaurant, bar, banquet facilities and related facilities serving food and beverages (including alcoholic beverages) on the Premises throughout the Term. Tenant or its designee shall acquire and maintain throughout the Term such furniture, equipment, personal property and inventory as is required to operate a restaurant, bar, banquet facilities and related facilities serving food and beverage as contemplated by this Lease. All food and beverages sold on the Premises will be properly prepared and served in compliance with all applicable health and sanitary standards. The quality of food and service will be at least equal to that available at comparable golf courses in the San Francisco Bay Area. All dining facilities and adjacent areas will be maintained in a clean and sanitary manner. The prices to be charged by Tenant or its designee for all services, food, and beverages provided on the Premises shall be fair and reasonable. The Parties acknowledge and agree that Tenant has entered into a agreement with Delancy Street Foundation ("Delancy Street"), pursuant to which Tenant will contract with Delancy Street to manage the food and beverage services at the Premises, all in accordance with the terms and conditions of this Lease. No entity other than Delancy Street (including, without limitation, Tenant) shall operate the food and beverage services pursuant to this subsection (v) without the PUC's prior reasonable approval. Tenant shall use its best efforts to continue to contract with Delancy Street to perform Tenant's obligations under this subsection 7.2(v) throughout the Term, provided, however, that if it becomes unworkable, infeasible or impossible to include Delancy Street, Tenant shall use its best efforts to enter into a similar contract with a similar community-based organization of comparable quality for the remainder of the Term.

(w) Name. Tenant shall use the name "Crystal Springs Golf Course" as the name of the golf course and related facilities located on the Premise. In connection with Tenant's use of the Premises during the Term, Tenant shall be entitled to use the name "Crystal Springs Golf Course" and any other logo, trademark, trade name, emblem, insignia, slogan, color scheme or distinguishing characteristic which belongs to City and relates only to the Premises. Upon the Expiration Date or any earlier termination of this Lease, Tenant shall have no further rights to any use of such logos, trademarks, trade names, emblems, insignia, slogans, color schemes or distinguishing characteristics associated with the Premises.

(x) Advertising. Tenant shall at all times during the term of this Lease expend annually not less than the sum of \$45,000, increased annually by the increase in the Adjustment Index, to promote and advertise the Crystal Springs Golf Course. Tenant shall provide an annual written report, on or before January 15 of each Lease Year, detailing and verifying the nature of such advertising and promotion and all expenditures therefor. Upon written request by Tenant, the General Manager, in his or her reasonable discretion, may approve in advance a lower amount in any Lease Year.

(y) Tenant's Staff. Tenant, at its cost, shall maintain an adequate and proper staff with the skills and experience necessary to operate all services to be provided under this Lease. Without limiting the foregoing, Tenant shall employ a qualified Class "A" member of the Professional Golfers of America (or LPGA equivalent) at the Premises and all other appropriate personnel, which may include a superintendent, starters and instructors. Tenant shall discharge any employee whose conduct or activity, in Tenant's reasonable business judgment, shall be deemed to be detrimental or offensive to the public patronizing the Premises.

(z) Covenant Against Soil Erosion. Tenant shall not cause any material erosion of soil on the Premises. Tenant shall not engage in any activity that causes any material change, disturbance, fill, alteration or impairment to the topography of the Premises by placing on it any soil, dredging spoils, landfill, or other material, nor shall Tenant engage in any activity that would change, disturb, alter or impair the significant relatively natural ecological features and values of the Premises, without the prior approval of SFWD.

8 IMPROVEMENTS

8.1 Construction of Improvements. Except as expressly provided in this Lease, Tenant shall not construct or install any Improvements nor make or permit any Alterations in, to or about the Premises, without SFWD's prior written consent in each instance, which SFWD may give or withhold in its sole and absolute discretion. Subject to SFWD's consent as provided above, any permitted Improvements or Alterations shall be done at Tenant's sole expense (i) in strict accordance with plans and specifications approved in advance by SFWD in writing, (ii) by duly licensed and bonded contractors or mechanics approved by SFWD, (iii) in a good and professional manner, (iv) in strict compliance with all Laws, and (v) subject to all other conditions that SFWD may reasonably impose, including, without limitation, provision of such completion security as is acceptable to SFWD. In no event shall the construction or installation of any such Improvements or the making of any Alterations impair the use or operation of the SFWD Facilities, or any portion thereof, or City's access thereto. Prior to the commencement of any work on the Premises to construct any permitted Improvements or make any permitted Alterations, Tenant, at its sole expense, shall procure all required permits and approvals and shall promptly upon receipt deliver copies of all such documents to City. No material change from the plans and specifications approved by SFWD may be made without SFWD's prior consent. City and its Agents shall have the right to inspect the course of such construction at all times. Upon completion of such Improvements or Alterations, Tenant shall furnish City with a complete set of final as-built plans and specifications. If the cost of any

proposed Improvements or Alterations (other than the Required Work or any Improvements or Alterations made pursuant to a Capital Improvement Plan (as defined below)) is in excess of Five Thousand Dollars (\$5,000), Tenant shall pay City an administrative fee equal to five percent (5%) of the total cost of the work.

8.2 Required Work

(a) In City's solicitation for proposals for the lease of the Premises, City required that certain Improvements and Alterations to the Premises be made, and Tenant submitted a formal proposal in response to such solicitation in which Tenant offered to perform, at Tenant's sole cost and expense, certain Improvements and Alterations to the Premises in consideration of the City's leasing of the Premises to Tenant pursuant to this Lease. By the execution of this Lease, City accepts Tenant's proposal to perform, and Tenant hereby agrees to perform, or cause to be performed, the specific Improvements and Alterations to the Premises which are described on Exhibit E attached hereto (the "Required Work"), in accordance with Exhibit E, Section 8.1 and this Section 8.2.

(b) Prior to the commencement of any construction of Improvements or major Alterations which are included in the Required Work, Tenant shall obtain approval of all plans, specifications and construction cost estimates (together, a "Capital Improvement Plan") for such Improvements and Alterations. Accordingly, prior to the Commencement Date Tenant shall cause two sets of schematic plans for such Improvements and Alterations to be prepared and submitted for review and approval by SFWD. Schematic plans shall be prepared by an architect, or landscape architect licensed in the State of California, and shall include: a site layout of the construction sites showing uses, buildings, parking, drainage features, landscape development, floor plans of all structures, simple building elevations, and the architectural theme; a general outline of specifications indicating materials and methods of construction; and a construction cost estimate. Within three(3) months following the approval of the schematic plans, Tenant shall cause two sets of working drawings to be

prepared and submitted for approval by SFWD. Working Drawings shall be prepared by an architect or landscape architect-licensed in the State of California and shall include: complete architectural, landscape and engineering working drawings, detailed site plans showing all Improvements and major Alterations planned for the construction site(s), location of all utilities, drainage plan and grade elevation of all structures; finalized landscape development plan with horticultural palette and irrigation plans; structural, equipment, mechanical and electrical systems; exterior color scheme; a colored rendering; and a detailed construction schedule. Upon approval thereof said working drawings shall be incorporated herein by reference. Elements included in the approved schematic plans shall not be subsequently disapproved in review of the working drawings. Tenant shall, within six (6) months after the approval of the working drawings as provided herein, commence construction of the Required Work and shall diligently pursue and complete same. Tenant shall utilize the services of an architect, licensed by the State of California, for the construction. In no event shall the completion of the Required Work of Improvement and Alterations be extended beyond two (2) years following the Commencement Date. The Required Work shall be deemed to be completed upon acceptance of works of improvements by SFWD as evidenced by the issuance of a Certificate of Occupancy.

(c) Tenant shall have the right to make change orders to the approved working drawings, provided that Tenant shall not approve any material changes from the SFWD-approved plans and specifications and working drawings without SFWD's prior written approval. Where changes require SFWD approval, said approval shall not be unreasonably withheld or delayed and shall be deemed given to the extent such matter is not disapproved within ten(10) business days.

(d) Prior to the Commencement Date, Tenant shall furnish to SFWD suitable evidence of money available, in an amount of not less than One Million Nine Hundred seventy-five Thousand Dollars (\$1,975,000), in order to complete all of the Required Work. Such evidence may take the form of one or more of the following:

(i) A performance bond containing the provisions of a labor and material bond supplied by Tenant's contractor or contractors, provided said bonds are issued jointly to Tenant and City as obligees; or

(ii) An irrevocable letter of credit, or

(iii) Cash deposited in an escrow acceptable to the General Manager, with interest to accrue to Tenant, but with instruction to the escrow agent to the effect that until construction is completed, funds deposited in the escrow may not be released or pledge without the General Manager's written approval; or

(iv) Such other form acceptable to the City Attorney of City; or

(v) Any combination of the above. All bonds and letters of credit must be issued by a company qualified to do business in the State of California and shall remain in effect until the entire cost of the Required Work has been paid in full. All bonds shall be issued by a responsible surety company with a financial strength and credit rating acceptable to the General Manager.

The foregoing shall be a condition precedent to the effectiveness of this Lease for the sole benefit of City. If such condition precedent is not satisfied before the Commencement Date, the General Manager, on behalf of City, shall have the right in its sole discretion either to waive it in writing (provided that the General Manager may reserve the right to require that such condition be satisfied after the Commencement Date) or, alternatively, terminate this Lease.

(e) Tenant shall submit the name of its proposed general contractor to SFWD for approval at least thirty (30) days prior to the estimated date of commencement of construction of the Required Work, and SFWD shall approve or disapprove such contractor within ten (10) days of submission. At least fifteen

(15) days prior to the estimated date of commencement of construction, Tenant shall submit to SFWD for approval copies of the proposed construction contract with the approved general contractor, such approval not to be unreasonably withheld. If SFWD fails to approve the proposed construction contract within fifteen (15) days of its receipt thereof, the construction contract shall be deemed approved. Construction shall be performed in accordance with the approved construction contract. The construction contract shall give City the right, but not the obligation, to assume Tenant's rights and obligations thereunder upon an Event of Default by Tenant under this Lease.

(f) Upon completion of the Required Work, Tenant shall furnish the City with one (1) complete set of as-built construction drawings on mylar or its equivalent acceptable to the City. Said drawings shall include but not be limited to: all circuit breakers, mechanical equipment, switches, plumbing and fire sprinkler section and main valves shall be plainly labeled and a master index shall be provided; operating manuals for all building equipment and systems; and copies of all written warranties.

(g) It is understood that the construction required herein, may, at the discretion of Tenant be constructed in phases, each phase being separated from the other by a period of time to be determined by Tenant. However, the nature of the construction to be performed in each phase, the completion date of each phase, and the time interval between phases shall be subject to review and approval by SFWD. In the event the Required Work shall be phased as herein provided, and subject to the provisions of subsection (k) herein, diligent pursuit thereof shall require commencement of each phase on or before the date selected for commencement thereof, and shall require completion of the Required Work on or before two (2) years after the Commencement Date.

(h) Tenant agrees that City may have on the site at any time during the construction period an inspector who shall have the right of access to the premises and the construction work. Tenant, at the commencement of the Required Work, shall

notify the City in writing of the identity, place of business and telephone number of Tenant's on-the-job representative. Said representative shall be Tenant's prime consultant for the inspector. City shall have the right to post any applicable notices of nonresponsibility on the Premises.

(i) Tenant shall construct, perform, complete and maintain all construction and installations covered by this Lease in a good and workmanlike manner and with quality materials, and shall furnish all tools, equipment, labor and material necessary to perform and complete the same. Upon termination of this Lease, whether by expiration of term or cancellation, Tenant shall assign to City all express warranties furnished by other persons in connection with the provision of labor and/or material to the works of Improvement covered by this Lease.

(j) The parties agree that any delay in the construction due to fire, earthquake, war, weather, non-availability of supplies or materials, labor dispute or other similar events beyond the reasonable control of Tenant shall extend the time in which said construction must be completed by the length of time of such delay.

8.3 Capital Improvement Program

(a) Beginning on the date which is ninety (90) days prior to the Commencement Date, Tenant shall establish and maintain a separate, interest-bearing account (the "Capital Improvement Fund"). Tenant shall, on or before the twentieth day of each month, deposit an amount into the Capital Improvement Fund equal to (i) two (2%) of the Gross Revenues from the preceding month generated during the final ninety days of that certain Management Agreement by and between Tenant and City, dated April 1, 1996 (the "Management Agreement"), (ii) six percent (6%) of the Gross Revenues from the preceding month in Lease Years 1 through 5, and (iii) two percent (2%) of the Gross Revenues from the preceding month in Lease Years 6 through 20. Such funds are to be held by Tenant in trust for the benefit of the City's interest in the Premises, including its reversionary interest in the Premises upon the expiration or earlier

termination of this Lease. Interest earned on funds held in such account shall become part of the Capital Improvement Fund and all amounts remaining in the Capital Improvement Fund at the end of the Term or any earlier termination of this Lease shall be remitted to City.

(b) Funds held in the Capital Improvement Fund shall be used exclusively for the repair and replacement of capital items, including Improvements, fixtures, furniture or equipment, which are needed to repair or replace, over time, capital items which are subject to wearing out after a useful life and which are included in, located on or used in connection with the Premises, and which if not maintained or repaired, could adversely affect the City's interest in the Premises, including its reversionary interest in the Premises upon the expiration or earlier termination of this Lease. Construction of any such capital improvements shall be conducted in accordance with all provisions of Section 8.1. Funds held in the Capital Improvement Fund may be expended only in accordance with a Capital Improvement Plan approved by City in accordance with Section 8.3(c), and may not be expended for any of the Required Work.

(c) Within the first thirty days of start of the second Lease Year and every second Lease Year thereafter, Tenant shall submit to City a bi-annual plan for the use of the Capital Improvement Fund moneys in the subsequent two Lease Years (each, a "Capital Improvement Plan"). Each Capital Improvement Plan shall include the description of each improvement project, estimated improvement cost and the projected time frame for commencement and completion of each project. Each Capital Improvement Plan shall have, as an attachment, documentation showing the expenditures made during the previous two years (date of purchase or lease, amounts expended, descriptive material, and, as appropriate, serial numbers on equipment leased or purchased). City shall review each Capital Improvement Plan and shall not unreasonably withhold its consent thereto. City may also propose additions or deletions to any Capital Improvement Plan. Tenant agrees to consult with City during the first fifteen days of City's review period to explain any Capital Improvement Plan. The failure of City to respond within sixty

days of delivery of any proposed Capital Improvement Plan shall be deemed to be the consent of City to such plan.

(d) If capital improvements are expressly required in accordance with any approved Capital Improvement Plan (as distinguished from improvements which are merely being considered or desired) and insufficient funds remain in the Capital Improvement Fund with which to make such capital improvements, then Tenant agrees to use its best efforts to provide the necessary funds. Any funds so provided shall be advanced to the Capital Improvement Fund by Tenant and shall bear interest from the date so advanced until repaid at the then-applicable prime rate.

(e) Notwithstanding anything to the contrary in this Lease, the Parties anticipate a new irrigation system will be installed in the sixth Lease Year, in accordance with Section 8.1. Tenant may use amounts deposited in the Capital Improvement Fund, to the extent authorized by City, to pay for the new irrigation system. Failure by Tenant to build such irrigation system to the reasonable satisfaction of SFWD within eight (8) years of the Effective date shall be an Event of Default under this Lease.

(f) Notwithstanding the provisions hereof, Tenant shall be entitled to be reimbursed from the Capital Improvements Fund for any expense incurred by Tenant prior to the accumulation of funds for such expenses in the Capital Improvement Fund if, and to the extent, such expenses otherwise meet the requirements of this Section 8.3.

8.4 Ownership of Improvements. Any Improvements or Alterations constructed on or affixed to the Premises by or on behalf of Tenant pursuant to the terms and limitations of Section 8.1, 8.2 or 8.3 above shall be and remain City's property. Upon the Expiration Date or any earlier termination hereof, Tenant shall surrender all Improvements and Alterations without any further action by either party, without any obligation by City to pay any compensation therefor to Tenant and without the necessity of any deed from Tenant to City. However, in the event that

SFWD, at its sole option and without limiting any of the provisions of Section 8.1, 8.2, or 8.3 above, requires as a condition to approval of any Improvements or Alterations that Tenant remove such Alterations or Improvements from the Premises upon the expiration or termination of this Lease, Tenant shall do so in accordance with the provisions of Section 21.1 hereof.

8.5 Tenant's Personal Property. All furniture, furnishings and articles of movable personal property and equipment installed in the Premises by or for the account of Tenant that can be removed without structural or other material damage to the Premises (all of which are herein called "Tenant's Personal Property") shall be and remain the property of Tenant and may be removed by it subject to the provisions of Section 21.1 hereof. At least ten (10) days prior to delinquency, Tenant shall pay all taxes levied or assessed upon Tenant's Personal Property and shall deliver satisfactory evidence of such payment to City. All of Tenant's Personal Property shall be removed by Tenant on or prior to the date of termination of this Lease or of any extension thereof. Prior to the commencement of operation, a list of trade fixtures to be included in Tenant's Personal Property shall be submitted in writing to City by Tenant. To the fullest extent permitted by applicable law, City is hereby granted a lien and security interest in the Capital Improvement Fund and all of Tenant's Personal Property (including, without limitation, inventory) now or hereafter placed in or upon the Premises, and such lien and security interest shall remain attached to Tenant's Personal Property until payment in full of all Rent and satisfaction of all of Tenant's obligations hereunder; provided, however, that City shall subordinate its lien and security interest in any portion of Tenant's Personal Property to that of any non-affiliate of Tenant which finances such portion of Tenant's Personal Property or any non-affiliate conditional seller of such portion of Tenant's Personal Property, the terms and conditions of such subordination to be satisfactory to City in its reasonable discretion. Tenant shall, upon the request of City, execute such financing statements or other documents or instruments reasonably requested by City to perfect the lien and security interests herein granted.

9 REPAIRS AND MAINTENANCE

9.1 Tenant Responsible for Maintenance and Repair. Tenant assumes full and sole responsibility for the condition, operation, repair and maintenance and management of the Premises and any permitted Improvements or Alterations from and after the Commencement Date. City shall not under any circumstances be responsible for the performance of any repairs, changes or alterations to the Premises or any adjoining property (including, without limitation, access roads, utilities and other infrastructure serving the Premises), nor shall City be liable for any portion of the cost thereof. Tenant shall make all repairs and replacements, interior and exterior, structural as well as non-structural, ordinary as well as extraordinary, foreseen and unforeseen, that may be necessary to maintain the Premises and any permitted Improvements at all times in clean, safe, attractive and sanitary condition, in good order and repair, and in a condition appropriate for a first class golf course, all to City's reasonable satisfaction. Maintenance should be in accordance with, but not limited to the guidelines attached hereto as Exhibit G. If any portion of the Premises or any of City's property located on or about the Premises is damaged by any of the activities conducted by Tenant or its Agents or Invitees hereunder, Tenant shall immediately, at its sole cost, repair any and all such damage and restore the Premises or City's property to its previous condition.

9.2 Utilities. City has no responsibility or liability of any kind with respect to any utilities that may be on or about the Premises. Tenant has the sole responsibility to locate such utilities and protect them from damage. Tenant shall make all arrangements directly with the utility companies for, and shall pay for, any and all utilities and services furnished to or used by it, including, without limitation, gas, electricity, water, sewage, telephone service, trash collection, and janitorial service, and for all deposits, connection and installation charges. Tenant shall be responsible for installation and maintenance of all facilities required in connection with such utility services. The Parties agree that any and all utility Improvements proposed by Tenant shall be subject to the

provisions of Section 8.1 and that all utility improvements (whether now existing or hereafter installed) shall be deemed part of City's real property, and not personal property or trade fixtures of Tenant, regardless of how or when they were acquired or installed. During the Term, Tenant shall be obligated to repair and maintain any and all utility systems and improvements located on or within the Premises (except for the SFWD Facilities) in good operating condition. City shall not be liable for any failure or interruption of any utility service furnished to the Premises, and no such failure or interruption shall entitle Tenant to any abatement in Rent or to terminate this Lease.

9.3 No Right to Repair and Deduct. Tenant expressly waives the benefit of any existing or future Law or judicial or administrative decision that would otherwise permit Tenant to make repairs or replacements at City's expense, or to terminate this Lease because of City's failure to keep the Premises or any adjoining property (including, without limitation, access roads, utilities and other infrastructure serving the Premises) or any part thereof in good order, condition or repair, or to abate or reduce any of Tenant's obligations hereunder on account of the Premises or any adjoining property (including, without limitation, access roads, utilities and other infrastructure serving the Premises) or any part thereof being in need of repair or replacement. Without limiting the foregoing, Tenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 or any similar Laws with respect to any right of Tenant to terminate this Lease and with respect to any obligations of City for tenantability of the Premises and any right of Tenant to make repairs or replacements and deduct the cost thereof from Rent.

10 LIENS

Tenant shall keep the Premises and all of City's property free (including, without limitation, the SFWD Facilities) from any liens arising out of any work performed, material furnished or obligations incurred by or for Tenant. In the event Tenant does not, within five (5) days following the imposition of any

such lien, cause the lien to be released of record by payment or posting of a proper bond, City shall have in addition to all other remedies provided herein and by Law or equity the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by City and all expenses it incurs in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to City by Tenant upon demand. City shall have the right at all times to post and keep posted on the Premises any notices permitted or required by Law or that City deems proper for its protection and protection of the Premises and City's property, from mechanics' and materialmen's liens. Tenant shall give City at least fifteen (15) days' prior written notice of the commencement of any repair or construction on any of the Premises. Notwithstanding the foregoing, Tenant shall have the right, upon posting of an adequate bond or other security acceptable to the General Manager, to contest any such lien, and in such case City shall not seek to satisfy or discharge such lien unless Tenant has failed to do so within ten (10) days after final determination of the validity thereof. Tenant shall Indemnify City, the other Indemnified Parties and the Premises against any and all Losses arising out of any such contest.

11 COMPLIANCE WITH LAWS

11.1 Compliance with Laws. Tenant shall promptly, at its sole expense, maintain the Premises and Tenant's use and operations thereon in strict compliance at all times with all present or future Laws, whether foreseen or unforeseen, ordinary as well as extraordinary, including, without limitation, all Laws relating to health and safety and disabled accessibility including, without limitation, the Americans with Disabilities Act, 42 U.S.C.S. §§ 12101 et seq. and Title 24 of the California Code of Regulations, all Laws relating to seismic repair, reinforcement or retrofitting, and all Environmental Laws, including, without limitation, all Laws with respect to asbestos and underground or above-ground storage tanks containing Hazardous Materials. The parties acknowledge and agree that Tenant's obligation to comply with all Laws as provided herein is

a material part of the bargained-for consideration under this Lease. Tenant's obligations under this Section 11.1 shall include, without limitation, the responsibility of Tenant to make substantial or structural repairs and Alterations to the Premises (including any Improvements) at Tenant's sole expense (except to the extent such Alterations are included in any approved Capital Improvement Plan, in which event the cost thereof may be paid from the Capital Improvement Fund in accordance with Section 8.3), regardless of, among other factors, the relationship of the cost of curative action to the Rent under this Lease, the length of the then remaining Term hereof, the relative benefit of the repairs to Tenant or City, the degree to which the curative action may interfere with Tenant's use or enjoyment of the Premises, the likelihood that the parties contemplated the particular Law involved, and whether the Law involved is related to Tenant's particular use of the Premises. No occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant from its obligations hereunder, or shall give Tenant any right to terminate this Lease in whole or in part or to otherwise seek redress against City. Tenant waives any rights nor or hereafter conferred upon it by any existing or future Law to terminate this Lease, to receive any abatement, diminution, reduction or suspension of payment of Rent, or to compel to City to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

11.2 Regulatory Approvals.

(a) Responsible Party. Tenant understands and agrees that Tenant's use and operation of the Premises and construction of the Improvements and Alterations permitted hereunder may require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises. Tenant shall be solely responsible for obtaining any and all such regulatory approvals. Tenant shall not seek any regulatory approval without first obtaining the written consent of the SFWD. Tenant shall bear all costs associated with applying for, obtaining and maintaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and

all conditions imposed by regulatory agencies as part of a regulatory approval. Any fines or penalties levied as a result of Tenant's failure to comply with the terms and conditions of any regulatory approval shall be immediately paid and discharged by Tenant, and City shall have no liability, monetary or otherwise, for any such fines or penalties. Tenant shall Indemnify City, and the other Indemnified Parties against all Losses arising in connection with Tenant's failure to obtain or comply with the terms and conditions of any regulatory approval.

(b) City Acting as Owner of Real Property. Tenant further understands and agrees that City, acting by and through its PUC, is entering into this Lease in its capacity as a property owner with a proprietary interest in the Premises and not as a regulatory agency with police powers. Nothing in this Lease shall limit in any way Tenant's obligation to obtain any required approvals from City departments, boards or commissions having jurisdiction over the Premises. By entering into this Lease, City is in no way modifying or limiting Tenant's obligation to cause the Premises or any permitted Improvements to be used and occupied in accordance with all applicable Laws, as provided further above.

11.3 Compliance with City's Risk Management Requirements. Tenant shall not do anything, or permit anything to be done, in or about the Premises or any Improvements permitted hereunder that would create any unusual fire risk or subject City to any actual or potential liability. Tenant shall faithfully observe, at its expense, any and all reasonable requirements of City's Risk Manager with respect thereto and with the requirements of any policies of public liability, fire or other policies of insurance at any time in force with respect to the Premises and any Improvements as required hereunder.

11.4 Reports. Tenant shall submit a report and provide such documentation to City as City may from time to time request regarding Tenant's operations and evidencing compliance thereof with this Lease and all Laws.

12 FINANCING; ENCUMBRANCES; SUBORDINATION

12.1 Encumbrance of Landlord's Fee Interest. The following provisions shall apply notwithstanding anything to the contrary contained in this Lease.

(a) Encumbrance by City. To the extent permitted by applicable Law, City may at any time sell or otherwise transfer or encumber its fee estate in any portion of the Premises provided that (i) any such sale or Encumbrance shall be subject and subordinate to all of the terms of this Lease and the leasehold estate created hereby, (ii) the right of possession of Tenant to the Premises shall not be affected or disturbed by any such sale or Encumbrance, or by the exercise of any rights or remedies by any purchaser or Encumbrancer arising out of any instrument reflecting such sale or Encumbrance so long as no Event of Default or Unmatured Event of Default is outstanding hereunder.

(b) Encumbrance By Tenant. Tenant shall not under any circumstances whatsoever Encumber in any manner the Landlord's interest in the Premises, the SFWD Facilities, City's estate in the Premises or any adjoining property, City's interest under this Lease, or any portion thereof.

12.2 Leasehold Encumbrances. Tenant may, upon the prior written consent of the PUC, which shall not be unreasonably withheld or delayed, Encumber Tenant's interest in this Lease and assign or pledge assignment of the same as security for any debt, subject to the terms and conditions of this Section below. Any such Encumbrance must satisfy each of the following conditions: (1) the Encumbrance shall not affect or become a lien on the Premises, the SFWD Facilities, City's estate in the Premises, City's interest under this Lease, or any portion thereof, and (2) the Encumbrance and all rights acquired thereunder shall be subject and subordinate to the terms, covenants and conditions of this Lease and to all rights and interests of City hereunder. Promptly upon written request from Tenant, Landlord shall execute and deliver a Consent to Leasehold Trust Deed in substantially the form of Exhibit H attached hereto.

(a) Tenant shall give City prior written notice of such Encumbrance and shall deliver to City a true and accurate copy of the final Encumbrance documents and any amendment, modification or extension thereof, together with the name and address of the Encumbrancer. During the continuance of the Encumbrance until such time as the lien thereof has been paid in full, the following provisions shall apply:

(i) Provided City has written notice of any Encumbrancer permitted hereunder, City shall provide written notice to such Encumbrancer of any default by Tenant at the same time as notice of default is provided to Tenant;

(ii) If the Encumbrancer, upon any Unmatured Event of Default by Tenant (or upon any Event of Default as provided in subsection (iv) below), pays the Rent and performs all of the other obligations of this Lease to be paid or performed by Tenant in accordance with the provisions hereof, the Encumbrancer may enter into possession of the Premises subject to the Encumbrancer's assuming in writing all Tenant's obligations under this Lease for the remaining period of the Term;

(iii) In the event the Encumbrancer acquires all or any part of Tenant's interest in this Lease by foreclosure, assignment in lieu thereof, or as a result of any other action or remedy provided for by the Encumbrance, or by applicable Law, the Encumbrancer shall take Tenant's interest in the Premises subject to all of the provisions of this Lease and City's rights hereunder, and shall, so long as it shall be the owner in possession of the leasehold estate, assume personally the obligations of this Lease to be performed on the part of Tenant from and after the date Encumbrancer acquires such interest;

(iv) City shall not terminate this Lease on account of any Unmatured Event of Default on Tenant's part if, within thirty (30) days after the Unmatured Event of Default by Tenant, the Encumbrancer shall:

1) Cure the default if the same can be cured by the payment of money or, if the default is not susceptible to such cure, if the Encumbrancer commences and thereafter diligently pursues termination or foreclosure or power of sale pursuant to the Encumbrance in the manner provided by Law; and

2) From and after the date of commencement of termination or foreclosure or sale perform all obligations required to be paid and performed by Tenant hereunder until such time as the interest in this Lease, the subject of the Encumbrance, shall be sold upon foreclosure or by exercise of a power of sale pursuant to the Encumbrance, or until the Encumbrance shall be otherwise released or reconveyed.

(v) Notwithstanding anything to the contrary in this Lease, termination or foreclosure of an Encumbrance or any sale thereunder, whether by judicial proceedings or exercise of power of sale in the Encumbrance or any conveyance of Tenant's leasehold interest and its interest in the Improvements from Tenant to the Encumbrancer through or in lieu of foreclosure, shall not require the consent of City nor constitute an Event of Default under this Lease. Upon such termination, foreclosure, sale or conveyance, City shall recognize the Encumbrancer or any purchaser at a foreclosure sale as the tenant under this Lease. In the event the Encumbrancer becomes the tenant hereunder, the Encumbrancer shall attorn to and be bound to City.

(b) Upon recordation of the Encumbrance, Tenant shall cause to be recorded in the Official Records a request that City receive written notice of any default or notice of sale with respect to the Encumbrance.

(c) Except as provided herein, no foreclosure, assignment or sale of Tenant's leasehold estate or assumption of the obligations of City hereunder by the Encumbrancer or acceptance of Rent by City from the Encumbrancer shall relieve Tenant from liability hereunder.

(d) Tenant shall reimburse City on demand for any reasonable costs that may be incurred by City in connection with any proposed Encumbrance, including, without limitation, the costs of reviewing documents and attorneys' fees.

13 DAMAGE OR DESTRUCTION

13.1 Damage or Destruction to the Premises or Improvements.

In the case of damage to or destruction of the Premises or Improvements by fire or any other casualty, whether insured or uninsured, Tenant shall, at its sole cost and with reasonable promptness and diligence, restore, repair, replace or rebuild the Premises as nearly as possible to the same condition, quality and class the Premises and Improvements were in immediately before such damage or destruction, unless such damage or destruction was caused solely and directly by the gross negligence or willful misconduct of City or its Agents.

13.2 Abatement in Rent. The Base Rent and Additional Charges payable hereunder during the period from the date of the casualty until completion of the restoration, repairs, replacement or rebuilding shall be abated, but only to the extent of the net amount actually received by City under the rental interruption insurance referred to in Section 18.1(a); provided, however, Tenant shall be entitled to abatement of Base Rent in the event of, and for so long as, damage to or closure of Highway 280 or access from Highway 280 to the Premises materially interferes with access to the Premises by Tenant's customers, provided however, under no event shall such abatement of Base Rent exceed a period of twelve (12) months.

13.3 Waiver. The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of any damage or destruction of the Premises or Improvements, and City and Tenant each hereby waives and releases any right to terminate this Lease in whole or in part under Sections 1932.2 and 1933.4 of the Civil Code of California or under any similar Laws now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

14 EMINENT DOMAIN

14.1 General. If during the Term or during the period between the execution of this Lease and the Commencement Date, any Taking of all or any part of the Premises or any interest in this Lease occurs, the rights and obligations of the Parties hereunder, and, to the extent applicable, Tenant's Encumbrancer, shall be determined pursuant to this Section. City and Tenant intend that the provisions hereof govern fully in the event of a Taking and accordingly, the Parties each hereby waives any right to terminate this Lease in whole or in part under Sections 1265.120 and 1265.130 of the California Code of Civil Procedure or under any similar Law now or hereafter in effect.

14.2 Total Taking; Automatic Termination. If a Total Taking of the Premises occurs, then this Lease shall terminate as of the Date of Taking. For purposes of this Section 14 a "Total Taking" shall occur when the whole of the Premises shall be permanently taken by exercise of the right of eminent domain or if so much of the area of the Golf Course is taken that it is not reasonably feasible to operate a golf course in the Premises, or at Tenant's election, where the fair market value of the Premises as a golf course as a consequence of the Taking is seventy-five percent (75%) or less after the Taking then before the Taking. In the event of a Total Taking, Tenant shall continue to pay Rent hereunder and observe all of the terms and conditions of this Lease until the Date of Taking, but not thereafter, provided that Tenant and City shall remain subject to those provisions of this Lease which expressly survive the termination of this Lease.

14.3 Partial Taking. In case of a condemnation of a portion of the Premises that is not a Total Taking (a "Partial Taking"), this Lease shall remain in full force and effect as to the portion of the Premises remaining immediately after such taking, without any abatement or reduction of Rent (other than Base Rent, as set forth below) or any other sum payable hereunder, and, Tenant shall promptly repair, reconstruct and restore the Premises so as to render the same as nearly as possible a complete and satisfactory architectural unit of the same type and

class immediately preceding such Partial Taking. In the event of a Partial Taking, Tenant and any Tenant's Encumbrancer shall be entitled to participate in such condemnation proceedings if, and to the extent, Tenant and/or Tenant's Encumbrancer is entitled to any award or compensation as provided herein.

Effective as of the date of any such Partial Taking, the Base Rent payable by Tenant during the remainder of the term of this Lease shall be reduced in proportion to the reduction in the fair market value of the Premises as a golf course as a consequence of such Partial Taking, provided however, that in no event shall the monthly Base Rent be reduced to less than seventy-five percent (75%) of the monthly Base Rent immediately prior to the Date of Taking. Any Base Rent becoming due and payable hereunder between the date of any such Partial Taking and the date of final determination of the amount of the Base Rent reduction, if any, to be made in respect thereof, shall, subject to correction upon such final determination, be temporarily adjusted so that Tenant shall pay, in the interim, as Base Rent, a sum of money equal to such portion of the then current Base Rent as shall be reasonably estimated by Landlord in accordance with the foregoing proportion formula; provided, however, that after such final determination, Landlord, within fifteen (15) days after Tenant's request, shall pay to Tenant an amount equal to the amount by which any Base Rent theretofore paid by Tenant for such interim period shall exceed the amount of the Base Rent for such period as so finally determined; and provided further, that in the event such final determination shall disclose that the Base Rent paid during such interim period was at a rate less than that finally determined, Tenant covenants and agrees to pay the deficiency as Rent within fifteen (15) days after Landlord's request therefor.

14.4 Collection and Distribution of Condemnation Awards.

If this Lease shall terminate pursuant to the provisions of Section 14.2 or if there is a Partial Taking as described in Section 14.3, the total award in the condemnation proceedings for the taking shall be apportioned and paid, to the extent available, in the following order of priority:

(a) Landlord and Tenant shall be entitled to their expenses and charges, including, without limitation, reasonable attorneys' fees incurred in connection with the prosecution of their respective claims with the condemning authority;

(b) If the taking is a Partial Taking, from the remaining portion of the award attributable to Tenant's use or occupancy of the Premises, Tenant shall be paid the cost of restoring the affected portion of the Premises, provided Tenant actually so restores the Premises;

(c) From the remaining portion of the award, Landlord shall be entitled to an amount equal to the value, on the date of the taking, of its reversionary interest in the whole or the affected portion of the Premises taken;

(d) From the remaining portion of the award, Tenant's Encumbrancer shall be paid the amount of any indebtedness then owed by Tenant to Tenant's Encumbrancer up to the value of the Tenant Improvements or portion thereof taken and not restored, valued as of the date of the taking, less the value of the Landlord's reversionary interest in the Tenant Improvements;

(e) From the remaining portion of the award (i) Landlord shall be paid the value of its reversionary interest in all of the Required Work or other improvements made by Tenant pursuant to Article 8 ("Tenant Improvements") on the Premises or that portion thereof taken and not restored, such reversionary interest being determined on the basis of the unexpired Term and (ii) Tenant shall be entitled to an amount equal to the value, on the date of the taking, of its remaining interest in the leasehold of the Premises, such remaining interest being determined on the basis of the unexpired Term, provided, however, if there is not sufficient funds available to pay all of the amounts provided for in this subparagraph (e), Landlord and Tenant shall share the amounts pro rata based upon the amounts they would have been entitled to under clauses (i) and (ii) if sufficient funds were available; and

(f) Lastly, any remaining portion of the award shall be paid to Landlord.

Tenant shall also be entitled to apply for a separate award made with respect to a taking of its Personalty and/or to compensate Tenant for Tenant's loss of good will and its removal or relocation costs, so long as such award does not otherwise reduce Landlord's award.

14.5 Temporary Taking. If the temporary use of the whole or any part of the Premises shall be taken by any lawful power or authority by the exercise of the right of condemnation or eminent domain, or by agreement between Tenant and those authorized to exercise such right, Tenant shall promptly so notify Landlord, the Term shall not be reduced or affected in any way, Tenant shall continue to pay in full the Rent and other charges herein reserved, without reduction or abatement, and, except to the extent that Tenant is prevented from so doing by reason of any order of the condemning authority, shall continue to perform and observe all of the other covenants, conditions and agreements of this Lease to be performed or observed by Tenant as though such taking had not occurred; and Tenant shall be entitled to receive for itself any and all awards or payments attributable to Tenant's use or occupancy of the Premises during the Term; provided, however, that if possession of the whole or any such part of the Premises as shall have been taken for such temporary use shall revert to Tenant prior to the expiration or earlier termination of the Term, Tenant promptly shall, at Tenant's sole cost and expense, repair any damage to the Premises, or any part thereof, resulting from such taking and shall restore the Tenant Improvements as nearly as may be reasonably possible to the condition existing prior to the taking. The proceeds of any award or payment, up to the total rent owing by Tenant for the period of the Taking, shall be made available for such restoration and shall be paid to Tenant for such purposes. City shall be entitled to receive the balance of any award.

14.6 Award of Subtenants. Any provision in the Article 14 to the contrary notwithstanding, in the event any subtenant, licensee or concessionaire of Tenant or anyone hold under Tenant

shall become entitled to any portion of the award or awards in any condemnation proceedings or by the exercise of any right to eminent domain as provided in this Lease, such award or the aggregate thereof, together with any additional sums to which any such Person, its legal representatives, successors or assigns shall become entitled in connection therewith, shall be deducted entirely from the share of Tenant in each and every instance, and Landlord's share not in any way or in any instance be affected or decreased thereby.

14.7 Participation in Eminent Domain Process. Landlord shall not prevent Tenant from participating in any eminent domain proceeding to the extent participation is provided for or otherwise available under applicable law and is consistent with the terms and conditions of this Section 14.

14.8 Eminent Domain Proceeds Initiated by City. The provisions of this Article 14 shall not apply to any eminent domain proceeding initiated in respect of Tenant's interest in the Premises of the City. Any such eminent domain proceedings initiated by the City shall be treated as a breach of the Lease by the City.

15 ASSIGNMENT AND SUBLETTING

15.1 Restriction on Assignment and Subletting. Subject to Section 12.2 above relating to Leasehold Encumbrances, except as expressly and specifically provided in Section 15.7, Tenant shall not directly or indirectly (including, without limitation, by merger, acquisition or other transfer of any controlling interest in Tenant), voluntarily or by operation of Law, sell, assign, encumber, pledge or otherwise transfer any part of its interest in or rights with respect to the Premises, any Improvements or its leasehold estate hereunder (collectively, "Assignment"), without the PUC's prior written consent, which the PUC shall not unreasonable withhold, or permit any portion of the Premises or any Improvements to be occupied by anyone other than itself, or sublet any portion of the Premises or any permitted Improvements thereon (collectively, "Sublease"), without the PUC's prior written consent in each instance, which the PUC may grant or

withhold in its sole and absolute discretion, and, in each case, subject to the provisions of this Article 15.

15.2 Notice of Proposed Transfer. If Tenant desires to enter into an Assignment or a Sublease, then it shall give written notice (a "Notice of Proposed Transfer") to City of its intention to do so. The Notice of Proposed Transfer shall identify the Transferee and state the terms and conditions under which Tenant is willing to enter into such proposed Assignment or Sublease, including a copy of the proposed Assignment or Sublease agreement. Tenant shall provide City with financial statements for the proposed Transferee and such additional information regarding the proposed Transfer as City may reasonably request.

15.3 City's Response; Adjustments in Base Rent.

(a) Notwithstanding the foregoing, if any Event of Default or Unmatured Event of Default by Tenant is outstanding hereunder at the time of Tenant's Notice of Proposed Transfer, then the PUC may elect by notice to Tenant to refuse to consent to Tenant's proposed Transfer and pursue any of its rights or remedies hereunder or at Law or in equity.

(b) In the event of an Assignment by Tenant to an independent third-party which is not owned or controlled by Tenant, John C. Telischak or Thomas B. Isaak, the Base Rent applicable under this Lease shall be increased, if at all, to a sum which is ninety percent (90%) of the average of the Rent paid in each Lease Year for the five (5) Lease Years prior to the Lease Year in which the Assignment is to take effect. Thereafter, the Base Rent, as adjusted, shall continue to be adjusted as provided pursuant to Section 5.2 above.

15.4 Effect of Transfer. No Sublease or Assignment by Tenant nor any consent by City or the PUC thereto shall relieve Tenant, or any guarantor, of any obligation to be performed by Tenant under this Lease. Any Sublease or Assignment that is not in compliance with this Article shall be void and, at the General Manager's option, shall constitute a material Event of Default by Tenant under this Lease. The acceptance of any Rent or other

payments by City from a proposed Transferee shall not constitute consent to such Sublease or Assignment by City or the PUC or a recognition of any Transferee, or a waiver by City or the PUC of any failure of Tenant or other transferor to comply with this Article.

15.5 Assumption by Transferee. Each Transferee shall assume all obligations of Tenant under this Lease and shall be and remain liable jointly and severally with Tenant for the payment of Rent, and for the performance of all of the terms, covenants and conditions to be performed by Tenant under this Lease. No Assignment shall be binding on City unless Tenant or Transferee shall deliver to City a counterpart of the Assignment and an instrument in recordable form that contains a covenant of assumption by such Transferee satisfactory in substance and form to the General Manager, and consistent with the requirements of this Article. However, the failure or refusal of such Transferee to execute such instrument of assumption shall not release such Transferee from its liability as set forth above. Tenant shall reimburse City on demand for any reasonable costs that may be incurred by City in connection with any proposed Transfer, including, without limitation, the costs of making investigations as to the acceptability of the proposed Transferee and legal costs incurred in connection with the granting of any requested consent.

15.6 Indemnity for Relocation Benefits. Without limiting Section 15.5, Tenant shall cause any Transferee to expressly waive entitlement to any and all relocation assistance and benefits in connection with this Lease. Tenant shall Indemnify City and the other Indemnified Parties for any and all Losses arising out of any relocation assistance or benefits payable to any Transferee.

15.7 Permitted Transfer. Notwithstanding anything to the contrary above, City agrees that Tenant shall be permitted to enter into an Assignment of this Lease or Sublease of the entirety of the Premises, without City's prior consent and without the adjustment of Base Rent provided for in Section 15.3(b) above, but with notice to City as provided below, to any

Affiliate of Tenant, so long as such Affiliate (i) has a net worth equal to or greater than that of Tenant at the time of the Transfer, (ii) will use the Premises in the same manner as Tenant under this Lease and has all permits, licenses and approvals necessary to operate the Premises lawfully and (iii) assumes Tenant's obligations hereunder as provided in Section 15.6 above.

Tenant shall provide City with at least thirty (30) days' prior written notice of any such permitted Transfer.

15.9 Courseco. The Parties acknowledge and agree that Tenant has entered into a separate management agreement with Courseco, Inc., a California corporation ("Courseco"), in form and substance satisfactory to City (the "Courseco Agreement"), pursuant to which Tenant will contract with Courseco to manage the daily operations of the Premises and supervise the operations and the employees at the Premises, all in accordance with the terms and conditions of this Lease. The Parties acknowledge that City is relying on the special skill, experience and expertise of Courseco and the principals and employees of Courseco as a material consideration for entering into this Lease. Accordingly, Tenant shall not terminate, amend, or allow the expiration or termination of the Courseco Agreement, or any change in "control" (as defined in Section 2.4) of Courseco, during the Term without the prior written consent of City, which consent shall be governed by this Article 15 when such action is in connection with an Assignment.

16 DEFAULT; REMEDIES

16.1 Events of Default. Any of the following shall constitute an event of default ("Event of Default") by Tenant hereunder:

(a) Rent. Any failure to pay any Rent or other sums as and when due, provided Tenant shall have a period of three (3) days from the date of written notice of such failure from City within which to cure any default in the payment of Rent or other sums; provided, however, that City shall not be required to provide such notice regarding Tenant's failure to make such

payments when due more than twice during any calendar year, and any such failure by Tenant after Tenant has received two such notices in any calendar year from City shall constitute a default by Tenant hereunder without any requirement on the part of City to give Tenant notice of such failure or an opportunity to cure except as may be required by Section 1161 of the California Code of Civil Procedure;

(b) Capital Improvement Fund. Failure to make any required deposit into the Capital Improvement Fund as required by Section 8.3, or any withdrawal from the Capital Improvement Fund which is not in accordance with Section 8.3.

(c) Covenants, Conditions and Representations. Any failure to perform or comply with any other covenant, condition or representation made under this Lease, provided Tenant shall have a period of fifteen (15) days from the date of written notice of such failure from City within which to cure such default under this Lease, or, if such default is not capable of cure within such 15-day period, Tenant shall have a reasonable period to complete such cure if Tenant promptly undertakes action to cure such default within such 15-day period and thereafter diligently prosecutes the same to completion and Tenant uses its best efforts to complete such cure within sixty (60) days after the receipt of notice of default from City; provided, however, that upon the occurrence during the Term of two (2) defaults of the same obligation City shall not be required to provide such notice regarding Tenant's failure to perform such obligation, and any subsequent failure by Tenant after Tenant has received two such notices shall constitute a default by Tenant hereunder without any requirement on the part of City to give Tenant notice of such failure or an opportunity to cure;

(d) Termination or Amendment of Courseco Agreement. Termination, expiration or amendment of the Courseco Agreement, or a change in control of Courseco, without City's prior written consent;

(e) Failure to Build New Irrigation System. Failure by Tenant to build a new irrigation system to the reasonable

satisfaction of the SFWD within eight (8) years of the Effective Date as provided in Section 8.3(e) hereof.

(f) Vacation or Abandonment. Any vacation or abandonment of the Premises for more than fourteen (14) consecutive days; and

(g) Bankruptcy. The appointment of a receiver to take possession of all or substantially all of the assets of Tenant, or an assignment by Tenant for the benefit of creditors, or any action taken or suffered by Tenant under any insolvency, bankruptcy, reorganization, moratorium or other debtor relief act or statute, whether now existing or hereafter amended or enacted, if any such receiver, assignment or action is not released, discharged, dismissed or vacated within sixty (60) days.

16.2 Remedies. Upon the occurrence of an Event of Default by Tenant, City shall have the following rights and remedies in addition to all other rights and remedies available to City at Law or in equity:

(a) Terminate Lease and Recover Damages. The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate Tenant's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Base Rent and Additional Charges for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Tenant proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2. City's efforts to mitigate the damages caused by Tenant's breach of this Lease shall not waive City's rights to recover damages upon termination.

(b) Continue Lease and Enforce Rights. The rights and remedies provided by California Civil Code Section 1951.4 (continuation of lease after breach and abandonment), which allows City to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due, for so long as City does not

terminate Tenant's right to possession, if Tenant has the right to sublet or assign, subject only to reasonable limitations. For purposes hereof, none of the following shall constitute a termination of Tenant's right of possession: acts of maintenance or preservation; efforts to relet the Premises or the appointment of a receiver upon City's initiative to protect its interest under this Lease; or withholding consent to an Assignment or Sublease, or terminating an Assignment or Sublease, if the withholding or termination does not violate the rights of Tenant specified in subdivision (b) of California Civil Code Section 1951.4. If City exercises its remedy under California Civil Code Section 1951.4, City may from time to time sublet the Premises or any part thereof for such term or terms (which may extend beyond the Term) and at such rent and upon such other terms as City in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. Upon each such subletting, Tenant shall be immediately liable for payment to City of, in addition to Base Rent and Additional Charges due hereunder, the cost of such subletting and such alterations and repairs incurred by City and the amount, if any, by which the Base Rent and Additional Charges owing hereunder for the period of such subletting (to the extent such period does not exceed the Term) exceeds the amount to be paid as Base Rent and Additional Charges for the Premises for such period pursuant to such subletting. No action taken by City pursuant to this subsection shall be deemed a waiver of any default by Tenant and, notwithstanding any such subletting without termination, City may at any time thereafter elect to terminate this Lease for such previous default.

(c) Appointment of Receiver. The right to have a receiver appointed for Tenant upon application by City to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to City pursuant to this Lease.

16.3 City's Right to Cure Tenant's Defaults. If Tenant defaults in the performance of any of its obligations under this Lease, then City, in the discretion of the General Manager, may at any time thereafter with three (3) days prior oral or written

notice (except in the event of an emergency as determined by City), remedy such Event of Default for Tenant's account and at Tenant's expense. Tenant shall pay to City, as Additional Rent, promptly upon demand, all sums expended by City, or other costs, damages, expenses or liabilities incurred by City, including, without limitation, reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Tenant's obligations under this Section shall survive the termination of this Lease. Nothing herein shall imply any duty of City to do any act that Tenant is obligated to perform under any provision of this Lease, and City's cure or attempted cure of Tenant's Event of Default shall not constitute a waiver of Tenant's Event of Default or any rights or remedies of City on account of such Event of Default.

17 WAIVER OF CLAIMS; INDEMNIFICATION

17.1 Waiver of Claims. Tenant covenants and agrees that City shall not be responsible for or liable to Tenant for, and, to the fullest extent allowed by Law, Tenant hereby waives all rights against City and its Agents and releases City and its Agents from, any and all Losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident or death of any person or loss or damage to any property, in or about the Premises or any other City property, from any cause whatsoever (together, except for liability caused by the gross negligence or willful misconduct of City or its Agents, "Claims"), but City shall not be liable under any circumstances for any Claims for consequential, incidental or punitive damages. Without limiting the foregoing:

(a) Tenant expressly acknowledges and agrees that the Rents payable hereunder do not take into account any potential liability of City for any consequential or incidental damages including, but not limited to, lost profits and arising out of disruption to the Improvements or Tenant's uses hereunder. City would not be willing to enter into this Lease in the absence of a complete waiver of liability for Claims for consequential or incidental damages or Claims based on the acts or omissions of City or its Agents, and Tenant expressly assumes the risk with respect thereto. Accordingly, without limiting any

indemnification obligations of Tenant or other waivers contained in this Lease and as a material part of the consideration for this Lease, Tenant fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims for consequential and incidental damages (including without limitation, lost profits) and covenants not to sue for such Claims, City, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, arising out of this Permit or the uses authorized hereunder.

(b) As part of Tenant's agreement to accept the Premises in its "As Is" condition as provided herein, and without limiting such agreement and any other waiver contained herein, Tenant on behalf of itself and its successors and assigns, waives its right to recover from, and forever releases and discharges, City and its Agents, and their respective heirs, successors, administrators, personal representatives and assigns, from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the physical or environmental condition of the Premises and any related improvements or any Laws or regulation applicable thereto or the suitability of the Premises for Tenant's intended use.

(c) In connection with the foregoing releases, Tenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Tenant acknowledges that the releases contained herein includes all known and unknown, disclosed and undisclosed, and anticipated and unanticipated claims. Tenant realizes and acknowledges that it has agreed upon this Lease in light of this realization and, being fully aware of this situation, it nevertheless intends to waive the benefit of Civil Code Section

1542, or any statute or other similar law now or later in effect. The releases contained herein shall survive any termination of this Lease.

17.2 Tenant's Indemnity. Tenant, on behalf of itself and its successors and assigns, shall Indemnify City and the other Indemnified Parties from and against any and all Losses incurred in connection with or arising directly or indirectly, in whole or in part, out of: (a) any accident, injury to or death of a person, including, without limitation, Agents and Invitees of Tenant, or loss of or damage to property (including, without limitation, the SFWD Facilities) howsoever or by whomsoever caused, occurring in or on the Premises, including, without limitation, any claims under liquor liability, "dramshop" or similar laws; (b) any default by Tenant in the observation or performance of any of the terms, covenants or conditions of this Lease to be observed or performed on Tenant's part; (c) the use, occupancy, conduct or management, or manner of use, occupancy, conduct or management by Tenant, its Agents or Invitees or any person or entity claiming through or under any of them, of the Premises or any Improvements; (d) the condition of the Premises or any Improvements; (e) any construction or other work undertaken by Tenant on or about the Premises or any Improvements whether before or during the Term of this Lease; or (f) any acts, omissions or negligence of Tenant, its Agents or Invitees, or of any trespassers, in, on or about the Premises or any Improvements; all regardless of the active or passive negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on, the Indemnified Parties, except to the extent that such Indemnity is void or otherwise unenforceable under applicable Law in effect on or validly retroactive to the date of this Lease and further except only such Losses as are caused exclusively by the gross negligence and intentional wrongful acts and omissions of the Indemnified Parties. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and City's costs of investigating any Loss. Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend City and the other Indemnified Parties from any claim which actually or potentially falls within this

indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Tenant by City and continues at all times thereafter. Tenant's obligations under this Section shall survive the expiration or sooner termination of the Lease.

18 INSURANCE

18.1 Tenant's Insurance. Tenant shall procure and maintain throughout the Term of this Lease and pay the cost thereof, insurance in the following amounts and coverages:

(a) Property insurance, on an all-risk form, excluding earthquake and flood, for 100% of the full insurable value of the Premises and the permitted Improvements, with any deductible not to exceed \$10,000 each occurrence. Such insurance shall include Tenant and City as named insureds as their respective interests may appear. With respect to the City's interests, such insurance shall include rental interruption coverage in an amount equal to twelve months Base Rent. "Full insurable value" shall mean the actual replacement cost of the Improvements and the existing improvements which are included in the Premises (excluding foundation and excavation costs but without deduction for physical depreciation). It shall be determined at such time as City's Risk Manager may request by an appraiser or appraisal company selected and paid by Tenant and reasonably acceptable to City; provided, however, that City's Risk Manager shall have the right, at any time, to ascertain the full insurable value at its own expense, except that in the event such full insurance value as determined by City shall exceed by at least ten percent (10%) of the then existing amount of insurance coverage procured by Tenant, Tenant shall pay the expense of determining the full insurable value.

(b) Boiler and Machinery insurance, comprehensive form, covering damage to pressure vessels, heating and air conditioning systems, electrical apparatus and similar property in an amount not less than Five Million Dollars (\$5,000,000) each accident, including Tenant and City as named insureds as

their respective interests may appear, with any deductible not to exceed \$10,000 each accident.

(c) Comprehensive or commercial general liability insurance with limits not less than Five Million Dollars (\$5,000,000) each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Broadform Property Damage, Independent Contractors, Liquor Liability, Personal Injury, Products and Completed Operations.

(d) Comprehensive Builder's Risk insurance, on an all-risk form, excluding earthquake and flood, for 100% of the completed value of any Improvements, Alterations or other new construction, including materials in transit and storage off-site, in the event that such construction is beyond the scope of coverage in the property policy for remodeling or renovation. Such policy shall include as named insureds Tenant, City, any contractor in connection with such construction and subcontractors of all tiers, with any deductible not to exceed \$10,000 each occurrence.

(e) Worker's compensation insurance with Employer's Liability limits not less than \$1,000,000 each accident.

(f) Comprehensive or Business Automobile Liability Insurance with limits not less than \$1,000,000 each occurrence. Combined Single Limit for Bodily Injury and Property Damage, including Owned, Non-Owned and Hired auto coverage, as applicable.

(g) Such other risks in such amounts as City's Risk Manager may reasonably require.

18.2 General Requirements. All insurance provided for under this Lease shall be effected under valid enforceable policies issued by insurers of recognized responsibility and reasonably approved by the General Manager.

(a) Should any of the required insurance be provided under a claims-made form, Tenant shall maintain such coverage

continuously throughout the Term of this Lease and, without lapse, for a period of one (1) year beyond the expiration or termination of this Lease, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Lease, such claims shall be covered by such claims-made policies.

(b) Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general aggregate limit shall double the occurrence or claims limits specified above.

(c) All General Liability and Automobile Liability Insurance policies shall be endorsed to provide the following:

(i) Name Tenant as the insured and the City and County of San Francisco, its officers, agents and employees, as Additional Insured, as their respective interests may appear hereunder.

(ii) That such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Lease, and that insurance applies separately to each insured against whom claim is made or suit is brought. Such policies shall also provide for severability of interests and that an act or omission of one of the named insureds which would void or otherwise reduce coverage shall not reduce or void the coverage as to any insured, and shall afford coverage for all claims based on acts, omissions, injury or damage which occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period.

(d) All policies shall be endorsed to provide thirty (30) days' advance written notice to City of cancellation, non-renewal or reduction in coverage, mailed to the address(es) for City set forth in the Basic Lease Information.

18.3 Proof of Insurance. Tenant shall deliver to City certificates of insurance in form and with insurers satisfactory to City, evidencing the coverages required hereunder, on or before the Commencement Date, together with complete copies of the policies promptly upon City's request, and Tenant shall provide City with certificates or policies thereafter at least thirty (30) days before the expiration dates of expiring policies. In the event Tenant shall fail to procure such insurance, or to deliver such policies or certificates, the General Manager may, at its option, procure the same for the account of Tenant, and the cost thereof shall be paid to City within five (5) days after delivery to Tenant of bills therefor.

18.4 Review of Insurance Requirements. Tenant and City shall periodically review the limits and types of insurance carried pursuant to this Section. If the general commercial practice in the City and County of San Francisco is to carry liability insurance in an amount or coverage materially greater than the amount or coverage then being carried by Tenant with respect to risks comparable to those associated with the Premises, then, at the General Manager's option, Tenant shall increase at its sole cost the amounts or coverages carried by Tenant conform to such general commercial practice.

18.5 No Limitation on Indemnities. Neither Tenant's compliance with the provisions of this Section, nor any approval by City of Tenant's insurance coverage, shall in any way relieve or decrease Tenant's indemnification obligations under Sections 17.2 and 22.2 above, or any of Tenant's other obligations or liabilities under this Lease.

18.6 Lapse of Insurance. Notwithstanding anything to the contrary in this Lease, this Lease shall terminate immediately, at the General Manager's election, made in his or her sole and absolute discretion by delivery of written notice to Tenant, upon the lapse of any required insurance coverage, unless Tenant reinstates the required insurance coverage within thirty (30) days of such lapse and no event shall have occurred which gives rise to any Claim.

18.7 Tenant's Personal Property. Tenant shall be responsible, at its expense, for separately insuring Tenant's Personal Property.

18.8 City's Self Insurance. Tenant acknowledges that City self-insures against casualty, property damage and public liability risks and agrees City shall not be required to carry any third party insurance with respect to the Premises or otherwise.

18.9 Waiver of Subrogation. Notwithstanding anything to the contrary contained herein, to the extent permitted by their respective policies of insurance, City and Tenant each hereby waive any right of recovery against the other party and against any other party maintaining a policy of insurance covering the Premises or other City property and their contents, or any portion thereof, for any loss or damage maintained by such other party with respect to the Premises, other City Property or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of such other party. If any policy of insurance relating to the Premises or other City property carried by Tenant does not permit the foregoing waiver or if the coverage under any such policy would be invalidated due to such waiver, Tenant shall obtain, if possible, from the insurer under such policy a waiver of all rights of subrogation the insurer might have against City or any other party maintaining a policy of insurance covering the same loss, in connection with any claim, loss or damage covered by such policy.

18.10 Contractor's Insurance. Tenant shall provide evidence acceptable to the General Manager that any contractor engaged by Tenant to perform work on the Premises maintains insurance in amounts, on policies of coverage and offered by companies satisfactory to the General Manager, including, but not limited to, Worker's Compensation Insurance (including Employers' Liability Insurance) and insurance against liability for injury to persons and property arising out of all such contractor's operations, and the use of owned, non-owned or hired automotive

equipment in all such operations, all of which policies shall name City as an additional insured.

19 ACCESS BY CITY

19.1 Access to Premises by City.

(a) General Access. City reserves for itself and its designated Agents, the right to enter the Premises and any portion thereof at all reasonable times upon not less than twenty-four (24) hours oral or written notice to Tenant (except in the event of an emergency, in which event no notice shall be required) for any of the following purposes:

(i) To determine whether the Premises are in good condition and to inspect the Premises (including, without limitation, soil borings or other Hazardous Material Investigations);

(ii) To determine whether Tenant is in compliance with its obligations hereunder and to cure or attempt to cure any such default in accordance with the provisions of Section 16.3 hereof;

(iii) To serve, post or keep posted any notices required or allowed under any of the provisions of this Lease;

(iv) To do any maintenance or repairs to the Premises that City has the right or the obligation, if any, to perform hereunder; and

(v) To show it to any prospective purchasers, brokers, Encumbrancers or public officials, or, during the last year of the Term of this Lease, exhibiting the Premises to prospective tenants, bidders, proposers, operators or other occupants, and to post any "for sale" or "for lease" signs in connection therewith.

(b) Emergency Access. In the event of any emergency, as determined by City, City may, at its sole option and without

notice, enter the Premises and alter or remove any Improvements or Tenant's Personal Property on or about the Premises. City shall have the right to use any and all means City considers appropriate to gain access to any portion of the Premises in an emergency. In such case, City shall not be responsible for any damage or injury to any such property, nor for the replacement of any such property and any such emergency entry shall not be deemed to be a forcible or unlawful entry onto or a detainer of, the Premises, or an eviction, actual or constructive, of Tenant from the Premises or any portion thereof.

(c) No Liability. City shall not be liable in any manner, and Tenant hereby waives any claims, for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of City's entry onto the Premises, except damage resulting directly and exclusively from the gross negligence or willful misconduct of City or its Agents and not contributed to by the acts, omissions or negligence of Tenant, its Agents or Invitees.

(d) No Abatement. Tenant shall not be entitled to any abatement in Rent if City exercises any rights reserved in this Section.

(e) Minimize Disruption. City shall use its reasonable good faith efforts to conduct any activities on the Premises allowed under this Section in a manner that, to the extent practicable, will minimize any disruption to Tenant's use hereunder.

19.2 Pipeline and Utility Installations. Without limiting Section 19.1 above, City shall have the right at all times, to enter upon the Premises upon twenty-four (24) hours advance written or oral notice (except in cases of emergency as determined by City, in which cases no notice shall be required), to use, install, construct, repair, maintain, operate, replace, inspect, and remove SFWD Facilities or any other public utility facilities. City shall bear the expense of any such activities, unless the need is occasioned by the acts, omissions or negligence of Tenant, its Agents or Invitees. City shall not be

responsible for any temporary loss or disruption of Tenant's use of the Premises occasioned by any such facility installations or other activities.

19.3 Roadways. City and its Agents shall have the right to enter upon and pass through and across the Premises on any existing or future roadways and as City otherwise determines necessary or appropriate for purposes of the SFWD Facilities, provided that City shall use its reasonable good faith efforts to use such roadways in a manner that, to the extent practicable, will minimize any disruption to Tenant's use hereunder. The definition of Premises hereunder shall include the frontage road running from the Black Mountain Road exit from Highway 280 in a northwesterly direction parallel to Highway 280 to the Premises (the "Road") and City hereby grants Tenant all rights of access, ingress, and egress across the Road as required hereunder. As a part of its obligations under this Lease, Tenant shall maintain the Road, at its sole cost, as provided under Section 9 hereof.

20 ESTOPPEL CERTIFICATES

Either Party hereto shall, from time to time during the Term upon not less than twenty (20) days' prior written notice from the other Party, execute, acknowledge and deliver to the other Party, or such persons or entities designated by such other Party, a statement in writing certifying: (a) the Commencement Date and Expiration Date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (c) that there are no defaults under this Lease (or if so, specifying the same), (d) the dates, if any, to which the Rent has been paid, and (e) any other information that may be reasonably required by any such persons or entities. Any such certificate delivered pursuant to the provisions hereof may be relied upon by the other Party or any prospective purchaser or Encumbrancer of its estate. The General Manager shall be authorized to execute, acknowledge and deliver any such certificate on behalf of City.

21 SURRENDER

21.1 Surrender of the Premises. Upon the Expiration Date or any earlier termination of this Lease pursuant hereto, Tenant shall surrender to City the Premises, in good condition, order and repair, free from debris and hazards, and free and clear of all liens, easements and other Encumbrances created or suffered by, through or under Tenant. On or before the Expiration Date or any earlier termination hereof, Tenant shall, at its sole cost, remove any and all of Tenant's Personal Property from the Premises and demolish and remove any and all Improvements and Alterations from the Premises that City requires Tenant to remove pursuant to the provisions of Section 8.4 above). In addition, Tenant shall, at its sole expense, repair any damage to the Premises resulting from the removal of any such items and restore the Premises to their condition immediately prior to the presence of any Improvements or Alterations which are removed. In connection therewith, Tenant shall obtain any and all necessary permits and approvals, including, without limitation, any environmental permits, and execute any manifests or other documents necessary to complete the demolition, removal or restoration work required hereunder. Tenant's obligations under this Section shall survive the Expiration Date or other termination of this Lease. Any items of Tenant's Personal Property remaining on or about the Premises after the Expiration Date of this Lease may, at SFWD's option, be deemed abandoned and in such case City may dispose of such property in accordance with Section 1980 et seq. of the California Civil Code or in any other manner allowed by Law.

If Tenant fails to surrender the Premises to City on the Expiration Date or earlier termination of the Term as required by this Section, Tenant shall Indemnify City against all Losses resulting therefrom, including, without limitation, Losses made by a succeeding tenant resulting from Tenant's failure to surrender the Premises.

21.2 Automatic Reversion. Upon the Expiration Date or earlier termination of this Lease, the Premises shall automatically, and without further act or conveyance on the part

of Tenant or City, become the property of City, free and clear of all liens and Encumbrances and without payment therefor by City and shall be surrendered to City upon such date. Upon or at any time after the date of termination of this Lease, if requested by City, Tenant shall promptly deliver to City, without charge, a quitclaim deed to the Premises suitable for recordation and any other instrument reasonably requested by City to evidence or otherwise effect the termination of Tenant's leasehold estate hereunder and to effect such transfer or vesting of title to the Premises and any permitted Improvements or Alterations that City does not require Tenant to remove pursuant to the provisions of Section 8.4 above.

21.3 Termination Without Further Notice. This Lease shall terminate without further notice on the Expiration Date.

22 HAZARDOUS MATERIALS

22.1 No Hazardous Materials. Tenant covenants and agrees that neither Tenant nor any of its Agents or Invitees shall cause or permit any Hazardous Material to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or any Improvements or transported to or from the Premises or any Improvements, provided that Tenant may store and use such substances in the Premises and any Improvements in such limited amounts as are customarily used for general office purposes (such as copy toner and supplies) or for maintenance, equipment and supplies for power golf carts, so long as such storage and use is at all times in full compliance with all applicable Environmental Laws and further provided Tenant may use necessary quantities of pesticides and herbicides in accordance with the requirements of Section 7.2 hereof. Tenant shall immediately notify City if and when Tenant learns or has reason to believe there has been any Release of Hazardous Material in, on or about the Premises or any Improvements. City may from time to time request Tenant to provide adequate information for City to determine that any Hazardous Material permitted hereunder is being handled in compliance with all applicable Environmental Laws, and Tenant shall promptly provide all such information. Without limiting Section 19 hereof, City and its Agents shall have the right to

inspect the Premises for Hazardous Material and compliance with the provisions hereof at all reasonable times upon reasonable advance oral or written notice to Tenant (except in the event of an emergency).

22.2 Tenant's Environmental Indemnity. If Tenant breaches any of its obligations contained in Section 22.1 above, or, if any act or omission or negligence of Tenant or any of its Agents or Invitees results in any Release of Hazardous Material in, on, under or about the Premises (including any Improvements thereon) or any other City property, without limiting Tenant's general Indemnity contained in Section 17.2 above, Tenant, on behalf of itself and its successors and assigns, shall Indemnify City and the Indemnified Parties, and each of them, from and against all Hazardous Materials Claims arising during or after the Term of this Lease and relating to such Release. The foregoing Indemnity includes, without limitation, all costs associated with the Investigation and Remediation of Hazardous Material and with the restoration of the Premises or any other City property to its prior condition including, without limitation, fines and penalties imposed by regulatory agencies, natural resource damages and losses, and revegetation of the Premises or other City property. Without limiting the foregoing, if Tenant or any of Tenant's Agents or Invitees causes or permits the Release of any Hazardous Materials in, on, under or about the Premises or any other City property, Tenant shall, immediately, at no expense to City, take any and all appropriate actions to return the Premises or other City property affected thereby to the condition existing prior to such Release and otherwise Investigate and Remediate the Release in accordance with all Environmental Laws. Tenant shall provide City with written notice of and afford City a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, permit, approvals, or other compromise or proceeding involving Hazardous Material. Together with the execution of this Lease and as a condition to City's obligations hereunder, the principals of Tenant, John C. Telischak and Thomas Booth Isaak, shall execute and deliver to City a guaranty in the form of the Guaranty attached hereto as Exhibit J.

23 SECURITY DEPOSIT

23.1 Security Deposit. On the Commencement Date, Tenant shall pay to City the sum specified for the security deposit in the Basic Lease Information as security for the faithful performance of all terms, covenants and conditions of this Lease.

Tenant agrees that City may (but shall not be required to) apply the security deposit in whole or in part to remedy any damage to the Premises or SFWD Facilities caused by Tenant, its Agents or Invitees, or any failure of Tenant to perform any other terms, covenants or conditions contained in this Lease, without waiving any of City's other rights and remedies hereunder or at Law or in equity. Should City use any portion of the security deposit to cure any Event of Default by Tenant hereunder, Tenant shall immediately replenish the security deposit to the original amount, and Tenant's failure to do so within five (5) days of City's notice shall constitute a material Event of Default under this Lease. If the Base Rent is increased pursuant to any of the provisions of this Lease, Tenant shall increase the amount of the security deposit accordingly. City's obligations with respect to the security deposit are solely that of debtor and not trustee. City shall not be required to keep the security deposit separate from its general funds, and Tenant shall not be entitled to any interest on such deposit. The amount of the security deposit shall not be deemed to limit Tenant's liability for the performance of any of its obligations under this Lease.

23.2 Performance Bond; Letter of Credit. In lieu of, or in replacement of, the security deposit provided in Section 23.1 above, Tenant may deliver to City at any time during the Term (i) a valid surety bond in the sum equal to amount specified, issued by a surety company acceptable to City's Controller in such form as approved by the City Attorney of City, or (ii) a "clean" (i.e. unconditional), irrevocable letter of credit issued by a financial institution acceptable to the SFWD General Manager and in form approved by the City Attorney with an original term of no less than one year and automatic extensions through the end of the Term of this Lease and thirty (30) days thereafter. Tenant shall keep such surety bond or letter of credit, at its expense,

in full force and effect until the sixtieth day after the Expiration Date or other termination hereof, to insure the faithful performance by Tenant of all of the covenants, terms and conditions of this Lease. Such bond or letter of credit shall provide thirty (30) days' prior written notice to City of cancellation or material change thereof. In the event of any nonextension of the letter of credit or bond, Tenant shall replace such security with another form permitted hereunder at least ten (10) days prior to expiration and if Tenant fails to do so City shall be entitled to present its written demand for payment of the entire face amount of such letter of credit or bond and to hold the funds so obtained as the Security Deposit required hereunder. Any unused portion of the funds so obtained by City shall be returned to Tenant upon replacement of the letter of credit or deposit of cash security in the full amount required hereunder:

24 GENERAL PROVISIONS

24.1 Notices. Except as otherwise expressly provided in this Lease, any notice given hereunder shall be effective only if in writing and given by delivering the notice in person, or by sending it first-class mail or certified mail with a return receipt requested or reliable commercial overnight courier, return receipt requested, with postage prepaid, to: (a) Tenant (i) at Tenant's address set forth in the Basic Lease Information, if sent prior to Tenant's taking possession of the Premises, or (ii) at the Premises if sent on or subsequent to Tenant's taking possession of the Premises, or (iii) at any place where Tenant or any Agent of Tenant may be found if sent subsequent to Tenant's vacating, abandoning or surrendering the Premises; or (b) City at City's address set forth in the Basic Lease Information; or (c) to such other address as either City or Tenant may designate as its new address for such purpose by notice given to the other in accordance with the provisions of this Section at least ten (10) days prior to the effective date of such change. Any notice hereunder shall be deemed to have been given two (2) days after the date when it is mailed if sent by first-class or certified mail, one day after the date it is made if sent by commercial overnight courier, or upon the date personal delivery is made.

For convenience of the Parties, copies of notices may also be given by telefacsimile to the telephone number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile. The effective time of a notice shall not be affected by the receipt, prior to receipt of the original, of a telefacsimile copy of the notice.

24.2 No Implied Waiver. No failure by City to insist upon the strict performance of any obligation of Tenant under this Lease or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, no acceptance of full or partial Base Rent or Additional Charges during the continuance of any such breach, and no acceptance of the keys to or possession of the Premises prior to the expiration of the Term by any Agent of City, shall constitute a waiver of such breach or of City's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Lease. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of City, the PUC, the SFWD or the General Manager given in any instance under the terms of this Lease shall not relieve Tenant of any obligation to secure the consent of City, the PUC, the SFWD or the General Manager, as applicable, in any other or future instance under the terms of this Lease.

24.3 Amendments. Neither this Lease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the Parties hereto.

24.4 Authority. If Tenant signs as a corporation, a partnership or a limited liability company, each of the persons executing this Lease on behalf of Tenant does hereby covenant and

warrant that Tenant is a duly authorized and existing entity, that Tenant has and is qualified to do business in California, that Tenant has full right and authority to enter into this Lease, and that each and all of the persons signing on behalf of Tenant are authorized to do so. Upon City's request, Tenant shall provide City with evidence reasonably satisfactory to City confirming the foregoing representations and warranties.

24.5 Joint and Several Obligations. The word "Tenant" as used herein shall include the plural as well as the singular. If there is more than one Tenant, the obligations and liabilities under this Lease imposed on Tenant shall be joint and several.

24.6 Interpretation of Lease. The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intents and purposes of the Parties, without any presumption against the party responsible for drafting any part of this Lease. Provisions in this Lease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used. Unless otherwise provided herein, whenever the consent of City, the PUC, the SFWD or the General Manager is required to be obtained by Tenant hereunder, City, the PUC, the SFWD or the General Manager, as applicable, may give or withhold such consent in its sole and absolute discretion.

24.7 Successors and Assigns. Subject to the provisions of Section 12 and Section 15 hereof relating to Leasehold

Encumbrances and Assignment and Subletting, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of City and Tenant and, except as otherwise provided herein, their personal representatives and successors and assigns; provided, however, that upon any sale, assignment or transfer by City named herein (or by any subsequent landlord) of its interest in the Premises as owner or lessee, including any transfer by operation of Law, City (or any subsequent landlord) shall be relieved from all subsequent obligations and liabilities arising under this Lease subsequent to such sale, assignment or transfer.

24.8 Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein except as identified in the Basic Lease Information, whose commission, if any is due, shall be paid pursuant to a separate written agreement between such broker and the party through which such broker contracted. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes a claim shall be responsible for such commission or fee and shall indemnify the other party from any and all Losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

24.9 Severability. If any provision of this Lease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the fullest extent permitted by Law.

24.10 Governing Law. This Lease shall be construed and enforced in accordance with the Laws of the State of California.

24.11 Entire Agreement. This instrument (including the exhibits hereto, which are made a part of this Lease) contains the entire agreement between the Parties and supersedes all prior written or oral negotiations, discussions, understandings and agreements. The Parties further intend that this Lease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts of this Lease and any changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Lease. Tenant hereby acknowledges that neither City nor City's Agents have made any representations or warranties with respect to the Premises or this Lease except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Tenant by implication or otherwise unless expressly set forth herein.

24.12 Attorneys' Fees. In the event that either City or Tenant fails to perform any of its obligations under this Lease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees. For purposes of this Lease, reasonable fees of attorneys of City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

24.13 Holding Over. Any holding over after the expiration of the Term with the express consent of the General Manager shall be construed to automatically extend the Term of this Lease for on a month-to-month basis at a Base Rent equal to the greater of (i) the then current fair market rent for the Premises or (ii)

one hundred twenty-five percent (125%) of the latest Base Rent payable by Tenant hereunder prior to such expiration, together with an amount estimated by City for the monthly Additional Charges payable under this Lease, and shall otherwise be on the terms and conditions herein specified so far as applicable (except for those pertaining to the Term). Any holding over without City's consent shall constitute a default by Tenant and entitle City to exercise any or all of its remedies as provided herein, notwithstanding that City may elect to accept one or more payments of Rent, and whether or not such amounts are at the holdover rate specified above or the rate in effect at the end of the Term of the Lease.

24.14 Time of Essence. Time is of the essence with respect to all provisions of this Lease in which a definite time for performance is specified.

24.15 Cumulative Remedies. All rights and remedies of either party hereto set forth in this Lease shall be cumulative, except as may otherwise be provided herein.

24.16 Financial Statements. Within 45 days after the end of each Lease Year, Tenant shall provide to City a balance sheet and a detailed profit and loss statement for the Premises for the preceding Lease Year, and a detailed accounting of Gross Revenues and of the Capital Improvement Fund for the preceding Lease Year, all audited by an independent certified public accounting firm approved by City and in form acceptable to City.

24.17 Transition Procedures. Upon the expiration of the Term or earlier termination of this Lease, for whatever reason, Tenant and City shall do the following (and the provisions of this Section 24.17 shall survive the expiration or termination of this Lease until they have been fully performed) and, in general, shall cooperate in good faith to effect an orderly transition of the management of the Premises.

(a) Transfer of Licenses. Upon the expiration or earlier termination of the Lease, Tenant shall use its best efforts (i) to transfer to City or City's nominee all licenses,

operating permits and other governmental authorizations and all contracts which City elects to assume, including contracts with governmental or quasi-governmental entities and management contracts, that may be necessary for the operation of the Premises and completion of any repairs, maintenance, Improvements or Alterations (collectively, "Licenses"), or (ii) if such transfer is prohibited by law or City otherwise elects, to cooperate with City or City's nominee in connection with the processing by City or City's nominee of any applications for, all Licenses; provided, in either case, that the costs and expenses of any such transfer or the processing of any such application shall be paid by City or City's nominee.

(b) Leases and Concessions. Tenant shall assign to City or City's nominee simultaneously with the termination of this Lease, and the assignee shall assume, all leases, subleases, and concession agreements in effect with respect to the Premises then in Tenant's possession which City or City's nominee elects to assume.

(c) Books and Records. All books and records for the Premises kept by Tenant shall be delivered promptly to City or City's nominee, simultaneously with the termination of this Lease, but such books and records shall thereafter be available to Tenant at all reasonable times for inspection, audit, examination, and transcription for a period of one year and Tenant may retain (on a confidential basis) copies or computer records thereof.

(d) Tenant's Personal Property. Tenant shall negotiate in good faith with City or City's nominee for the sale of all or any portion of Tenant's Personal Property which City or City's nominee elects to purchase.

24.18 Survival of Indemnities. Termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, nor shall it affect any provision of this Lease that expressly states it shall survive termination hereof. Tenant specifically acknowledges and agrees

that, with respect to each of the indemnities contained in this Lease, Tenant has an immediate and independent obligation to defend City and the other Indemnified Parties from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Tenant by City and continues at all times thereafter.

24.19 Relationship of Parties. City is not, and none of the provisions in this Lease shall be deemed to render City, a partner in Tenant's business, or joint venturer or member in any joint enterprise with Tenant. Neither party shall act as the agent of the other party in any respect hereunder, and neither party shall have any authority to commit or bind the other party without such party's consent as provided herein. This Lease is not intended nor shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided. The granting of this Lease by City does not constitute authorization or approval by City of any activity conducted by Tenant on, in or relating to the Premises.

24.20 Transfer by City. If City sells or otherwise transfers the Premises, City shall be released from its obligations hereunder arising on or after the date of such sale or transfer and Tenant shall look solely to the successor-in-interest to City. Upon a sale of the Premises by City, Tenant shall attorn to the purchaser or transferee, such attornment to be effective and self-operative without the execution of any further instruments on the part of the parties to this Lease. This Lease shall not be deemed to constitute any commitment by City, or create any priority or right in favor of Tenant, with regard to any future sale or other disposition of the Premises, or any portion thereof.

24.21 Recording. Tenant agrees that it shall not record this Lease nor any memorandum or short form hereof in the Official Records.

24.22 Options Personal. Any right or option to extend the Term of this Lease is personal to the original Tenant and may be exercised only by the original Tenant while occupying the Premises who does so without the intent of thereafter making any Transfer, or any portion thereof, and may not be exercised by or assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant provided, however, that an option may be exercised by or assigned to any Affiliate. The options, if any, herein granted to Tenant are not assignable separate and apart from this Lease, nor may any option be separated from this Lease in any manner, either by reservation or otherwise.

24.23 Non-Liability of City Officials, Employees and Agents. No elective or appointive board, commission, member, officer, employee or other Agent of City shall be personally liable to Tenant, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Tenant, its successors and assigns, or for any obligation of City under this Agreement.

24.24 Wages and Working Conditions. With respect to the construction of the Improvements and any Alterations, any employee performing services for Tenant shall be paid not less than the highest prevailing rate of wages, shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco, California, and Tenant shall include in any contract for construction of such Improvements or Alterations, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Tenant shall require any contractor to provide, and shall deliver to City every two weeks during any construction period, certified payroll reports with respect to all persons performing labor in the construction of any Improvements or Alterations on the Premises. Tenant further agrees that, as to the construction of Improvements or Alterations under this Lease, Tenant shall comply with all the provisions of subsection (b) of San Francisco Charter Section 7.204 and Section 6.33 through 6.45 of the San Francisco Administrative Code that relate to payment of prevailing wages.

24.25 Non-Discrimination. Tenant shall not, in the operation and use of the Premises, discriminate against any person or group of persons solely because of race, color, creed, national origin, ancestry, age, sex, sexual orientation, gender identity, disability or acquired immune deficiency syndrome (AIDS) or AIDS related condition (ARC). The provisions of Chapters 12B and 12C of the San Francisco Administrative Code, relating to non-discrimination by Parties contracting with the City and County of San Francisco, are incorporated herein by reference and made a part hereof as though fully set forth herein. Tenant agrees to comply with all of the provisions of such Chapters 12B and 12C that apply to tenants of the City and County of San Francisco.

24.26 No Relocation Assistance Waiver of Claims. Tenant acknowledges that it will not be a displaced person at the time this Lease is terminated or expires by its own terms, and Tenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action (including, without limitation, consequential and incidental damages) against, and covenants not to sue, City, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any Laws, including, without limitation, any and all claims for relocation benefits or assistance from City under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Lease with respect to a Taking.

24.27 MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Tenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

24.28 Conflicts of Interest. Tenant states that it is familiar with the provisions of Section 8.105 and 8.106 of the San Francisco Charter and certifies that it knows of no facts which would constitute a violation of such provisions. Tenant further certifies that it has made a complete disclosure to the PUC of all facts bearing upon any possible interest, direct or indirect, which Tenant believes any member of the PUC, or other officer or employee of the City and County of San Francisco, presently has or will have in this Lease or in the performance thereof. Willful failure to make such disclosure, if any, shall constitute a material default hereunder.

24.29 Charter Provisions. This Lease is governed by and subject to the provisions of the Charter of the City and County of San Francisco.

24.30 Tropical Hardwood Ban. (a) Except as expressly permitted by the application of Section 121.3.b and 1214.b of the San Francisco Administrative Code, neither Tenant nor any of its contractors shall provide any items in the construction of the Improvements or Alterations or otherwise in the performance of this Lease which are tropical hardwoods or tropical hardwood products. (b) The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product. (c) In the event Tenant fails to comply with any of the provisions of Section 121 of the San Francisco Administrative Code, Tenant shall be liable for liquidated damages for each violation in an amount equal to Tenant's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greatest. Tenant acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County of San Francisco upon demand and may be set off against any monies due to Tenant from any contract with the City and County of San Francisco.

24.31 Tobacco Product Advertising Prohibition. Tenant acknowledges and agrees that no advertising of cigarettes or tobacco products shall be allowed on the Premises. The foregoing

prohibition shall include the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. The foregoing prohibition shall not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

24.32 Burma (Myanmar) Business Prohibition. Tenant is not the government of Burma (Myanmar), a person or business entity organized under the laws of Burma (Myanmar) or a "prohibited person or entity" as defined in Section 12J.2(G) of the San Francisco Administrative Code. The City reserves the right to terminate this Lease for default if Tenant violates the terms of this clause.

Chapter 12J of the San Francisco Administrative Code is hereby incorporated by reference as though fully set forth herein. The failure of Tenant to comply with any of its requirements shall be deemed a material breach of this Lease. In the event Tenant fails to comply in good faith with any of the provisions of Chapter 12J of the San Francisco Administrative Code, Tenant shall be liable for liquidated damages for each violation in an amount equal to Tenant's net profit under this Lease, or 10% of the total amount of the Lease, or \$1,000, whichever is greatest. Tenant acknowledges and agrees the liquidated damages assessed shall be payable to the City upon demand and may be setoff against any moneys due to the Tenant from this Lease.

24.33 Bicycle Storage Facilities Tenant shall provide sufficient bicycle storage and/or bicycle parking facilities to, in the reasonable judgment of Tenant, adequately serve the needs of employees or invitees of Tenant who may wish to ride bicycles to the Premises.

24.34 Domestic Partners Benefits. Upon the later of June 1, 1997 or the date of enactment of the Domestic Partners Benefits Ordinance described below (the "Enactment Date"), Tenant

shall comply with the provisions of Chapters 12B and 12C of the San Francisco Administrative Code that prohibit discrimination in the provisions of benefits between employees with registered domestic partners and employees with spouses. Accordingly, and without limiting the generality of the foregoing, as of the later of June 1, 1997 or the Enactment Date, Tenant shall not and will not during the term of this Lease, discriminate in the provision of benefits 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 following conditions. In the event that Tenant's actual cost of providing a certain benefit for the domestic partner of an employee exceeds that of providing it for the spouse of an employee, or Tenant's actual cost of providing a certain benefit for the spouse of an employee exceeds that of providing it for the domestic partner of an employee, Tenant shall not be deemed to discriminate in the provision of benefits if Tenant conditions providing such benefits upon the employee agreeing to pay the excess costs. In addition, in the event Tenant is unable to provide a certain benefit, despite taking reasonable measures to do so, Tenant shall not be deemed to discriminate in the provision of benefits if Tenant provides the employee with a cash equivalent. Notwithstanding the foregoing, Tenant shall not be bound by the ordinance described in this section to the extent such ordinance, lapses, is repealed or is deemed unlawful.

24.35 Consents, Approvals, Elections and Options. Any consent or approval required by the PUC, or any election or option exercisable by the PUC, must be given or exercised pursuant to a resolution duly passed by the PUC in its discretion. Any consent or approval required by SFWD, or any election or option exercisable by SFWD, must be given or exercised by the General Manager in his or her discretion.

24.36 Counterparts. This Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, TENANT ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL A RESOLUTION OF CITY'S BOARD OF SUPERVISORS SHALL HAVE BEEN DULY ENACTED APPROVING THIS LEASE AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ENACTMENT OF SUCH A RESOLUTION, AND THIS LEASE SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND THE BOARD OF SUPERVISORS APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ENACTED, NOR WILL ANY SUCH APPROVAL, CREATE ANY BINDING OBLIGATIONS ON CITY.

City and Tenant have executed this Lease in triplicate as of the date first written above.

TENANT:

CRYSTAL SPRINGS GOLF PARTNERS, L.P.,
a California limited partnership

By: Montgomery Street Golf Investors,
Inc.,
a California corporation,
General Partner

By: [Signature]

Its: President

By: [Signature]

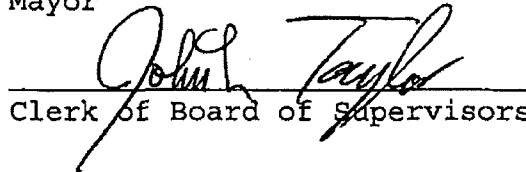
Its: CHIEF FINANCIAL OFFICER

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

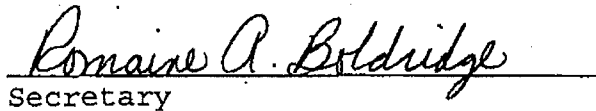


Mayor



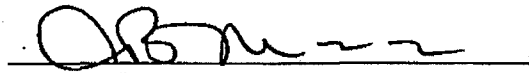
Clerk of Board of Supervisors

APPROVED BY
PUBLIC UTILITIES COMMISSION
PURSUANT TO RESOLUTION NO. 96-0265
ADOPTED November 12, 1996



Secretary

RECOMMENDED:


General Manager
Public Utilities Commission

APPROVED AS TO FORM:
LOUISE H. RENNE, City Attorney

By 
Deputy City Attorney

EXHIBIT A

REAL PROPERTY DESCRIPTION

All that certain real property located in the County of San Mateo, State of California, described as follows:

Portions of Parcel 31 as conveyed by the Spring Valley Water Company to the City and County of San Francisco by deed dated and recorded March 3, 1930, in Volume 491 of Official Records San Mateo County of page 1; said portions being more particularly described as follows:

PARCEL 1

Commencing at a point on the Westerly Right of Way Line of State of California Highway Route 280 opposite Sta. J 454+79.20; which point is South 37°02'04" East, 868.64 feet measured southerly from the Rancho Line common to the Buri-Buri and San Mateo Ranchos; thence from said point commence Northerly and on a curve to the left with a radius of 1891 feet, through an angle of 24°48'58" with an arc length of 817.04 feet; thence North 65°57'00" West 118.81 feet intersecting aforementioned San Mateo, Bur-Buri Ranchos line; thence continuing North 65°57'00" West 248.53 feet; thence North 71°59'04" West 181.74 feet; thence South 8°00'56" West 240.00 feet; thence South 0°39'48" West 209.07 feet, intersecting said Rancho line; thence South 31°08'43" East 2140.91 feet; thence South 37°02'04" East 1600.00 feet; thence South 45°31'38" East 711.00 feet; thence South 16°12'03" East 3064.26 feet; thence South 68°32'57" East 1372.46 feet; thence North 50°29'32" East 719.35 feet; thence North 35°03'04" West 158.76 feet; thence North 42°48'59" West 201.68 feet; thence North 33°30'01" West 150.08 feet; thence North 31°54'31" West 425.80 feet; thence North 22°52'50" West 230.49 feet; thence North 29°12'46" West 352.06 feet; thence North 35°24'33" West 197.58 feet; thence North 33°50'45" West 203.33 feet; thence Northwesterly along a curve to the line right with a radius of 5122 feet, through an angle of 7°56'17", an arc length of 709.63 feet, through an angle of 7°56'17", an arc length of 709.63 feet, and North 26°37'53" West 1415.61 feet; thence North 34°51'11" West 252.84 feet; thence North 25°14'23" West 147.01 feet; thence North 37°02'04" West 2847.49 feet to the point of commencement.

PARCEL 2

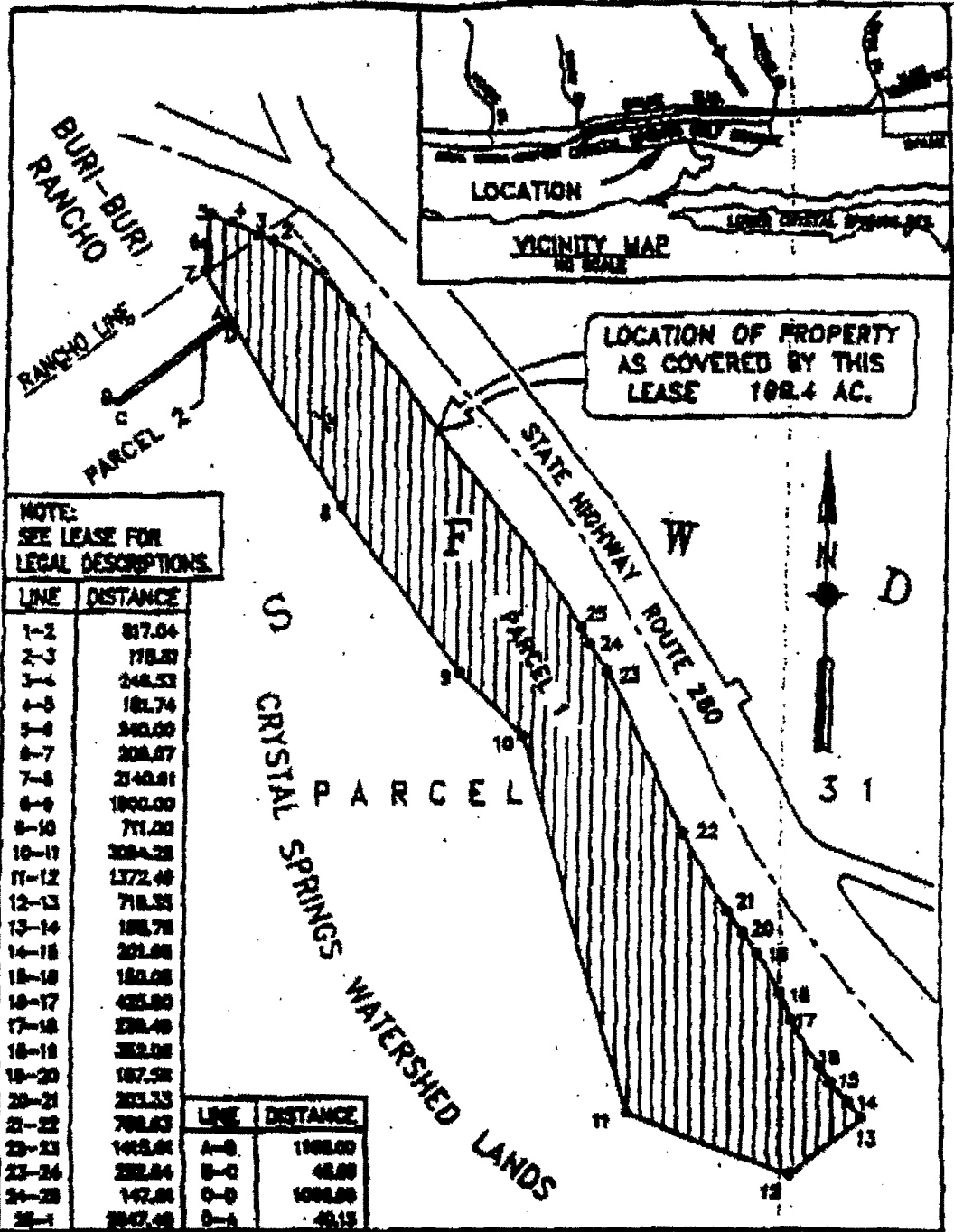
Commencing at a point on the line described as South 31°08'43" East 2,140.91 feet in the above mentioned Parcel 1 and distant thereon 380.00 feet southeasterly from the northerly extremity of said course referred to as South 31°08'43" East 2,140.91 feet; thence from said point of commencement South 53°51'17" West 1100 feet; South 36°08'43" East 40.00 feet; North 53°51'17" East 1096.50 feet; North 31°08'43" West 40.15 feet to the point of commencement.

THE ENTIRE AREA HEREBY DEMISED BEING 199.4 ACRES,
MORE OR LESS.

EXHIBIT B

SPWD WORKING DRAWING NO. B-4668
CONSISTING OF 1 PAGE

EXHIBIT B



NOTE:
SEE LEASE FOR
LEGAL DESCRIPTIONS.

LINE	DISTANCE
1-2	87.04
2-3	178.83
3-4	248.53
4-5	191.74
5-6	248.00
6-7	208.07
7-8	248.81
8-9	190.00
9-10	71.00
10-11	190.28
11-12	1372.48
12-13	78.00
13-14	188.78
14-15	292.00
15-16	188.00
16-17	402.00
17-18	328.48
18-19	382.00
19-20	187.00
20-21	282.25
21-22	788.00
22-23	148.00
23-24	282.04
24-25	142.00
25-26	2807.00

LINE	DISTANCE
1-2	188.00
2-3	48.00
3-4	188.00
4-5	48.00

CITY AND COUNTY OF SAN FRANCISCO
PUBLIC UTILITIES COMMISSION
SAN FRANCISCO WATER DEPARTMENT

LEASE TO
CRYSTAL SPRINGS GOLF COURSE

PORTION OF PARCEL 31, SAN MATEO LANDS

SAN MATEO CO.

DATE	APPROVED	DATE OF	FILE	RECORD NO.
	<i>[Signature]</i>	APR	1-18-00	
		APR	1-18-00	

B-4668

EXHIBIT C

[Date]

Mr. Anson Moran
General Manager
San Francisco Public Utilities Commission
1155 Market Street, 4th Floor
San Francisco, CA 94102

RE: Acknowledgment of Commencement Date, Ground Lease Between
CFYSTAL SPRINGS GOLF PARTNERS, L.P. ("Tenant"), and the CITY
AND COUNTY OF SAN FRANCISCO ("Landlord"), for premises known
as Crystal Springs Golf Course located in San Mateo,
California

Dear Mr. Moran:

This letter will confirm that for all purposes of the Lease,
the Commencement Date (as defined in Section 4.2 of the Lease) is
_____, 1996.

Please acknowledge your acceptance of this letter by signing
and returning a copy of this letter.

Very truly yours,

By _____
Title _____

Accepted and Agreed:

By _____
General Manager
San Francisco Public Utilities Commission

Dated _____

EXHIBIT D

The CourseCo, Inc.

IPM - CHAMP

for

**Crystal Springs
Golf Course**

Prepared by

H.F. Howard, Ph.D.

TurfScience, Inc

Phoenix, AZ

In collaboration with

Raymond Davies, CGCS

and

Gary Rodgers, CGCS

CourseCo, Inc.

Statement of confidentiality

This document is intended solely for use by CourseCo, Inc. and the San Francisco Public Utilities Commission in management of Crystal Springs Golf Course. Any other use of this document requires the permission of CourseCo, Inc. and TurfScience, Inc. This document contains trade secrets or confidential commercial information that CourseCo, Inc. believes to be exempt from disclosure under the Freedom of Information Act.

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Preface

By Tom Isaak
President, CourseCo, Inc.

This Plan for Integrated Pest Management and Chemical Application Management (IPM-CHAMP) for Crystal Springs Golf Course represents an advancement in the state of IPM-CHAMP in the turfgrass industry. It employs scientific methods to reduce the use of chemicals to the lowest level possible consistent with presentation of a high quality golf course. IPM-CHAMP has advanced to the "buzz word" stage in the golf course industry, which leads other industry sectors in refinement of turfgrass management practices. But still lagging even in this sector is the kind of in-depth, scientifically valid and philosophically principled plan represented in this work. Our research indicates there may be as few as a dozen scientifically rigorous IPM-CHAMPs in the country, though it is relatively easy to find lesser works which combine statements of good intentions with lists of chemicals.

CourseCo is very proud of this document. It represents the combination of CourseCo's corporate commitment to sustainable management of the Crystal Springs Golf Course, personified by contributions to the Plan made by Gary Rodgers, CGCS and Raymond Davies, CGCS, both of CourseCo, with leading-edge scientific synthesis by its author, Harold Howard, Ph.D., of TurfScience, Inc.

The informed reader will note the stringency of this plan and perhaps reflect on the added operating costs that adherence will inevitably cause. This stringency and expense is appropriate to a site as unique as Crystal Springs, which we have pledged will serve under our stewardship as a model of sustainable management, and which can serve to educate the public and instruct the industry in best management practices. The stringency extends to CourseCo's corporate intolerance of deviation from the Plan and to the commitment to the environment and the public which are inherent in it. The record keeping protocols outlined in the Plan will provide the City of San Francisco with the audit trail necessary to verify compliance with our pledge.

This document is written and organized to be accessible to the layperson while providing specific directions to the managers and technicians with responsibility for the property.

This Plan is a document in evolution. A revision schedule is included in the Plan to mark the dates by which the effects of revised architecture and of changing site conditions, such as drainage and irrigation, as well as advances in the science of turfgrass management, will be incorporated. By virtue of continual evolution, the formal document is assured to that it remain as it is today, the state of the art.

It should be noted that this plan is confidential and contains trade secrets. It is for use by CourseCo, Inc. in management of Crystal Springs Golf Course, and the San Francisco Public Utilities Commission, and its agents. It may not be duplicated wholly or in part without the express written permission of both TurfScience, Inc., and CourseCo, Inc.

Accountability for Compliance

The San Francisco County Public Utilities Commission (PUC) and CourseCo, Inc have entered into an agreement whereby CourseCo will lease the Crystal Springs Golf Course and premises for a period of twenty years. As the Lessee, CourseCo, Inc, accepts the responsibility as the steward of the facility and its environment with the general guidance of the PUC.

This IPM-CHAMP serves as a guideline for the operations of the facility with respect to mitigation of potential impacts of operations upon the off-site as well as the on-site environments. Adherence to this Plan is mandated. The Plan is rather specific, however, situations will arise in golf course operations that are not specifically outlined in the Plan. It is mandated that CourseCo will adhere not only to the letter of the Plan but also to its spirit and intent.

The senior management of CourseCo is ultimately accountable for adherence to the Plan. However, in daily implementation, each CourseCo employee, as lead by the golf course turf manager, is responsible and accountable. Prior to engaging in supervisory or pest control activities, each employee to be assigned such duties at the Crystal Springs golf course will read and understand the IPM-CHAMP and agree in writing to implement its letter, spirit and intent. This agreement is given in appendix I

Introduction

The backbone of CourseCo golf course management is a system described as Best Management Practices. Best Management Practices is not a well-defined set of procedures, but rather an all-encompassing operational philosophy that is included in the company mission and is ever-present in the spirit and implementation of operational strategy and detail. It is truly an integrated system of Total Quality Management in which each employee contributes to the successful delivery of superior product in a responsible manner. The system of Best Management Practices extends to every aspect of each employees service and includes the following features.

1. **Product Quality** - The public users of the Crystal Springs facility aspire, and demand, a high-quality golf experience. This requires that the facility, including the turf, putting surfaces, bunkers, landscape, hardscape, etc., be manicured to exceptional quality. The turf must be dense and healthy so as to provide a well-performing surface and pleasing aesthetics.
2. **Economic Responsibility** - The operation must be efficient and profitable enough to ensure sustainability. This sustainability includes the preservation of short and long-term assets and continuity of operation.
3. **Environmental Responsibility** - The Crystal Springs facility is situated on an environmentally delicate site. The operation of the facility must exist in concert with and without compromise of the water, soil or biological resources. Further, the operation of the facility be of positive influence upon the environment through a variety of native flora and fauna-enhancement activities.
4. **Social Responsibility** - Operation of the Crystal Springs facility must afford protection for the health and safety of the facility users, the employees and the off-site public. Financial considerations must not override health, safety and environmental-protection considerations.
5. **Community Service** - The Crystal Springs facility must serve the community at large beyond the scope of the golfing public. It should be accessible for public educational opportunity and nature-advocacy organizations. In this regard, Crystal Springs will be a proactive industry leader.

Key components of Best Management Practices (BMP) are the issues of pest control and fertility. Both of these issues are critical to product quality. However, both of these issues constitute potential for adverse impact upon environmental concerns, or perception thereof. To reconcile the quality and environmental concerns, CourseCo will practice Integrated Pest Management (IPM). As with BMP, IPM is not a set of defined procedures but rather an operational discipline. IPM as practiced by CourseCo is best described as an integrated system of pest population management based on sound ecological principals. In that sense, it involves manipulation of the turfgrass growing environment to lessen the severity of pest infestation. It also involves sophisticated decision-making and action processes for control of pest populations in an environmentally and economically-efficient manner.

Decision-making processes are highly information-based. They involve establishment of pest management zones, each with different objectives and each with different pest tolerance levels. They also involve monitoring pest incidence, maintaining accurate records of monitoring data and interpretation of the information based on state-of-the-art scientific knowledge. The pest-control

actions that are included in IPM strategy are based upon sound ecological principals and resource conservation. They involve integration of manual, mechanical, cultural, biological and chemical methods.

Goals of IPM include a reduction in the dependency upon chemical control methods, reliance on lower-risk methods and sustenance of a harmonious relationship between the Crystal Springs golf course and it's environment. This does not indicate an elimination of chemical pesticides. Although inclusion of nonchemical methods does not preclude the need for chemical pesticides, they do enhance their effectiveness and reduce the quantity of chemical pesticides used. By utilization of a wide array of control techniques, IPM results in a safer and more judicious use of chemical pesticides. It is recognized that unnecessary use or misuse of chemical pesticides is not only of little value but is also ecologically and economically irresponsible.

As a component of Best Management Practices, fertility management is critical to product quality, is of potential environmental consequence and is an integral feature of IPM. It is generally accepted that the best method to reduce pest incidence and impact is the maintenance of healthy turf. Chemical controls are not a substitute for proper agronomic practices. This requires proper fertility management. CourseCo Best Management Practices does not include indiscriminate application of exogenous fertilizer elements. Rather, as with pest management, fertility management is information-based. Quantitative soil fertility analyses are the basis for most fertilizer application decisions. Applications are designed to be effective, cost efficient and non-detrimental to the environment. The primary environmental concern relative to fertilizer application is movement of those materials out of the area of utilization by either leaching or surface runoff. These concerns are mitigated by strategic use of slow-release materials, low quantities per application, avoidance of high-risk zones and weather-related timing.

The CourseCo IPM-CHAMP actually consists of two separate features, IPM and CHAMP, fully integrated into one program. As mentioned above, IPM is not a program for total elimination of chemical pesticides. Rather they will be used in an efficient and responsible manner when other control measures are not sufficient to achieve adequate results. In this integrated relationship, chemical pesticides are an element of IPM in that their use is in conjunction with other control methods and the defined IPM decision-making process. The result of this relationship will be the minimization of chemical pesticide usage and risk. The CHAMP is the element of the overall program that deals specifically with chemical application, both chemical pesticides and fertilizers. As with chemical pesticides, fertilizer application is integral with IPM as there is strong interaction between nutrient fertility and pest susceptibility. In fact, fertility management is a pest control mechanism.

The development of IPM-CHAMP plans is a relatively new field of endeavor. Very few exist at this writing and there is not a standard orthodox format. This Plan will surpass other IPM-CHAMP plans as it will not only itemize procedural doctrine but will strive to educate the reader regarding the science and logic of the application of IPM principles. In summation, this Plan will be more restrictive than most other existing plans regarding the utilization of chemical control materials and supplemental plant nutrients. It will also result in the utilization of far less such materials than have been historically utilized at the Crystal Springs golf course.

The CourseCo IPM-CHAMP Elements

The CourseCo IPM-CHAMP consists of several elements as described below.

A. Pest Control Strategy

Delineation of Zones - The Plan includes the division of the entire Crystal Springs facility into zones. Each zone consists of areas that are similar in form, function, intensity of management, risk factors, etc. Each of the zones then conforms to different objectives, thresholds and action decisions.

Pest Thresholds - Each zone has a different level of tolerance of pest infestation. Thresholds of pest infestation are assigned which, when exceeded, trigger pest control action.

Monitoring - Each of the zones are monitored on a routine and nonroutine basis for pest activity. Levels of infestation are recorded and compared to the established thresholds.

Action Decisions - When threshold levels of infestation are exceeded, decisions regarding control measures are made. Those actions will be either (1) alternate methods or (2) chemical methods.

Written Record - Written records of monitoring data, control actions and evaluation results will be maintained as an activity record and for study in pursuit of program improvement.

Evaluation - Efficacy of control methods are examined, recorded and evaluated for further action.

B. Alternate Control Methods

Alternate Control Strategy - Alternate methods are executed in such fashion to protect plants from pest infestation, enhance the plant's ability endure pest activity and modify environmental factors to disrupt the pest syndrome.

Alternate Control Methods - Chemical control methods will be employed only as a least-preferred method. Alternate methods include cultural, biological, environmental modification, mechanical.

C. Chemical Control Methods

Chemical Short List - This listing will include all chemical pesticides qualified for potential usage. Materials which pose a potential hazard or other negative qualities will not be included even if such usage is within regulatory guidelines.

Material Selection Criteria - All authoritative and documented resources will be utilized in selection of the material that will afford the greatest control with least potential for negative consequence.

Minimization With Maximum Efficacy - Techniques for maximizing efficacy, and hence, minimizing material requirement will be employed.

Internal Control - Chemical pesticide usage will be 100% recorded. Regular inventory monitoring and reconciliation will be audited.

D. Nutrient Management

Considerations for Supplemental Nutrients - The several essential plant nutrients vary greatly in plant requirements, agronomic factors and potential environmental consequences. These issues necessitate that different management strategies be applied to the several nutrients.

Fertilizer Short List - This listing will include all fertilizer products qualified for potential usage.

Strategy for Maximized Efficacy and Minimized Loss - Application strategy and techniques will be employed to reduce the overall requirement for supplemental nutrients and the risk of adverse environmental consequences. This will be accomplished by maximizing material efficacy, reducing material loss and increasing availability of endogenous nutrients.

E. Safety

Worker Safety - All prudent measures to protect CourseCo employees who handle chemical pesticides or who work in areas of usage will be prescribed.

Public Safety - Facility patrons will be protected from exposure to include notification prior to entry into an area of chemical pesticide usage.

Accident Response - Methods, equipment and training will be at ready to properly engage all conceivable accidental situations.

Pest Control Strategy

A. Delineation of Zones

The Crystal Springs premises are divided into zones which differ in various characteristics. These differing characteristics necessitate that each zone be treated separately from others with respect to pest control and nutrition. Because various zones are of more or less intense importance to the game of golf, the zones vary in acceptable limits of pest infestation. For example, it is required that golf greens be maintained at near perfection which reflects low tolerance for pest presence. Conversely, comparatively high pest levels would be tolerable in roughs where turf quality is far less critical. Hence, the intensive pest control activity practiced on greens would not be justified on roughs. Also, zones differ similarly in justifiable nutrient input. Exogenous nutrients would not be applied to roughs more conservatively than to greens.

In addition to pest control issues, zones differ in susceptibility to lateral movement of materials away from the points of application. This material movement is generally as water-born surface runoff that could occur as a result of significant rainfall. Zones designated as susceptible to surface runoff will be disqualified from application of most chemical pesticides or fertilizers.

Further, zones will be dedicated to nature conservation. In these areas, restoration of natural species and wildlife enhancement will be practiced and the zones made available for non-golfer nature activities. Also, zones will be dedicated as non-intrusion areas such that all human activity will be prohibited in favor of strictly natural activity. A map of the zone delineation for the Crystal Springs facility is given in appendix X.

Non-intrusion Zone - (___ acres) The non-intrusion zone consist of areas designated to not be directly influenced by human activity. Except for use of spot-treatment with postemergent herbicide for species conversion as prescribed by the wildlife management plan, no management measures, chemical or otherwise, will be applied to this zone. Public entry will also be prohibited.

Nature Conservation Zone - (___ acres) Subject to public safety, nature conservation zones will consist of walking trails and observation areas to provide opportunity for non-golfers to study the natural environment. Chemical pest control in this zone will be limited to spot-application of postemergent herbicide for purposes of controlling non-native species. Fertilizer will not be applied to this zone.

High-flow Zone - (___ acres) In a substantial rainfall event, water flows across the surface of the property, including substantial flow from the adjacent Highway 280 and its right of way. Due to topographical features, that runoff generally collects into low gullies and then discharges from the premises. These intermittent waters flow through the gullies at a comparatively high velocity. The flows may originate on-site or as inflow from upstream of the premises. No form of chemical pest control or fertilizer nutrients other than postemergent herbicide will be applied to the high-flow zone.

Retention/Detention Zone - (___ acres) Certain areas of the premises will be utilized for holding of surface runoff generated by a rainfall event. Water held in these areas may ultimately outflow or be retained until infiltration occurs. The zone may also include artificial wetlands designed for

purification of disposed water. Except for postemergent herbicide, no form of chemical pest control or fertilizer nutrients will be applied to this zone.

Runoff-potential Turf Zone - (___ acres) Turf area which has a significant slope and does not have a buffer zone between it and the downstream high-flow zone may experience lateral loss of material during a substantial rainfall event. In this zone, chemical control of neither insects nor diseases will be practiced. Also, preemergence chemical control of weeds will not be performed. Postemergent chemical weed control will be limited to one or two applications per year. Fertilizer nutrient application will be limited to slow-release or liquid-formulation soluble materials.

Buffer Zone - (___ acres) Between the maintained turf and property perimeter or in nonuse areas within the turf area, buffer zones of nonmaintained vegetation where wildlife habitat and native species will be established. These areas will serve to reduce the flow velocity of surface runoff during rainfall and reduce the lateral movement of chemicals and nutrients by filtration. Except for spot treatment with postemergence herbicide for eradication of non-native species, no chemical pesticides or nutrients will be applied.

Ornamental Landscape Zone - (___ acres) The ornamental landscape zone consists primarily of shrubbery and flower plantings in areas with no living ground cover between the plants. It is the objective to provide for the health of the ornamentals while preventing presence of weeds among the ornamentals. Pest control will be accomplished primarily with alternate methods. Disease and insect pests will be controlled chemically as needed only if the pests exhibit detrimental effects upon the ornamentals. Chemical weed control will be limited to spot treatment of individual weeds with postemergence herbicide.

Rough Zone - (___ acres) The turf in golf course rough is by definition and function of comparatively low maintenance intensity. As such, substantial pest populations are tolerated before action thresholds are reached. Insect and disease populations will not be chemically controlled unless extensive turf loss is imminent. In those cases, chemical treatment will be limited to spot-treatment. Extensive weed populations will not be tolerated as seed produced in the rough zone will influence weed populations in the more-intense zones. Chemical herbicide application will be limited to one post-emergence application per year. Pest control activities in the rough zone will rely upon alternate methods with chemical methods reserved for extreme situations.

Fairway Zone - (___ acres) The fairway turf is a playing surface which must be healthy and dense enough to elevate and support a golf ball above the soil surface so that it can be cleanly struck with a golf club. However, it is not as highly manicured as the tees. Pest thresholds are also higher than in the tee zone. Infestations of insect and disease populations will generally be tolerated unless they reach levels where substantial compromise of turf quality is imminent. At those points, curative chemical spot treatment will be performed. Postemergence chemical control of weed infestation will be limited to two applications per year. Pest control activities in the fairway zone will rely upon alternate methods with chemical methods reserved for extreme situations.

Tee Zone - (___ acres) The surfaces of the golf course tees are maintained in a highly-manicured fashion but not as intensively as the greens as physical performance of the surface is not a specific

issue to the game. Tees are rather susceptible to infestation with grassy weeds. The populations of those weeds will be monitored during the first year of operation. Specific tees which suffer infestation beyond the threshold will be treated preventatively at the next appropriate point in the weed species life cycle. Postemergence chemical control of grassy and broadleaf weeds will be limited to one application each per year.

Neither insect nor disease pests will be controlled preventatively with chemical measures in the tee zone. Chemical control will be limited to curative spot treatment of areas in which pest populations exceed the thresholds.

Greens Zone - The greens zone comprises approximately ____ acres of the Crystal Springs facility. This zone is the most intensely-managed of all turf present. Though very minor in total area compared to the facility as a whole, a large portion, perhaps half, of the game of golf occurs in this zone. This is with respect to both time spent and impact upon the fairness of the game. Quite unlike other zones, not only are the aesthetic qualities of this zone important but also the physical qualities of the turf surface are imperative. Slight inconsistencies in the surface cover due to insect casts, bird excavation, diseased scars, textural differences from weed presence, etc., have a severely adverse effect upon the usability as a putting surface. Indeed, putting quality of the greens is the yardstick by which golf courses are generally evaluated and compared. It is also the feature with which the patrons have the least tolerance for compromised quality.

It is intended that all reasonable alternate methods will be routinely practiced in the greens zone in a preventative fashion. Also, suitable alternate methods will be employed before utilization of chemical alternatives. These methods will be discussed in another section.

It is intended that in the greens zone, the threshold for action will be the lowest of all zones. Generally, diseases that have rapidly-spreading epidemiological characteristics will be acted upon at first confirmed sighting. Those that characteristically spread slowly will be monitored closely and acted upon if the affected areas continue to spread or if the severity of infestation will likely result in turf demise. For example, when environmental conditions are favorable, pythium infestation can rapidly result in catastrophic loss. It would be acted upon at first sighting. On the other hand, brown patch spreads more slowly and is not rapidly devastating. Hence, an occasional area of infestation may be spot-treated or tolerated and monitored to determine if the turf will recover without intervention. In the case of pink snow mold which will predictably cause a seasonably severe infestation, the disease may be preempted with a preventative treatment, particularly if curative treatments are less reliable or more drastic.

Activity of many insect species may potentially result in catastrophic loss in the greens zone. However, progression of infestation is generally slow. When levels of activity exceed the threshold, the affected areas will be spot-treated. General or preventative treatments will not be performed.

Weed infestation in the greens zone has a tremendous negative impact upon putting quality and hence the threshold levels are low. However, in the greens zone, some weed species are most effectively controlled by prevention. Well-timed application of low rates of preventative is more effective and less severe than postemergence treatments for some predictable species such as crabgrass.

B. Pest Thresholds

A pest threshold refers to the level of pest incidence that requires the implementation of a suitable pest control action. IPM directs that alternate control methods be used on an ongoing basis

irregardless of actual pest incidence in effort to prevent incidence or to control incidence below the threshold. Hence, for purposes of this Plan, thresholds refer to the implementation of chemical control measures to address pest populations when alternate methods have failed to adequately control those pest populations. Until these thresholds are exceeded, alternate methods should be attempted as feasible.

Each zone within the premises has form and function dissimilar from the other zones. As such, each zone has unique levels of tolerable pest incidence. The more intensely-managed zones, such as greens, have low tolerance for aesthetic and functional compromise. Hence, the pest thresholds are low. Conversely, consequences of pest activity in roughs is of far less impact upon the function of the turf and aesthetics are not as important. Hence, thresholds are higher.

It should be recognized that quantitative measurement of pest populations is not a precise endeavor. It relies on human estimation of populations that are often not directly visible and are not uniform across a geographical area. Thus, comparison to threshold values is to a degree subjective. The turf manager responsible for pest action decisions must recognize the spirit and intent of stated threshold levels and access potential decisions accordingly.

Non-intrusion Zone - It is intended that this zone will not be under active management. Hence, pest control in this zone will not be exercised. However, as a component of the wildlife management plan, elimination of some plant species may be required in this zone. For that purpose only, spot application of postemergent weed control may be applied as required to achieve that species elimination.

Nature Conservation Zone - The nature conservation zone will exist under primarily unmanaged conditions with regard to pest populations. Hence, pest control in this zone will not be exercised. However, as a component of the wildlife management plan, elimination of some plant species may be required in this zone. Also, other species modification may be performed to make the educational experience of the zone users more diverse. For those purposes only, spot application of postemergent weed control may be applied as required to achieve that species elimination.

High-flow Zone - No form of chemical pest control will be applied to this zone except for postemergent weed control. If a weed population infests a 1000 square foot area at an average density of one weed per two square feet, then that 1000 square foot area may be treated with postemergent control. Application will be made as postemergent spot treatment of infested areas only. Control will be limited to one application per area per year in the high-flow zone. Such applications will not be made unless potential for a rainfall event is highly unlikely within seven days following application.

Retention/Detention Zone - The threshold described above for the high-flow zone also applies to the retention/detention zone.

Runoff-potential Zone - Because this zone has potential for lateral movement of applied materials, chemical control of diseases and insects will not be exercised. If areas of this zone are adjacent to or between areas of fairway or rough zone, then postemergent weed control may be practiced under the guidelines for those zones. Such applications will not be made unless potential for a rainfall event is highly unlikely within seven days following application.

Buffer Zone - It is intended that the buffer zone will serve to intercept and filter surface runoff from the more-intensely-managed turf before it exits the site. Also, the buffer will exist under primarily unmanaged conditions. Hence, pest control in this zone will not be exercised. However, as a component of the wildlife management plan, elimination of some plant species may be required in this zone. For that purpose only, spot application of postemergent weed control may be applied as required to achieve that species elimination.

Ornamental Landscape Zone - It is intended that pest control in the ornamental landscape zone will be achieved almost exclusively by alternate methods. Chemical control of weed populations will be limited to postemergent spot control and exercised only if weed cover of a particular landscape bed exceeds 50 percent. Also, chemical control will not be exercised unless the weed species is difficult to remove by mechanical methods (thistle, for example).

Disease and insect pests on ornamentals will not be chemically controlled unless detrimental effects upon the health of the plants are observed. Then, only the affected plants will be treated. Based upon future experience, ornamental species which require chemical pest control should be avoided where feasible.

Rough Zone - In the rough zone, turf quality is not as critical as in the other play areas. Thus, chemical control will not be exercised unless extraordinary turf loss is imminent. However, weed populations will be managed in attempt to reduce influx of seed from the rough into the more-intensely maintained zones. If a weed population infests a 1000 square foot area at an average density of one weed per two square feet, then that 1000 square foot area may be treated with postemergent control. Application will be made as postemergent spot treatment of infested areas only. Control will be limited to one application per area per year in the rough zone.

In the cases of disease and insect infestation, if fifty percent or greater of the turf in a 1000 square foot area is visibly affected, then control may be applied. However, the turf manager must first conclude based upon the pest identification and the prevailing weather conditions that control is necessary to prevent worsening of the turf condition. When so concluded, application will be made as spot treatment of affected areas. It is anticipated that chemical control of disease or insects in the rough zone will be very rare and of very limited scope.

Fairway Zone - For purposes of pest control decisions, fairway turf will be assessed in 1000 square foot units. For example, if disease or insect presence has caused observable compromise to twenty five percent or more of the turf in a 1000 square foot area, then control may be applied. However, the turf manager must first conclude based upon the pest identification and the prevailing weather conditions that control is necessary to prevent worsening of the turf condition. When so concluded, application will be made as spot treatment of affected areas. Broadcast treatment of unaffected fairway turf will not be made.

Similarly, if a weed population infests a 1000 square foot area at an average density of one weed per two square feet, then that 1000 square foot area may be treated with postemergent control. Application will be made as spot treatment of infested areas only. Preemergence weed control will be limited to those areas that reached the threshold in the previous year. There will only be one application per year of preemergence weed control and postemergent control will be limited to two applications per area per year in the fairway zone.

Tee Zone - Unless experience dictates otherwise, no preventative control for grassy weeds will be applied in this zone. If, however, crabgrass infestation occurs at a density greater than one weed per square foot, then preventative treatment will be performed at the next opportune time.

If grassy or broadleaf weeds infest a tee area at a density of one weed per square foot, then that area of infestation may be spot treated with a postemergent control. If the area of infestation includes more than 70 percent of a tee deck, then that entire deck may be treated with postemergent control. Postemergent control of grassy and broadleaf weeds will be limited to one application of each per year.

In the cases of both diseases and insects in the tee zone, treatment will be limited to curative spot treatment in the specific area of observed damage plus a five-foot buffer around the area of infestation.

Greens Zone - Weed infestation on golf greens imparts unacceptable performance characteristics to the putting surfaces. Fortunately, weed infestation is rarely unpredicted, quick in occurrence or potentially devastating in the short-term. For purposes of weed assessment, each green will be divided into quarter sections. If a weed population exceeds 0.5 per square foot in a section, then control may be applied to that section. If the threshold is exceeded in two sections, then control may be applied to that entire green. Unless future experience dictates otherwise, preemergence herbicides will not be applied. If crabgrass populations are observed at a density greater than 0.5 per square foot, then those specific sections of infestation will be spot treated with preemergence herbicide at the next opportune time.

Poa annua is generally regarded as a grassy weed species. However, at Crystal Springs, Poa annua is the predominant turf species on the greens. Thus its control by chemical means will not be attempted. If greens are resurfaced in the future, then Poa annua will be regarded as a weed and its control will be aggressively attempted.

Diseases that affect bentgrass greens vary in their potential to inflict quick and devastating harm. Also, that potential for a given disease varies depending upon time of the year and ambient weather conditions. After observation of disease presence, the turf manager must identify the pathogen, evaluate the degree of infestation and consider the prevailing weather conditions. The situation will then be dealt with in one of two fashions. (1) If the current situation poses a threat of rapid spread and kill, for example Pythium in hot humid weather, then immediate application of chemical control will be made. If the infestation is limited to two disease centers on a green, then those centers will be spot treated. If three or more disease centers exist, then the entire green will be treated. If disease centers exist on nine or more greens, then all eighteen greens will be treated. (2) If the current situation does not pose a threat of rapid spread and kill, for example brown patch during dry weather, then a less-aggressive response will be conducted. If five or fewer disease centers are present on a green, then those centers will be spot treated. If six or more are present, then that entire green will be treated. No greens will be treated unless disease centers are located on that green.

Establishment of thresholds for insect infestation are not as definable as for weeds and diseases because insect presence is not as easily detected or quantified. Also, problematic population levels vary greatly among insect species. The injury inflicted upon greens by insects is generally not as rapidly-progressing as some diseases may potentially be. Hence, only turf areas with observed infestation will be treated. For purposes of assessment, each green will be divided into quarter sections. If turf injury is observed, then that injured area and other turf within five feet will be

treated. If turf injury in two sections is observed and the insects causing the damage can be found in the other sections in substantial densities, then the entire green will be treated. If turf damage warrants the treatment of twelve or more greens, then other greens where the insects can be found in substantial densities may be treated whether or not turf damage is currently observable.

C. Monitoring

Pest control decisions as practiced in this IPM system are information-based. Thus, these decisions require the collection of information upon which to base such decisions. Pest activity in each of the zones delineated at the Crystal Springs facility will be monitored and recorded. The levels of activity observed will then be compared to established thresholds, and with consideration to pest identification, epidemiology and current weather decisions, will be the basis for the action decisions. Because each of the zones differs in pest control strategy, level of management and pest tolerance, each zone must be monitored individually. Additionally, the monitoring frequency will vary among zones. For example, the greens will be monitored frequently whereas the roughs will be monitored infrequently.

Greens Zone - Because the greens zone constitutes the most-heavily managed turf and has the lowest pest thresholds on the premises, it will be monitored more frequently than other zones. As a general guideline, the greens zone will be monitored daily during portions of the year when the daytime high temperatures exceed 75 degrees Fahrenheit. During the remainder of the year, monitoring will be performed each Monday, Wednesday and Friday. However, the greens zone will be monitored for three days following each rainfall event irregardless of the season. Daily monitoring is also encouraged at any time that the turf manager has reason to anticipate pest activity.

Weed pests in the greens zone will be monitored and mapped monthly during the first monitoring session of the month. Areas of weed activity and the identity of the weed will be recorded. Disease and insect pest activities will be recorded during each monitoring session. Because greens constitute a small acreage in total (less than 1% of the leasehold), the entire surface of the zone will be inspected during each monitoring session. Mapping information to include pest identity, location, estimation of affected area and severity of infestation will be recorded on a standardized map (appendix II). These monitoring records will be maintained in a notebook in chronological order.

Tee, Fairway and Ornamental Landscape Zones - These three zones will be monitored weekly. However, as with the greens, the weed pest infestations will be recorded monthly and based upon the second monitoring session of the month. Disease and insect pests will be examined and recorded during each monitoring session. Mapping information will include pest identity, location, estimation of affected area and severity of infestation. The entire surface of the tee and the ornamental landscape zones will be inspected during each monitoring session. However, due to the magnitude of the fairway zone, it will be monitored by travel in a zig-zag fashion throughout the zone. Mapping information from monitoring of these zones will be recorded on standardized maps (appendix III) and filed in chronological order.

Rough, Buffer, Runoff-potential, High-flow and Retention/Detention Zones - The zones addressed here will be inspected monthly. Mapping information will include pest identity, location, estimation of affected area and severity of infestation. Even though chemical control of pests in

some of these zones may be prohibited, the observations will serve to help anticipate pest activity in other zones. As with the fairway zone, monitoring will be conducted by travel in a zig-zag fashion. Mapping information from monitoring of these zones will also be recorded on standardized maps (appendix III) and filed in chronological order.

Nature Conservation and Non-intrusion Zones - Pest monitoring will not be performed in these zones except as may be required in the wildlife management plan.

For each of the zones, an annual summary will be compiled in January summarizing the pest-infestation experiences of the previous year. This summary will include a chronological timetable of observed pest activities and a mapping of infestation "hot spots" (examples, appendix IV). This information will provide valuable historical knowledge that will assist in future planning of alternate control strategy.

D. Action Decisions

As previously mentioned, the term "action decision" is used in this plan with reference to chemical control of pests. However, in actuality, the turf manager must make frequent decisions regarding action in response to pest presence above and also below threshold values. In addition, actions may be in response to anticipated pest activity that may not yet be observable. The actions employed by the turf manager are not limited to chemical intervention. Rather, as dictated by IPM, primary actions include alternate methods or perhaps the decision to implement no action. Pest incidence above the threshold levels represents a failure of alternate methods and is the point at which chemical methods may at the discretion of the turf manager be employed.

E. Written Record

A thorough recording of all actions in response to pest infestation, anticipated pest infestation or general preventative measures will be maintained. Each such record (termed "IPM Records") will include reference to monitoring records or the annual monitoring summary upon which the action was based. If a general preventative measure, an explanation of the strategic intent will be recorded. Such IPM records are not limited to chemical methods. In fact, record of chemical methods should constitute a minority of the total actions recorded. Record of alternate actions should constitute the majority of the total IPM records as alternate methods are the primary means of pest control.

It is the duty of the turf manager to construct the IPM records as it is that person's duty to implement the IPM-CHAMP plan. When properly constructed, the IPM records should clearly and completely describe the observations, strategy, logic and thought processes of the implementation of IPM to the reader even though unfamiliar with the Crystal Springs operation (example, appendix V). The turf manager should over-report rather than under-report such records. It is encouraged that the IPM records be maintained on a computerized database to enable rapid sorting by zones, dates, pests, etc.

Extensive written record of all IPM issues will be maintained indefinitely by CourseCo in duplicate form. Upon generation of a written record, a duplicate copy will be forwarded to the CourseCo administrative office. The original will be retained at the turf manager's office. Records will include monitoring reports, IPM records, chemical application records (as required by California statutes), internal control records, incident reports, worker safety training, etc. It is necessary that the written records of the IPM-CHAMP plan be complete, organized and precise as they will be subject

to frequent review by a contracted analyst, the City of San Francisco, and other agencies that have interest or jurisdiction in the Crystal Springs operation. Compliance will be evaluated largely upon those records.

F. Evaluation - After implementation of a control action, whether it be an alternate or a chemical method, the results of that measure will be evaluated. The purpose for the evaluation is two-fold. If the control action is unsuccessful, the turf manager may determine that subsequent measures are required. Further, the efficacy of control actions should be determined to assess the value for use in future control strategy. Record of evaluation will be entered as an IPM record.

Alternate Control Methods

A basic premise of the CourseCo IPM-CHAMP Plan is that chemical methods of pest control will be methods of last resort. Such methods will be employed only after other alternate methods have failed to suppress pest populations to levels below defined thresholds. All alternate control activities designed to suppress pest activity will be recorded as an IPM Record.

A. Alternate Control Strategy

Most alternate methods generally do not act directly upon pest populations and cause death of the individuals as do chemical methods. Rather, they alter the integrated relationships between the turf plants, the pest population and the local environmental factors. This favorable alteration then results in a suppression of pest activity or reduced manifestation of pest effects on the host turf plants. In this sense, efforts that directly promote excellent turfgrass health are the best alternate methods of pest control. In many cases, pests are species of opportunity that increase activity and proliferate when the host plants are weakened by other factors. Also, methods that alter the turfgrass microenvironment in such a fashion as to positively affect plant health or negatively affect pest health and epidemiology are effective. A single alternate control method may have a very small or a very large influence on pest activity depending upon a complexity of factors. Some methods may be only marginally effective or even ineffective as a singular effort. Often, it may be an integration of several alternate methods that result in adequate pest suppression. This integration may in many instances be synergistic.

Because alternate methods generally act upon pest populations in such an indirect fashion, they rarely result in dramatic reductions or elimination of pest populations. Rather, they increase the capability of the turfgrass plants to endure the pest activity or they make local conditions less favorable to the pest epidemiology. For this reason, they are comparatively unreliable and require chemical control alternatives as a contingency backup plan in the event that they are not successful. However, employment of alternate methods and combinations of such methods may result in excellent turfgrass health and also may result in enough pest suppression that the need for chemical control methods can be sharply reduced. Because employment of alternate methods generally results in increased turfgrass health regardless of pest issues, their employment is not inconsistent with efforts to provide facility patrons with a quality golfing experience. Hence, ongoing employment of alternate control methods are fundamental Best Management Practices and are a cornerstone of CourseCo Integrated Pest Management.

B. Alternate Control Methods

Most alternate control methods consist of a vast array of turfgrass management elements that are designed to increase turfgrass health and vigor and indirectly suppress pest populations. Most of these endeavors are categorized as cultural, biological, environmental modification or mechanical methods. The following listing of alternate control methods should not be considered to be complete as an array of methods is only limited by the scientific understanding of the complex ecological interrelationships involved in turfgrass cultivation and the peculiarities that the local environmental conditions impose upon those interrelationships. It will be the responsibility of the turf manager to employ these alternate methods as appropriate but to also strive to develop, understand and employ

other alternate methods based on local site familiarity and technological advances in the general turfgrass industry.

I. Cultural Methods

- a. Mowing height - In general, the higher the mowing height of a turf, the less susceptible it is to environmental stresses. This occurs for a number of reasons. The depth of rooting is nearly proportional to the mowing height of a turf, hence, the shorter the height of cut, the lesser-developed the root system will be. The higher the mowing height, the more leaf tissue will be present for photosynthetic activity and generation of plant energy reserves. Also, the lower the mowing height, the more light will penetrate to the substrate surface and promote growth of weeds, algae and moss. However, mowing heights are limited to acceptable ranges because of the impact of turf height on the surface performance for the game of golf. An appropriate strategy is to use the lower portion of the acceptable height-of-cut range during the seasonal periods when plant health is excellent. Heights of cut should then be raised to the upper portion of the acceptable range during seasonal periods when the turf plants endure environmental stress.
- b. Thatch control - Most turfgrasses tend to form thatch, a layer of dead plant tissue held together by stolons and roots. While thin layers of thatch are beneficial, thick thatch layers contribute to several problems. Thatch frequently harbors insects and pathogens and may serve as an overwintering site for some pests. Reduction of the thatch accumulation deprives these species of a favorable environmental niches. Many below-ground pests are readily controlled with small amounts of applied chemical control material. Thatch severely impedes the vertical movement of many such materials so the presence of thick thatch requires that much higher dosages be applied. Reduction of thatch can thus reduce the need for chemical control materials. When thick layers of thatch are present, plant roots and crowns tend to grow in that layer rather than in the protection of the soil below. Those plants are much more susceptible to drought stress, traffic injury, nutrient deficiency, freezing injury, winter desiccation, etc. Thatch reduction alleviates these predisposition to poor plant health. Thatch control is achieved by practicing frequent aerification, sand or soil topdressing, avoidance of excessive fertility, and verticutting and sweeping.
- c. Aerification - Aerification is a method of tillage that reduces compaction by fracturing compacted soils and creates avenues for water infiltration and gaseous exchange between the soil and the atmosphere. As such, aerification increases the overall pore space of a soil and, more important, it increases the air-filled pore space. This increased oxygenation of the soil then permits greater depth of root penetration. This increased root system and tilth of the soil increases the stress tolerance of the turf, increases interception of nutrients and water and consequently increases the overall health of the turf. Oxygenation of the root zone also reduces the incidence of black layer, a problem condition that develops in anaerobic portions of golf green profiles. The aerification process also deposits soil on top of the thatch layer which, in turn, accelerates its decomposition. Core aerification is beneficial to all turfgrasses and should be practiced as frequently as is feasible. Negative impact upon the game of golf typically restricts

core aeration to two to three times per year. On the greens zone, the core aeration may be supplemented with water-jet aeration, a technique that is not of significant impact on the game and thus may be performed frequently. It should be noted that core aeration should only be performed during the high-growth seasons. Aeration of turf during seasonal stress periods may substantially weaken the turf.

- d. Wetting agents - Soils, in particular golf greens, may vary greatly in the water infiltration rate. Within a green, there may be extensive channeling such that water and nutrients do not adequately penetrate a large portion of the surface. This results in mottled or spotty areas of poor turf health. Some areas may even become hydrophobic such that the turf in those areas experiences drought stress or desiccation even though adequate water is applied. Application of wetting agents (specialized surfactants) greatly alleviate the hydrophobic soils and thus reduce the channeling effects. As a result, unhealthy dry spots are avoided. A secondary effect of wetting agents is that they reduce the capillary tension of water held in a native soil such as the Crystal Springs greens. Thus internal drainage and consequently oxygen penetration is enhanced. For both of these reasons, use of wetting agents improves turfgrass health. When liquid supplemental nutrients are applied to the greens zone, the opportunity should be utilized to include a wetting agent. In summer months when supplemental nutrient application is minimal, wetting agents alone should be applied frequently as those are the months during which wetting agents can be of greatest benefit.
- e. Clipping removal - The weed species Poa annua is very problematic on the short-cut turf at Crystal Springs golf course, in particular the greens zone. Being an annual, though sometimes perennial, species, Poa annua is a prolific seed producer. Seed produced by Poa annua on a turf may be cut and redeposited on the same turf and exacerbate the Poa annua infestation. To reduce this potential, clippings will be harvested and removed during mowing of the greens and tee zones. The clippings will either be scattered in the rough zone for nutrient recycling and where Poa annua infestation is not as problematic or the clippings will be added to the facility composting operation.
- f. Mulch problem hilltops and slopes - Many soils experience poor water infiltration due to poor physical properties of that soil. When such soils are on hilltops or slopes, rainfall and applied irrigation runs off leaving insufficient water to support healthy turfgrass. This condition may be alleviated by amending those soils to permit rapid water infiltration. Such soils should be plated with a blend of coarse soil and organic mulch, a blend that will permit rapid infiltration and also excellent retention of water.
- g. Dew removal - Many pests that infect turfgrass foliage require a liquid growing medium on the foliage in order to proliferate. The dew that accumulates on the turf for several early-morning hours is an ideal such growing medium. Removal of the dew at the earliest opportunity deprives the pest of environmental conditions necessary for development. Dew is effectively removed by mowing the turf. In absence of early mowing, dew can be removed from large areas by dragging the turf with a hose between two carts, or "whipping" with a long, flexible wand.

- h. Sanitation - Inoculum from many turfgrass pests can be mechanically spread by equipment movement from infected to uninfected areas, thus increasing the scope of pest activity. Examples of this mechanism of spread would include dispersing Pythium mycelia in streaks across a green with mower rollers, removing a cup-cutter core from a fairy ring and relocating to a noninfected area and spreading Poa annua seed from one fairway to another on mowing equipment, etc. Many other examples exist. To counter this mechanism of pest spread, the maintenance crew must be trained and acutely aware of the potential for these problems, and take action to avoid them. Sanitation techniques are utilized to avoid this method of pest spread. For example, after mowing an area with a weed population that is currently producing seed, the machine should be washed in that area to remove the seed before moving to an uninfected area. Turf exhibiting fungal mycelia on the foliage should not be mowed until treated or thoroughly dried. If a green were disease-infected, that green should be mowed last in the mowing sequence to avoid contamination of successive greens.
- i. Greens cleanup cut - When mowing a golf green, the final mowing path is around the perimeter of the green surface and is referred to as the cleanup cut. Because the wheels of a riding mower travel in precisely the same paths for each mowing visible wear areas develop. Turf in those areas become weakened and thin and become predisposed to pest influence. The problem is further exaggerated if the greens are poorly drained such as those at Crystal Springs. To minimize this deterioration, the cleanup cut may be performed with a walking greens mower rather than a rider. Further, during the summer-stress season, the cleanup cut may be eliminated every other mowing in order to reduce traffic imposition.
- j. Irrigation time window - As mentioned earlier, many pests, particularly pathogens, require that the turfgrass foliage be wet in order for the pest population to spread. The more consecutive hours that the foliage is wet, the greater the opportunity for spread. Dew typically first appears on turf foliage in the early morning and remains until well after dawn. If the turf were irrigated in the early evening, then the period of wet foliage would be extended by several hours, thus promoting pest development. When feasible, the supplemental irrigation should be applied to the turf just before dawn, thus not extending the time for pest development. Also, as the dew accumulates on the foliage, the turfgrass plants tend to exude organic substances from the cut ends of the leaf tissues. Pests utilize these substances as food sources and their development is promoted by the presence of the leaf exudates. Application of irrigation water well after the dew accumulates rinses these exudates from the foliage and prevents subsequent utilization by the pests. Moreover, irrigation in the morning hours is usually much more efficient as temperatures and wind speeds are typically lower. These effects reduce evaporation of the spray and hence assist in water conservation.
- k. Mulch ornamental beds - There are several shrubbery planting beds near the Crystal Springs clubhouse that are within the ornamental landscape zone. In the future, there will likely be expansion of this zone as part of beautification and turf-reduction efforts.

In instances where these beds are bare ground without turf or other plant ground cover, a layer of mulch two to three inches thick will be added to the surface. The mulch will be derived from the in-house composting operation. Not only will this mulch serve to recycle nutrients and stabilize the soil from erosion, it will aide in water conservation by reducing evaporation from the soil surface. The mulch will also provide a barrier to germination and development of weed seeds, thus precluding the need for other pre- and postemergent weed control measures.

- l. Traffic management - The use of riding golf carts is a necessity to adequately serve the patrons of the Crystal Springs golf course. However, cart traffic tends to concentrate in certain areas and corridors rather than dispersing throughout the play area. When the wear imposed by cart traffic is concentrated, it has several adverse effects on the turfgrass. It physically wears the leaf tissue and destroys the plant crowns. It also compacts the soil which leads to another host of adverse effects. The sum result is thin and weakened turf that us predisposed to pest activity. To best mitigate these wear effects, concentration of traffic is managed to avoid prolonged concentration in any one area. Through liberal use of ropes and signage, traffic is diverted to unworn areas as the worn areas recover. The traffic is rediverted frequently by rotation of directed traffic patterns.
- m. Irrigation quantity - The Crystal Springs facility receives very little natural rainfall much of the year and must rely heavily on supplemental irrigation to satisfy the water requirements for survival and health of turfgrass. Exercise of skillful irrigation management is required to ensure that the turf receives neither supra- or super-optimal amounts of water. Too much irrigation water causes the soils to be excessively wet which results in enhanced compaction, shallow rooting, algal infestation, proliferation of many pest species, etc., and a compromise of the quality of the golfing experience for the patrons. Application of too little water results in turf that is drought-stressed. Such a stressed turf is of poor general health and vigor and is consequently subject to increased pest activity. It also provides a poor-quality golfing experience to the patrons.

Currently, the Crystal Springs staff will be challenged to precisely match irrigation application to the water needs of the turfgrass. Without a centralized irrigation control system with integral weather station, site-specific weather data will not be available nor will the system be controllable with great precision. However, the turf manager may seek comparable weather data from nearby facilities that are equipped for weather monitoring and subsequent calculation of evapotranspirative water loss. Also, dedicated effort to adjust field water output to site conditions will be a high priority.
- n. Irrigation uniformity - Not only is it necessary that the sum total of the irrigation water output match the requirements of the turf, the water application must be uniform to avoid wet and dry spots. Turf in wet or dry spots suffer the same adverse consequences as would the whole facility if it received too much or too little irrigation. Many of the deficient elements that result in poor uniformity at Crystal Springs relate to design and system capability, factors beyond the control of the turf manager. However, some important factors are controllable. In programming field satellites, it is necessary that

each individual station be adjusted individually to refine the tuning of the system rather than treat the program alterations as satellite block changes. Correct adjustment and repair servicing are necessary for each sprinkler head to achieve optimal performance. Also, in the case of quick-coupler sprinkler heads, it is necessary that the run duration be short and frequent rather than long and infrequent, a technique that leads to excessive wet and dry spots.

- o. Soil pH adjustment - As discussed elsewhere in this Plan, maintenance of proper soil pH is the key to successful agriculture, including turfgrass culture. When the soil pH is either too low or too high, nutrients that may be present in abundance become unavailable to the plants which leads to poor nutrition and poor health. Also, soil pH has a great influence on the soil tilth and the ecology of other organisms in the soil. Based upon soil tests, improper soil pH will be corrected by application of lime if the pH is too low or application of sulfur and ammonium fertilizers if the pH is too high.
- p. Soil salt content - When low-quality irrigation water is used or when turfgrass receives chronically inadequate irrigation, salt accumulates in the soil. High salt content leads to a rapid deterioration of the soil productivity and poor turfgrass health, thus creating an opportunity for excessive pest activity. To prevent this high-salt effect, the soil salinity will be monitored by analytical tests of soil chemistry. If salt accumulation increases to levels of concern, then the soil will be leached with excess irrigation. However, the turf manager will use caution to avoid application of nitrogen fertilizer for two weeks prior to a deliberate leaching effort.
- q. Soil sodium content - In addition to salt accumulation, a second adverse soil condition that can severely compromise the productivity of a soil is accumulation of excessive levels of sodium. When the sodium levels rise to a problematic level, the soil loses its aggregate structure and it becomes nearly impermeable to water or air. To mitigate problem levels of sodium, gypsum (calcium sulfate) is applied to the soil, which, in turn, displaces the sodium. If the exchangeable sodium percentage in the soil at Crystal Springs exceeds five, then gypsum will be applied.

2. Biological Methods

- a. Species selection - Turfgrass species vary greatly concerning their adaptability to growing conditions. Greater adaptability imparts resistance to environmental stresses and pest pressures that may be experienced in a given niche. For example, ryegrass performs well at one-half inch cutting height whereas tall fescue would not adapt well and would be predisposed to poor health and pest problems. To the contrary, tall fescue would adapt well to drought-prone sites which ryegrass would not endure. When used on fairways, bentgrass is very susceptible to infestation with various pathogens, whereas, Kentucky bluegrass suffers comparatively few pest problems in the same application. Also, fine fescue thrives in shaded areas where Kentucky bluegrass would be unhealthy, thin and pest-prone. However, game-performance characteristics may preclude the use of some otherwise-sound species selections. The turf manager will analyze the various ecological niches on the Crystal Springs premises and strive to maintain populations of

turf species that are best able to withstand the environmental and cultural pressures that influence the pest susceptibility.

- b. Variety selection - As with species selection, there is great variability among commercial varieties within turfgrass species. In developing new varieties, plant breeders have selected for greater adaptability or resistance to stresses and pest pressures. When a particular problematic situation is historically experienced in a certain location, the turf manager should attempt to identify a variety of the desired species that has greater adaptability to that problem. That variety should then be established in that location. The National Turfgrass Evaluation Program (NTEP) is a nationwide program for comparative evaluation of turfgrass varieties. The field performance of the varieties is rated with respect to many parameters, including pest resistance, at many locations. The published results will provide the turf manager with unbiased ratings that will assist in the selection of varieties.

When establishing a turf, or adding supplemental seed to an established site, it is desired that the diversity of the gene pool of the supplemental seed be maximized in order to maximize the range of adaptability of the resulting turf. This is achieved by blending three different varieties with differing characteristics. As the turf develops, natural selection will occur over time such that in each niche the strongest variety will prevail, thus maximizing the resistance to stresses and pests over a diversity of niches.

- c. Induced pest resistance - With recent developments in biotechnology, there are instances where scientists have induced pest resistance into turfgrasses. The near future promises many more such advances. As an example, many commercially-available ryegrasses have been developed which possess a second organism, an endophyte, within the plant tissues. The endophyte imparts pest resistance to the plant which it would not otherwise possess. In selecting seed for introduction into problem areas, the turf manager should seek varieties that possess these types of induced resistance.
- d. Nitrogen source selection - Application of supplemental nitrogen nutrients in the form of composted sludge has been shown to suppress the activities of some pathogens. It is believed that this phenomena results as the composted sludge increases the populations of other soil microorganisms. Some of these other microorganisms appear to be antagonists of the pathogens such that sludge-induced elevation of their populations results in increased pathogen suppression. The greatest potential for such pathogen-suppression benefits appears to be on high-sand root zones, a situation absent at Crystal Springs. However, in furtherance of this objective, at least 50% of the supplemental nitrogen nutrients applied to the greens and tee zones will be from a composted sludge source
- e. Growth regulators - Though definitive research is not yet completed, it appears that the plant growth regulator, Primo, imparts a resistance to some diseases into treated turfgrass. It is likely that the growth regulator produces this effect by dwarfing the plant structure and conserving carbohydrate reserves. The extra carbohydrate then would give the plants more respirable energy reserves to better endure the physiological stresses of

pest infestation, hence imparting pest resistance into the plant. The turf manager will be apprised of this developing technology and apply it as appropriate.

- f. Microbial parasites and predators - In other horticultural applications, there are commercially-available microbial parasites and predators which, when released, feed on individuals of pest populations. Unfortunately, there are few such agents commercially available for control of turfgrass pests and those have not been found to be significantly effective. However, this is an area of intensive research effort and it is imminent that such effective materials will soon be available. As they become available, the turf manager will employ them to best advantage.
- g. Large predators - As part of the Wildlife Management Plan, CourseCo will install nesting structures for various bird species. Among these will be bird species that will feed upon pests throughout the premises. For example, birds of prey such as owls will feed on gophers and other rodents. Other bird species, and bats, will feed on mosquitoes, knats and other flying insects. Birds that feed on subterranean insects serve as a qualitative and somewhat quantitative indicator of problem-insect presence. As another example, the habitat for bobcats will be protected or enhanced. The bobcats then act as a biological control for gophers and small problem mammals that are in their food chain.

3. Environmental Modification

- a. Drainage - Both general turfgrass health and pest population activity are greatly influenced by the levels of moisture present. As discussed elsewhere in this Plan, inadequate moisture yields negative effects on plant health and increases of pest activity. Excessive moisture also decreases general turfgrass health and increased activities of many pests. In particular, many pathogens require high moisture as an environmental requirement for development of the resulting disease syndrome. Also, several weed species such as nutsedge exert competitive pressure only in chronically-wet soils. Even many insect pests such as mosquitoes, knats and midges increase their population densities in response to chronic standing water. Drying out wet spots is a most effective control for such insects.

Generally, soils in localized areas remain chronically wet because of poor irrigation uniformity, improper contouring of the surface grade, inattention to civil engineering issues during architectural design, surface compaction, etc. Mitigation of these wet soil conditions is accomplished by one of two approaches, either surface or subsurface drainage construction. Surface drainage is the preferred method as it is most successful and is permanent. To achieve surface drainage, the contours of the surface grades are adjusted to remove low spots or flat areas. If, for example, the surface grade is adjusted such that all areas have a minimum of two percent slope, then wet spots will likely not develop. However, widespread construction of surface drainage is a major capital endeavor though smaller localized areas at Crystal Springs may be successfully addressed.

Subsurface drainage involves trenching through perpetually-wet areas, removing the spoil and filling the trenches with either small gravel or sand. The moisture in the

waterlogged soil then has an avenue to leave the wet areas and dissipate in drier areas. These drains are successful in removing small amounts of nuisance water but are less effective in moving large volumes of water. Also, subsurface drains have a finite lifetime. Many chronically-wet areas of the Crystal Springs golf course may be dried by constructing subsurface drainage. By either of the two drainage methods, avoidance of localized wet soil conditions will result in lesser pest incidence and hence lesser control requirement in those areas.

- b. Tree placement and culture - The presence of trees in a turfgrass area imposes several environmental factors on the turf that result in poor general turfgrass health and/or favor development of pest syndromes. This situation is very problematic on golf course greens. These factors are shade and reduced air circulation.

Considering that most turfgrass species require substantial direct sunlight for adequate photosynthesis to maintain plant health, shade caused by trees severely weakens the turf, often to the point of turf demise. Also the shade results in lesser evapotranspiration such that shaded areas often become excessively wet. This leads to the poor health and increased pest pressures discussed elsewhere. Trees also create significant wind breaks, thus reducing air circulation in the immediate vicinity. This air stagnation increases the humidity in the turfgrass microenvironment, thus enhancing pest activity, particularly pathogens and algae.

Several greens at the Crystal Springs facility experience health and pest-related difficulties that result from the influence of nearby trees. To avoid aggravation of this situation, no additional trees will be planted within one hundred feet of a golf green. Also those within one hundred feet of a green will be proposed for removal as an element of the CourseCo tree management plan. Additionally, those not included in the tree management plan for removal will be extensively trimmed to thin the foliage to the greatest degree possible without compromising the survival and architecture of the tree. All trees in the fairway, rough, runoff-potential or high-flow zones will be regularly thinned and the lower branches removed as high as is feasible according to the tree management plan, thus reducing the degree of shading and restriction of air flow.

- c. Fans - In situations where air flow, particularly around greens, is reduced by trees, topography or by other factors, the situation may be somewhat mitigated by the use of electric fans. Fans installed around problem greens increase the air flow in those areas. This increased air circulation alters the turfgrass microclimate by lowering the humidity and surface temperature, thus reducing the susceptibility to development of pest syndromes.

4. Mechanical Methods

- a. Physical removal - Frequently the most effective, and often the most efficient, method of pest control, particularly weeds, is physical removal. When weed density is low and confined to limited areas, physical removal is most efficient control method even though it is labor-intensive. For example, if a small planter bed in the ornamental landscape zone becomes infested with purslane, the bed may be raked clean in a few minutes. Not only would this be quicker than mobilizing a chemical control spray operation, but the

area would then be bare rather than being covered with dead weeds. If a small portion of a green were infested with spurge, it may be physically removed quickly with hand labor. Even the best control for light Poa annua infestation of new greens is physical removal while the population density remains low.

- b. Root pruning - There are many large trees on the Crystal Springs premises. In several instances, the trees have extensive root systems that extend great distances into critical turf areas such as green zones. The tree roots then withdraw water and nutrients from the soil at the expense of the turfgrass plants. The turfgrass plants then become weakened and predisposed to stresses and other pest activity, though the tree roots may themselves be considered as primary pests. After a root-intrusion situation is identified, it may be mitigated by pruning the problem roots. This can be accomplished by excavation of a trench longitudinally between the tree base and the problem turf area. A mechanical trencher used for this purpose will sever the tree roots in the path of the trench. Turfgrass health will then be restored and it will become less susceptible to pest activity.
- c. Mowing - Many pest species, particularly weeds, may be effectively controlled by mowing. Several weed species are not able to endure short mowing heights or perhaps mowing at all. By this mechanism, most weeds are prevented from infesting close-cut turfgrass. However, tall weeds may readily infest areas such as buffer, high-flow, retention/detention and nature conservation zones which are not regularly mowed. In these cases at Crystal Springs golf course, the turf manager will identify infestations by tall weeds of such unmowed areas. Occasional mowing with a sickle or flail mower will be practiced to control those weeds.
- d. Mower selection and service - The type and repair status of mowing equipment has a significant influence on the susceptibility of a turf to pests, particularly pathogens. When a reel-type mower in good repair cuts a leaf blade, the result is a clean cut from the scissor action of the machine. If the blades of a reel-type mower are dull, then the leaf blades will be shredded rather than cut. This is unduly destructive to the plant and weakens it during environmental stress periods. Also, the shredded leaf ends expose cell contents to the atmosphere where they may serve as a nutritional source for enhanced infestation by foliar pathogens. This effect results not only from dull mowers but also from selection of mower type. Rotary or flail-type mowers do not cut by means of scissor action. Rather they cut by means of impact of a sharp cutting edge with the leaf tissue. By nature, even when they are sharp, their use results in some shredding of the cut leaves. When dull, the shredding is clearly excessive which not only decreases plant health and increases pest susceptibility but also compromises the aesthetic and play qualities of the surface. The turf manager at Crystal Springs will give preference to the use of reel-type mowers for care of close-cut turfgrass and will ensure that all mowing equipment is maintained in sharp condition.
- e. Traps - Some species of small animals such as skunks and rats inhabit the Crystal Springs premises where they become a nuisance and/or health hazard to the staff and

patrons. Poisoning of these species will not be permitted because of the risk of secondary poisoning of nontarget species. Rather, the pests will be captured, or in the case of rats killed, with mechanical traps. When the animals are captured, they will be transported and released elsewhere in the Crystal Springs Preserve with the assistance of county staff members.

Chemical Control Methods

A. Chemical Short List

The following is a listing of chemical control materials that are available for potential use on the Crystal Springs golf course premises. Material selection and criteria for usage are detailed in this Plan.

<u>Herbicides</u>	<u>Insecticides</u>	<u>Fungicides</u>	<u>Miscellaneous</u>
benefin	cloropyrifos	chlorothalonil	aluminum phosphide
Manage	imidacloprid	fosetyl Al	Amdro
2,4-D low-vol ester	isofenphos	iprodione	
dicamba	carbaryl	mancozeb	
glyphosate		metalaxyl*	
MCPP		propamocarb	
MSMA		cloroneb	
pendimethalin		thiophanate-methyl	
trifluralin		triadimefon	
Triclopyr		fenarimol	

*leacher - new form that is non-leacher

B. Material Selection Criteria

The CourseCo IPM-CHAMP for the Crystal Springs golf course allows for the usage of chemical pest control under defined circumstances. In selection of a chemical agent for pest control, two factors heavily influence the choice: efficacy and potential for adverse environmental consequence.

1. Efficacy

It is desired that the available chemical control material with greatest efficacy be utilized in combating a specific pest. In doing so, it is likely that the application rate can be minimized and thus less material would be used compared to a less-effective alternative. Also, the pest population would be more-severely impacted, thus, a lesser likelihood that a repeat application would be required. A wealth of information is available from countless sources regarding chemical efficacy in pest control. This information is available in refereed scientific journals, university research reports, cooperative extension publications, private institution research reports, popular trade literature, etc. It shall be the obligation of the turf manager to become apprised of all available information regarding chemical efficacy prior to selection of a chemical control material for use against a specific pest. The rationale for the particular selection will be recorded as an IPM Record.

2. Potential for Adverse Environmental Impact

The potential for adverse environmental impact from an applied chemical control material exists when that material moves out of the area of application. This movement may occur in one of two fashions, leaching or runoff. Leaching occurs when a material in solution form is transported downward through the soil profile. The material may then become a contaminant of subsurface

waters. Runoff occurs when the material moves laterally with the flow of surface water, usually during a substantial rainfall event. The material is transported either in solution or suspended form. It may then ultimately become a contaminant of surface bodies of water. Adverse environmental effects may also occur if a chemical control material impacts a non-target organism either directly or indirectly.

- a. **Leaching** - The soil at Crystal Springs golf course is generally high in clay content. This even includes the golf greens which were not constructed to modern specifications. Because clay very effectively binds chemical materials, leaching would be predicted to be of minimal magnitude.

Despite of the low tendency for leaching due to soil type, the primary method of leaching control practiced at Crystal Springs golf course will be "avoidance." It has been well researched and documented which of the numerous chemical control materials have a tendency to leach. Use of those materials will be prohibited. The California Environmental Protection Agency has determined the geographical areas within the state that are sensitive to ground water pollution. Those areas are designated as "Pesticide Management Zones (PMZs)". Usage of materials which have been found to leach (Detected Leachers) is forbidden in the PMZs. Although Crystal Springs golf course is not within a Pesticide Management Zone, and is thus not subject to this prohibition, this Plan will prohibit the usage of Detected Leachers. The California Environmental Protection Agency also maintains a listing of all chemical control materials that might potentially present a leaching problem, although, these materials have not yet been identified as a contaminant of ground water. These "Suspected Leachers" are listed based upon their relatively mobile nature and relatively long persistence. This Plan will also prohibit the usage of materials which are Suspected Leachers. Listings of Detected Leachers and Suspected Leachers are published in "Ground Water Protection Training", 1996, California Environmental Protection Agency, Department of Pesticide Regulation. Also, chemical control materials that are listed as "leachers" in "Results from the USGA Environmental Research Report", January 1995, USGA Green Section Record, will be prohibited.

- b. **Runoff** - Lateral movement of chemical control material from the Crystal Springs golf course premises will be mitigated by employment of several practices designed specifically to avoid this loss. These avoidance methods discussed elsewhere in this Plan include the prohibition of application to susceptible zones, the use of vegetative buffer zones, immediate watering-in, weather forecasting and preference to spray rather than granular materials.

There are numerous studies reported in literature that evaluate the potential for chemical control materials to be lost by surface runoff. These are summarized in "Results from the USGA Environmental Research Report", January 1995, USGA Green Section Record. In selecting a chemical control material for use, the turf manager will review the potential for surface losses as given in the above-referenced publication. Preference will be given to materials with the least potential for surface loss. In the event that a material with substantial potential for surface loss is selected, then the turf

manager will exercise very conservative judgment relative to the other runoff-mitigating practices.

- c. **Collateral Impact** - There exists a potential for an applied chemical control material to have adverse effects on wildlife other than the targets of the treatment. Such effects may be of direct mechanism such that the nontarget organism is exposed to the chemical control material and suffers negative effects. For example, a bird may ingest a granule from a recently-applied granular insecticide. Collateral impact may also be of indirect mechanism. For example, a bird of prey may feed on a rodent that has ingested a poison bait and, in turn, may suffer the effects of the poison. Particularly considering the "protected" status of the Crystal Springs premises, all reasonable strategies will be employed by the turf manager to minimize or eliminate the risk of such collateral impact.

To avoid direct collateral effects, the use of spray application will be given preference to granular chemical control material. Also, unless leaf absorption of the material is necessary, such as with a nonselective postemergent herbicide, all chemical treatments will be followed immediately with enough irrigation to wash the material from the leaf tissue. Because of the risk of secondary impact, chemical poison will not be utilized in rodent control exterior to structures.

C. **Minimization with Maximum Efficacy**

In general, the label application rate for a chemical control material is listed as a range. That range is sufficient enough to control the target pest under a broad range of conditions. Lower rates are often sufficient to control the target pests at specific sites or under certain environmental conditions. To minimize the amount of material used, it would be desirable to apply the lower listed rate, or even less than the labeled range. However, such efforts must not compromise the efficacy of the treatment or the pest control objective will not be accomplished. This Plan requires that any reasonable factors which result in increased efficacy, and thus rate reduction, be employed. Utilization of such factors will be recorded as IPM Records.

1. **Select the Best Material** - As discussed elsewhere in the plan, the chemical control material providing the greatest efficacy against the target pest shall be the material of choice. Use of materials with lesser efficacy would require application of greater quantities to achieve the same degree of control. It shall be the responsibility of the turf manager to be apprised of up-to-date information regarding efficacy against specific pests.
2. **Synergistic Mixes** - Recent research indicates that in many cases, mixtures of two materials act synergistically to accomplish pest control. In these cases, the quantity sum of the two components is less than quantity of a single component required to achieve control. The turf manager shall be apprised of such synergistic relationships and use them to advantage when feasible.
3. **Material Rotation** - It has been well documented that many pest populations have developed resistance to chemical control materials when the same material has been exclusively used over several repeated applications. After resistance has developed, greater quantities of the material are required to achieve control. When the potential for resistance development exists, the turf manager

shall rotate usage of chemical control materials from different chemical classes to preclude such resistance.

4. **Formulation** - Most chemical control materials are applied as either a spray or a granule. When spread as a granule, the active ingredient must be washed from the inert carrier onto the turf. Because the granules, and thus the chemical, do not thoroughly cover the surface, the chemical is not uniformly applied. When applied as a spray, the material is thoroughly and uniformly applied to the turf surface. Also, when a foliar-active material is applied as a granular formulation, much of the material fails to contact a leaf surface and becomes soil-applied, that portion being ineffective. For these reasons, spray application is generally more effective than application of granular formulation. Hence, spray application will be utilized in preference to application of granular formulations.

5. **Precision of Application** - It is desired that the application of chemical control material be uniform across the treated surface. When application is less than uniform, some areas will receive less than the desired treatment rate, and so effective pest control will not be achieved. Also, other areas will receive an excessive treatment rate. This results in excessive costs and increased risk of material movement from the site. Uniform applications require a trained and highly-skilled operator. Also, it requires application equipment that is well-engineered, well maintained and is suited to the site. Precise rate of application also requires that the spray equipment be properly calibrated and recalibrated frequently as small changes in equipment performance affect output rate.

6. **Spot Versus Broadcast Application** - Spot treatment refers to application of chemical control material to individual plants or small areas of turf. Conversely, broadcast treatment refers to blanket application of material over a large area of turf. In general, spot treatment is more efficient when target pests or areas of infection are in low density such that excess material is not applied to uninfected areas. Broadcast treatment is more efficient when making application to a densely-infected turf as application can be performed more uniformly. Because spot treatment methods result in use of lesser amounts of material, it shall be the application method of choice in circumstances where it can be effectively utilized.

7. **Drift Reduction** - When spraying a chemical control material, the spray solution is airborne from the time it leaves the nozzle until it impacts a surface. During the time that it is airborne, it is subject to drifting from the immediate target location to other areas, perhaps a substantial distance away. This results in, at best, reduced application uniformity. It can also result in collateral treatment of areas that should not receive treatment. This may cause unwanted damage to those areas or opportunity for further material movement and possible contamination. Spray application techniques that cause minimization of drift will be employed. These will include prohibition of spray activities when wind speed exceeds seven miles per hour. Also, equipment will be utilized that operates at low pressure and has nozzles that produce large droplet size. Spray adjuvants that increase droplet size will be added to the spray solution when appropriate.

8. **Application Timing** - Chemical control materials vary in their efficacy depending on the vulnerability of the target pest. That vulnerability may vary among the different developmental stages of the target pest. For example, a postemergent herbicide may be more effective when applied to turf that was not recently mowed as greater leaf surface would be present for interception and

absorption. Also, if an area historically had a high crabgrass infestation, then that pest may be more efficiently controlled by preemergence than by postemergent application. If historical experience indicated that snow mold infestation of a green were a certainty, then control may be more efficient by preventative application as curative application would require a substantially-higher dosage. In order to exploit advantageous timing situations, it is necessary that the turf manager have a firm understanding of the biological and epidemiological characteristics of the particular target pest. The turf manager shall employ all reasonable timing strategies that will result in lesser utilization of chemical control materials.

9. Adjuvants - Adjuvants may be defined as a material that is added to a spray solution in order to increase the efficacy of the chemical control material in the solution. By using adjuvants, and hence increasing efficacy, lesser quantities of chemical control material may be applied without reducing control of the target pest. The adjuvants act in several ways. They may increase droplet size of the spray solution and thus reduce drift. They may cause greater wetting of the leaf surfaces impacted and thus increase the surface contact area. They may increase the tendency of the spray material to stick to impacted foliage. They may also increase the degree to which the chemical control material penetrates the impacted leaf tissue. Adjuvants will be added to spray solutions in situations where their effects increase the efficacy of chemical control materials.

10. Weather - Occurrence of substantial rainfall following application of a chemical control material can result in washing of the material from the leaf foliage. In the case of postemergent herbicides, this results in reduced efficacy. Also, significant rainfall can result in movement of material from the area of application to other areas or to surface water by means of runoff. This potential shall be avoided. The turf manager shall consult the National Weather Service prior to application. If adverse weather conditions are predicted within three days following application, then the application shall be postponed. Adverse weather conditions include prediction of rainfall in excess of trace amounts with a probability of occurrence exceeding twenty percent.

11. Watering In - Many chemical control materials rely upon application to the soil surface, and perhaps movement into the subsurface, in order to contact the target pest or otherwise be effective. If this contact or movement is not accomplished, then the material is subject to photodecomposition, microbial degradation and volatilization before exerting a control effect. Hence, efficacy is not maximized and higher application rates must be used in order to achieve control. Also, failing to make this material "placement" results in greater susceptibility for material movement as runoff in a subsequent rainfall event. When making application of this type of material, it shall be immediately followed by application of irrigation water sufficient to cause the placement effect but not excessive enough to cause movement by runoff.

12. Rodent Control - The Crystal Springs facility is subject to infestation by burrowing rodents such as gophers. The tunneling and mounding resulting from their activities present a safety hazard to the patrons, maintenance difficulties for mowing equipment and unfair play conditions for the game of golf. Because of these potential problems, the population threshold for control action will be zero, as eradication from all but the non-intrusion zones will be attempted. Because these rodents may be a food source for predators, poisoning is not an acceptable control mechanism as secondary poisoning may occur. Trapping or other mechanical control measures are ineffective against

substantial populations. Rather, the burrowing rodents will be controlled using a combination of trapping and fumigation. The primary control will be trapping. This is a more costly and slower process than fumigation, but has the potential to reduce the population, dramatically reducing the requirements for fumigation. After the traps have reduced the population to a point that levels off, the fumigation technique will be employed to control the remaining population. The fumigation technique is a very effective control measure with little secondary poisoning potential for nontarget species. An applicator will locate an underground burrow, place fumigant tablets in the burrow and reseal the burrow. These practices will be conducted in all but the non-intrusion zone.

Similarly, rodents which inhabit above-ground locations will not be controlled by poisoning. Rather, control of such species outside of structures will rely upon trapping. Poison baits will be utilized for control of rodents within structures.

13. Control of Ants - Ants are an insect species with widespread colonies. This trait enables the effective use of very small poison baits that are transported by the ants to their nests and which, in turn, kill the population of that colony. The commercial bait "Amdro" will be utilized according to label recommendations for ant control. A benefit of this control method, in addition to the excellent efficacy, is that insignificant quantities of chemical control material are dispensed.

D. Internal Control

An element of this Plan is that both chemical control materials and supplemental nutrients will be 100% recorded. In keeping with this policy, all such materials that are received onto the premises will be entered into an inventory journal. Also, each aliquot of material that is removed from inventory for usage will be so recorded. Each month, the journal will be reconciled onto a balance sheet that will indicate the usage and also illustrate inconsistencies and unreported usage. It is intended that this program will provide an internal mechanism of loss control as well as provide an audit trail that authorized parties may use to monitor implementation of the IPM-CHAMP.

After completion of the balance sheet each month, the Crystal Springs turf manager will forward copies of the documents to the CourseCo administrative office. The CourseCo Controller will examine the inventory journal and reconcile incoming materials against accounts payable records to ensure accuracy. When approved, the Controller will sign the journal and forward the materials to the CourseCo Executive to be filed with other IPM-CHAMP records. Examples of the inventory journal and balance sheet are given in appendices VI and VII, respectively.

Nutrient Management

It is a principal of IPM as practiced by CourseCo that the most effective method of reducing the need for pest control actions is the cultivation of healthy turfgrass. Such maintenance of healthy turfgrass requires that adequate nutritional needs of the plants be satisfied. Deficiency of one or more nutrients physiologically weakens the plants and predisposes it to infection by pests and compromises its ability to endure infestation.

Turfgrass plants acquire the necessary nutrients by absorption from the soil growing media. With respect to any certain essential nutrient, that nutrient may be present in a soil in sufficient amounts of an available form to satisfy the plants' nutritional needs. However, often a soil does not possess a particular nutrient in adequate amounts or, if present, the nutrient may exist in a chemical form which is unavailable for utilization by the plants. When inadequate available amounts are present, that nutrient must be supplied to the turf by exogenous supplemental application.

"Nutrient management" refers to the provision of adequate, but not excessive, supplemental nutrients to a turf. Also, it is a strategy for such provision that minimizes the potential for movement of the applied nutrients by either leaching or surface runoff. Nutrients vary greatly in their potential for adverse environmental consequences. One nutrient in particular, nitrogen, is of greatest concern as it is considered to be a problematic contaminant of many groundwater and surface water bodies. Typically found in the nitrate form, nitrogen contamination is an issue of public health in drinking water supplies and accentuates the potential for algal blooms in surface water bodies. To a lesser extent, phosphorous is considered to be problematic in many surface water bodies such that it may trigger blooms of algal populations.

As with other aspects of this CourseCo IPM-CHAMP, management of nutrients is information-based. Application of superfluous supplemental nutrients may create potential for adverse environmental impact, may adversely affect turfgrass plant health and is certainly cost inefficient. With the exception of nitrogen, the primary and secondary plant elements will be supplemented as indicated by a chemical soil and/or plant tissue analysis. Only those nutrients that are required for plant health or for the sustainability of soil productivity will be applied.

Golf greens that are built to modern high-sand specifications pose special management considerations related to nutrient fertility. However, the golf greens at Crystal Springs are composed of relatively unimproved soil rather than a high sand content. While this results in severe performance challenges to the turf manager, it reduces the nutrient management challenges and also reduces the potential for leaching of nutrients.

A. Considerations for Supplemental Nutrients

Nitrogen, phosphorous and potassium are considered to be the "primary plant nutrients". They are the nutrient elements found in greatest abundance in plant tissues and are also the ones typically supplemented to the turf in greatest quantity. Nitrogen exists in nearly all soils in various chemical forms and those forms are interconverted on an ongoing basis. Much of the nitrogen is frequently present as a component of soil organic matter. As that organic matter decomposes, nitrogen is converted to other forms which may then be available for plant uptake. In that sense, organic matter serves as a nitrogen pool buffer. Nitrogen may exist in the soil as ammonium ions, a form that may be utilized directly by the plants. As ammonium ions have a cationic charge, they bind quite tightly to the soil colloids. Hence, when in the ammonium form, the nitrogen is quite resistant to leaching.

of lateral movement. Nitrate is a third form of nitrogen found in soils. Because of its relatively weak anionic charge, nitrate is not bound as tightly to the soil colloids. Hence, it has a greater mobility and tends to move by mass flow with water. As a result, it is more predisposed to leaching loss than the other nitrogen forms.

When nitrogen fertilizer is applied to a soil at an excessive application rate, nitrate leaching can occur. To mitigate this tendency, nitrate forms of nitrogen fertilizer will not be utilized. Also, excessive availability of nitrogen at any given time will be avoided. To ensure that nitrogen availability never becomes excessive, low application rates will be practiced when quickly-available (soluble) nitrogen fertilizers are utilized. This technique, "spoon feeding", utilizes frequent light applications rather than infrequent heavy applications. Also, when practical, slowly-available (insoluble or time-release) nitrogen fertilizers will be employed. These fertilizers enable the turf manager to make less-frequent but heavier applications because the materials have a controlled-release mechanism that prevents excessive nitrogen availability at any point in time. With these materials, the controlled-release mechanism results in a spoon-feeding effect. It should be noted that these slowly-available materials usually have a minor quickly-available component. Thus, the turf manager must plan an application rate with consideration for that component. Slowly-available nitrogen fertilizers will be of an organic nature such as urea-carbon polymers or composted waste byproducts.

Virtually all turfgrass stands require the application of supplemental nitrogen nutrition. This is required because nitrogen pools in a soil rapidly reach an equilibrium state. In approaching the equilibrium state, nitrogen present is lost from the soil solution by (assuming minimization of leaching loss) incorporation into organic matter, loss into the atmosphere as nitrogen gas by either volatilization or denitrification or by adsorption and utilization by plants. These nitrogen transformations occur so rapidly that information gained from soil testing is obsolete before the test results are returned. However, the nitrogen fertility of a soil is readily estimated with accuracy by diagnosis of plant response. This estimation is performed visually by a skilled turf manager and is manifested as turf color with the various green shades being indicative of nitrogen fertility. This estimation is then compared to the desired level of fertility depending on the time of year. That desired level varies from high in the spring and fall to low in the winter and very low in the summer. Turfgrass plants require high nitrogen fertility during high-growth-rate periods in the spring and fall. During these times, high nitrogen fertility promotes rapid growth and development of a healthy turf which is then better able to withstand or is more-resistant to pest infestation. Minimal nitrogen fertility during those times weakens the health and development of the turf which, in turn, predisposes it to higher chemical pest control requirements. In the cool winter months, plant growth is minimal and thus the plants do not remove large amounts of nitrogen nutrients from the soil solution. Because maintenance of superfluous levels of nitrogen fertility would result in potential for leaching loss, little supplemental nitrogen nutrients are applied in the winter months. In the hot summer months, high nitrogen fertility accentuates the detrimental effects of environmental stresses endured by the turfgrass plants. Hence, if nitrogen fertility was high during this time, the plants would be weakened and predisposed to pest infestation, which would, in turn, necessitate greater chemical pest control activity. For these reasons, low levels of nitrogen fertility will be maintained in the warm summer months. This Plan requires that the turf manager practice astute visual assessment of nitrogen fertility in conjunction with seasonal nitrogen fertility strategy to determine supplemental requirements.

Phosphorous frequently exists in great abundance in soils, however, due to lack thereof or unavailability of that present, supplemental addition is often necessary. This requirement is determined by soil testing. It is accepted that phosphorous requirements for seedling turfgrass are much higher than that for ongoing maintenance. During establishment, high phosphorous availability increases seedling vigor, thus making the seedlings more resistant to environmental stresses and pest activity. For these reasons, high phosphorous fertility will be maintained in areas of recently-seeded turf.

Once in the soil, phosphorous moves very slowly from the point of placement, typically a few millimeters per year, because the phosphate ions are almost immobile in soil. Although water-soluble phosphorous fertilizers may move a very short distance, for practical purposes, movement is insignificant relative to leaching or runoff loss. To avoid potential runoff loss, phosphate fertilizer will not be applied to zones where surface flow is a significant factor.

The third of the primary plant nutrients is potassium. Supplemental potassium nutrient is applied as potassium salt, usually sulfate. The potassium exists in the soil solution as potassium cation. This chemical form binds tightly to cation exchange sites in the soil. Thus, in soils with a high cation exchange capacity, such as the clayey soil at Crystal Springs, loss by leaching movement is insignificant. Also, because the applied material is very soluble, application of a small amount of irrigation water causes the material to readily infiltrate the soil where it becomes bound. Hence loss by lateral movement as runoff is not a significant factor.

Requirement for supplemental potassium nutrient application also is based upon soil testing. However, studies have demonstrated that high potassium availability greatly enhances the tolerance of turfgrasses to environmental stresses. Hence, turfgrasses, particularly golf greens, which have a potassium high fertility are more resistant to pest infestation by either direct or indirect mechanisms. This Plan will exploit this tendency and encourage high potassium fertility on the Crystal Springs greens zone during the hot and also the cold months. This will increase resistance to stress and ultimately reduce the necessity for application of chemical pest control materials.

Calcium, magnesium and sulfur are considered to be secondary essential plant nutrients. These nutrients compose a smaller portion of plant tissues and are less-frequently required in supplemental application than the primary plant nutrients. Requirement for supplemental application is also determined by soil and/or plant tissue analytical testing. If calcium or magnesium were to become deficient at Crystal Springs, they would be supplied as gypsum or as lime in the normal course of pH control as prescribed by a chemical soil analysis. Sulfur would be very unlikely to become deficient in the Crystal Springs soils.

Zinc, iron, manganese, copper, boron, molybdenum and chlorine are considered as micronutrients as they are required in only extremely small quantities by plants. Deficiency is also rare in turf grown on a soil root zone. Application of these nutrients will be restricted to the greens zone and will be limited to two applications per year. Application of iron will be an exception. Application of small amounts of supplemental iron nutrient can greatly enhance the color and health of turf. As such, it is able to reduce the requirement for nitrogen fertilizer under certain circumstances. Iron application will be limited to liquid application to green, tee and fairway zones. Supplemental iron is applied as ferrous sulfate, a form that is water soluble. Thus, after application, a small amount of irrigation water will wash the material into the soil. Once in the soil, being a divalent cation, the iron is rapidly adsorbed by the cation exchange sites and then converted to an insoluble form. Hence, loss of applied supplemental iron nutrients by leaching or runoff is not significant.

Many soils contain an abundance of endogenous plant nutrients that exist in chemical forms that are unavailable for utilization by plants. Under these circumstances, the plants may experience nutrient deficiency in spite of the abundance already present. To reduce the requirement for supplemental application, an appropriate strategy is to cause the unavailable nutrients to become available. Most nutrients are most available when the soil pH is approximately neutral so remedial strategy involves adjustment of the soil pH to near 7.0. Such adjustments are engaged as prescribed based on an analytical soil chemistry evaluation. Lime is applied in order to raise the soil pH, whereas sulfur or ammonium fertilizer is utilized to lower soil pH.

B. Fertilizer Short List

The following materials will be qualified for use as sources of supplemental turf nutrients.

Turf Royale 15-15-15
Turf Royale 21-7-14
Nutralene
Nitroform
urée
potassium sulfate
diammonium phosphate
ferrous sulfate
Peters 12-48-7
Scotts fluid minors

C. Strategy for Maximized Efficacy and Minimized Loss

Several strategies and techniques will be employed in the management of turfgrass nutrients at the Crystal Springs golf course. The goals of these strategies and techniques will be to provide adequate nutrition to the turf to result in maximized health and thus minimized pest control requirements, to reduce amounts of supplemental nutrient materials applied by increasing efficacy and to minimize loss of material by leaching and/or runoff. Some such strategies and techniques have been prescribed elsewhere in this Plan.

1. With regard to nitrogen availability, it is desired that the availability parallel seasonal trends in plant growth. This will maximize recovery of applied materials by the turf and also minimize opportunity for loss. Also, availability will be minimized in hot weather to reduce physiological stress of the plants. Hence, supplemental applications will be planned such that, in general, availability is high in the spring and fall, low in the winter and very low in the summer.

2. When large amounts of supplemental nutrient materials are applied, spreading of a granular formulation is the most efficient means of delivery. Liquid spray application of large volumes of material is logistically not feasible. Also, most organic slowly-available materials are available only in a granular form. However, in the cases of small amounts of material being delivered, liquid application offers significant advantages. A portion of the spray material impacts the foliage and is directly absorbed by the plants through the foliage. This is very efficient as that portion of the applied material is not subject to loss by leaching or becoming unavailable by soil reactions. Also, spray application is generally more uniform as nutrients are not required to move laterally from the

point of granule impact to the individual turf plants. Lesser loss as runoff occurs from liquid spray application of nutrients as those soluble nutrients infiltrate the soil and become immobilized with addition of minimal irrigation. With granular application, larger amounts of water must be used for immobilization as the granules must first be dissolved and dissipated. Hence, where feasible and practical, liquid spray application of supplemental nutrients will be the delivery method of choice.

3. Injection of supplemental nutrients into irrigation water for subsequent delivery to turf offers several advantages over other delivery methods. However, the irrigation system at Crystal Springs provides inadequate uniformity and inadequate control to achieve the advantages offered by such "fertigation". If an upgrade of irrigation system at Crystal Springs is performed in the future, that system will be designed with capabilities for fertigation. However, at present, fertigation will not be practiced.

4. As prescribed elsewhere in this plan, clippings are removed during mowing operations in some zones such as greens and tees. The nutrients contained in those clippings will be recycled by reapplication of the organic clipping tissues to the turf. All clippings harvested on the Crystal Springs premises will be scattered in the rough zone either when freshly cut or after composting. In addition to nutrient recycling, this will reduce disposal costs and reduce the waste load on the municipal disposal system.

5. The pH of a soil greatly influences the availability of nutrients present in that soil. By maintenance of the pH at near neutral, not only will the soil be agronomically more productive, there will be lesser requirement for supplemental nutrient application. The pH of the Crystal Springs soils will be tested a minimum of two times per year. Based upon the measured values, the pH's will be adjusted accordingly. If a pH is too low, then it will be raised by application of lime. If a pH is too high, then it will be lowered by application of sulfur and/or utilization of ammonium-based fertilizer. The desired soil pH range will be 6.8 to 7.2.

6. Many of the action decisions regarding application of supplemental nutrients will be based upon results of analytical soil and/or tissue tests. At a minimum, soil tests will be performed two times per year on the green, tee, fairway, rough and runoff-potential zones. For the tests, samples will be collectively compiled from numerous core samplings of representative soils. If the turf manager suspects an adverse abnormality of a particular area, then those areas will be specifically sampled and tested as observed.

7. To maximize efficacy and also reduce loss potential, it is desired that materials be applied uniformly across the desired target area. This requires the use of quality equipment that is well maintained. For application of large quantities of granular material, a vehicle-mounted pendulum-type spreader will be used. For smaller areas, a high-quality rotary push spreader will be utilized. For liquid spray application, a vehicle-mounted sprayer with a tank volume not exceeding 100 gallons will be employed. Spray nozzles will either be either fan-type or boomless. For increased precision of liquid application to the green zone, applications will be made with a walking-type applicator connected by a hose to a vehicle-mounted supply system not exceeding a 100 gallon capacity.

8. Applications of material will be segregated as prescribed among zones. To ensure that granular material is not collaterally applied to adjacent zones, the spreader will be equipped with a deflector shield or the perimeter pass on a zone will be performed with a drop-type spreader.

9. It is desired that adequate supplemental nutrient material be applied to ensure proper turf nutrition as prescribed. However, it is necessary that an excess not be applied to prevent loss. Thus, precision of application is required. To achieve this precision, the application equipment must be precisely calibrated. Precision is lost as equipment performance changes and as material characteristics change. Thus, spray equipment will be recalibrated monthly and granular-spreading equipment will be recalibrated before each usage.

10. Due to the high mobility, and thus potential for loss, supplemental nitrogen nutrients will not be applied in the form of nitrate.

11. Applications of supplemental nitrogen in a soluble form will not be made in excess of 0.25 pounds per 1000 square feet per application. Care will be given to consider the soluble fractions that typically accompany slowly-available nitrogen sources. This technique will reduce movement of nutrients in solution and increase efficiency of utilization by the plants.

12. When applied as a slowly-available material, there is less risk for movement of nitrogen nutrients from the site of application by leaching than when a quickly-available source is applied. However, in the hot summer months, release rate of nitrogen nutrients from slowly-available materials may be at a maximum while it is desired that availability be minimal. Thus when feasible, slowly-available supplemental sources of nitrogen nutrients will be utilized in preference to quickly-available materials. However, such materials should not be applied during or soon before the hot summer months.

13. Under no circumstances will supplemental nutrient materials be applied in a high-flow zone or directly to a body of water.

14. Plants in the ornamental landscape zone will be spot fertilized only, broadcast of supplemental nutrients across ornamental planting areas will not be performed. All supplemental nitrogen will be applied either as a liquid spray or as a slowly-available granule.

15. As stated, a nutrient management goal of this plan is the provision of adequate, but not excessive, supplemental nutrient materials. With respect to nitrogen, maximum supplementation of cumulative annual totals will be limited as follows;

Green zone	- 8 lbs N per 1000 sq. ft per year
Tee zone	- 5 " " " " " " " "
Fairway zone	- 4 " " " " " " " "
Rough zone	- 3 " " " " " " " "
Runoff-potential zone	- 2 " " " " " " " "
Other zones	- 0 " " " " " " " "
Ornamental landscape	- spot fertilize as needed

16. As with chemical control materials, usage of supplemental nutrients will be 100% reported. The procedure for such reporting, and hence internal control, is given in the "Chemical Control Methods, section D" of this Plan.

Safety

When engaging in a program that includes chemical control of pests, there exist elements of risk to humans. This Plan mandates that those elements of risk be managed in such a fashion that the degrees of risk are minimized. This is accomplished by minimizing opportunities for human exposure to chemical control materials. In general, risks of exposure involve two populations, patrons and employees of the Crystal Springs golf course. Patrons may become exposed to materials upon entry into a treated area. Employees may become exposed during material mixing and handling, during material application, upon entry of treated areas and as a result of accidental incidents.

A. Public Safety

Patrons of the Crystal Springs golf course will avoid direct exposure to chemical control materials by segregation in time and/or space. All storage and mixing operations will be performed in an isolated and designated area. Entry into that area will be denied to non-employee persons, thus, a spatial separation from exposure. All application operations will be performed at times when the facility, or that portion of the facility, is closed to non-employee entry. Entry by patrons into areas that have been treated with a chemical control material will be restricted until, at a minimum, the material has dried. More-restrictive entry prohibitions that are listed by the material manufacturer on the label will be strictly observed. Hence, exposure to patrons during application is avoided by separation in time.

Chemical manufacturers have endeavored to determine safe reentry times when materials are used in accordance with specified label procedures. These research efforts have been thorough and to the satisfaction of both federal and state regulatory agencies. However, CourseCo is of the opinion that in addition to these efforts, every individual should have the right to make individual decisions regarding his/her own safety. Prior to entry into a recently-treated area, each individual should be informed that the treatment has been made. For twenty-four hours after application of a chemical control material, signage informing the public of the application will be displayed. If the patron perceives that entry into the treated area poses an unacceptable risk, then exercise of the entry decision is his/her individual prerogative and responsibility. Sample material labels and MSDSs will be available at the pro shop for issue to patrons upon request. The turf manager will also be reasonably available to verbally answer questions and concerns. It is the objective that the patrons be informed of applications and be provided as much relevant information as they desire to gain comfort regarding their safety or make an informed decision not to enter.

The signage will be displayed conspicuously on each of the first and tenth tees as well as at the pro shop counter. An example of such signage is illustrated in appendix VIII. If however, treatment is limited to minor spot treatments in low-traffic areas, signage will be posted only at the pro shop and near the treated area such that a patron would encounter the signage prior to entry. For minor ongoing spot treatment with glyphosate herbicide, signage will be posted only at the pro shop (example, appendix IX).

B. Employee Safety

Employees have a greater risk of exposure to chemical control materials than do facility patrons. This risk can occur during storage, handling and application operations, during reentry

similar to the patrons and resulting from accidental incidents. CourseCo believes that it has responsibility to educate workers regarding the risks to themselves from chemical exposure. They should also be informed about the occurrence of applications so that they may avoid reentry into treated areas if they are not comfortable with the perceived risk.

The only employees permitted potential exposure to materials, other than by reentry, will be designated applicators. All other employees will be prohibited from proximity to all material handling and application operations. The designated applicators will be duly trained, tested and licensed as pesticide applicators by the State of California.

Exposure of workers during material storage will be precluded by prohibiting access to the material. Delivery of chemical control materials will be accepted from the vendor only by the turf manager or another designated applicator. Upon receipt, the material will immediately be placed into secure storage accessible only to the turf manager and designated applicators. At no time shall accessible chemical control materials be left unattended.

The greatest risk of routine exposure to employees occurs during mixing, loading and cleaning. These tasks will be performed in an isolated area designated and equipped for such activity. At a minimum, the following considerations will be practiced. The designated area will be equipped with an emergency eyewash station, an emergency shower, a hose with running water, soap and towels, all for purposes of washing material from an employee in the event of accidental exposure. When handling chemical materials, the employee will be equipped with the following;

- eye protection (face shield when handling liquids and goggles when handling dry material)
- waterproof boots
- disposable coveralls
- waterproof and unlined gloves
- waterproof hard-hat
- waterproof aprons when handling liquids
- respirator with proper filtration media

When making application of a chemical control material, the employee will not be subject to exposure to concentrated material but will be potentially exposed to airborne material. When making an application, at a minimum, the following considerations will be practiced;

- a five-gallon container of clean wash-water will be carried on the application vehicle
- the applicator and a supervisory staff member will be equipped with radios and in contact
- goggles
- waterproof boots
- disposable coveralls
- waterproof and unlined gloves
- waterproof hard-hat
- respirator with proper filtration media

When rinsing chemical application equipment, the rinsate will be applied to the treatment areas in conformance with label restrictions. As such, the disposed chemical material in the rinsate will be utilized in a positive fashion intended for that material. To avoid disposal necessity, materials will not be mixed in quantities greater than that to be applied. During the rinsing and disposal operations,

the employee will practice the safety precautions listed above for handling and application of chemical control materials.

The general golf-maintenance work force will be advised of a chemical control material application prior to the application. When such an application is planned, the turf manager will inform the work force in a meeting at the beginning of the workday. The employees will be advised of the identity of the material and areas of application. They will be ordered to remain outside the areas of application until the material has dried and other reentry provisions listed by the manufacturer on the label have been satisfied. In some circumstances, this may require that a second applicator assist in traffic control. The turf manager will verbally address to an employee's satisfaction any of the employee's concerns regarding chemical exposure that the employee may encounter in the assigned work area.

Sample labels and MSDSs for each chemical control material in inventory or to be applied shall be available to any employee upon request. Also, the golf-maintenance work force will receive regular safety training which will include education on issues of pesticide safety. It is the intention of CourseCo that each employee will be sufficiently educated to understand both the risks of pesticide exposure and the means by which to avoid such exposure.

C. Accidental Incidents

Best attempts are made to avoid accidental incidents. They are not easily predictable and there is a risk of exposure as a result of such incidents. Such incidents may include, for example, rupture of pressurized plumbing on the spray equipment, or, rollover of the spray vehicle. To mitigate such accidents, employees at risk will be equipped with protective gear as described above. Also, CourseCo will develop an Emergency Response Plan for containment of spilled material with supplies on hand (absorbent, activated charcoal, pump and tank, etc.). For control of the magnitude of potential risk, application equipment will not be loaded with spray solution in excess of fifty gallons and will be engineered with quick tank-isolation valving. Included as a component of the Emergency Response Plan will be procedures for recognition and mitigation of accidental poisoning as well as first aid and medical transport procedures.

Initial Rehabilitation

Many aspects of the Crystal Springs golf course physical plant predispose the facility to enhanced pest susceptibility, less-than-maximized environmental containment, poor turfgrass quality and mediocre-quality golfing experience for the patrons. It is a portion of CourseCo's long-term commitment to rectify many of these infrastructural deficiencies.

Many of the current turfgrass deficiencies are a consequence of poor infrastructure but, also, many appear to result from many years of inadequate maintenance effort or outright deferral of maintenance. As described throughout this Plan, the most effective form of pest control is a healthy turfgrass crop. The current turfgrass crop consists largely of weed species. The populations of these weed species are not only beyond threshold levels but constitute a predominant portion of the present cover. The turfgrass varieties that are present are antiquated and do not possess the positive attributes of modern stress and pest-resistant genotypes.

In order to establish a turfgrass crop that is healthy, pest-resistant and of superior performance, it will be necessary to renovate many of the turfgrass surfaces by removal and replacement of the existing plants. For example, much of the turfgrass surface consists predominately of dallisgrass. This weed species will be removed by killing the plants with Roundup herbicide. Afterward, modern varieties of a desirable turfgrass species will be established by seeding them into the intact present surface. This method of removal offers significant advantages over other potential methods of removal. It offers the least potential for adverse consequences of all feasible methods. Other methods would involve physical removal which would not be as effective in elimination of the existing species. Also, physical removal would generate large quantities of spoil for disposal and would expose large areas of soil surface that would be subject to erosion.

It is understood that this initial rehabilitation is a "one-time-only" event. It will address only the fairway, tee and rough zones as well as portions of the runoff-potential, high-flow and retention/detention zones that are maintained as play area. Rehabilitation of other zones may or may not be proposed in the future, but if so, will be for purposes of conversion from non-native to native plant species. In preparation for this rehabilitation program, the turf manager will compile a complete plan delineating the geographical scope and timetable for the project and outlining the proposed grassing plan.

Dynamic Nature of the CourseCo IPM-CHAMP

This CourseCo IPM-CHAMP for the Crystal Springs golf course is not a permanently-static program. Rather, it is dynamic in that it will evolve over time to become a more-refined and more-finely-tuned program. Though CourseCo has vast experience in management of diverse golf facilities and its technical expertise is supplemented from an array of retained technical specialists, it does not have depth of historical experience on the Crystal Springs site. As the staff becomes more familiar with the idiosyncrasies of Crystal Springs golf course, the depth of site-specific knowledge will increase. This will enable the further refinement of the Plan. Also, technical advances in the field of integrated pest management are progressing rapidly. These enhanced capabilities will be incorporated into future revised Plans. Further, as CourseCo performs capital improvements to the Crystal Springs facility, IPM-CHAMP factors will change greatly as the primary motivation for these changes is the enhancement of turfgrass health and reduction of pest influence.

Future revisions of the CourseCo IPM-CHAMP for Crystal Springs golf course will be scheduled for the anniversary dates of the consummation of a lease agreement between CourseCo and San Francisco Public Utilities Commission as follows:

- First revision - first anniversary
- Second revision - third anniversary
- Third revision - sixth anniversary
- Fourth revision - ninth anniversary

Appendix I

Conditions of My Employment by CourseCo at Crystal Springs Golf Course

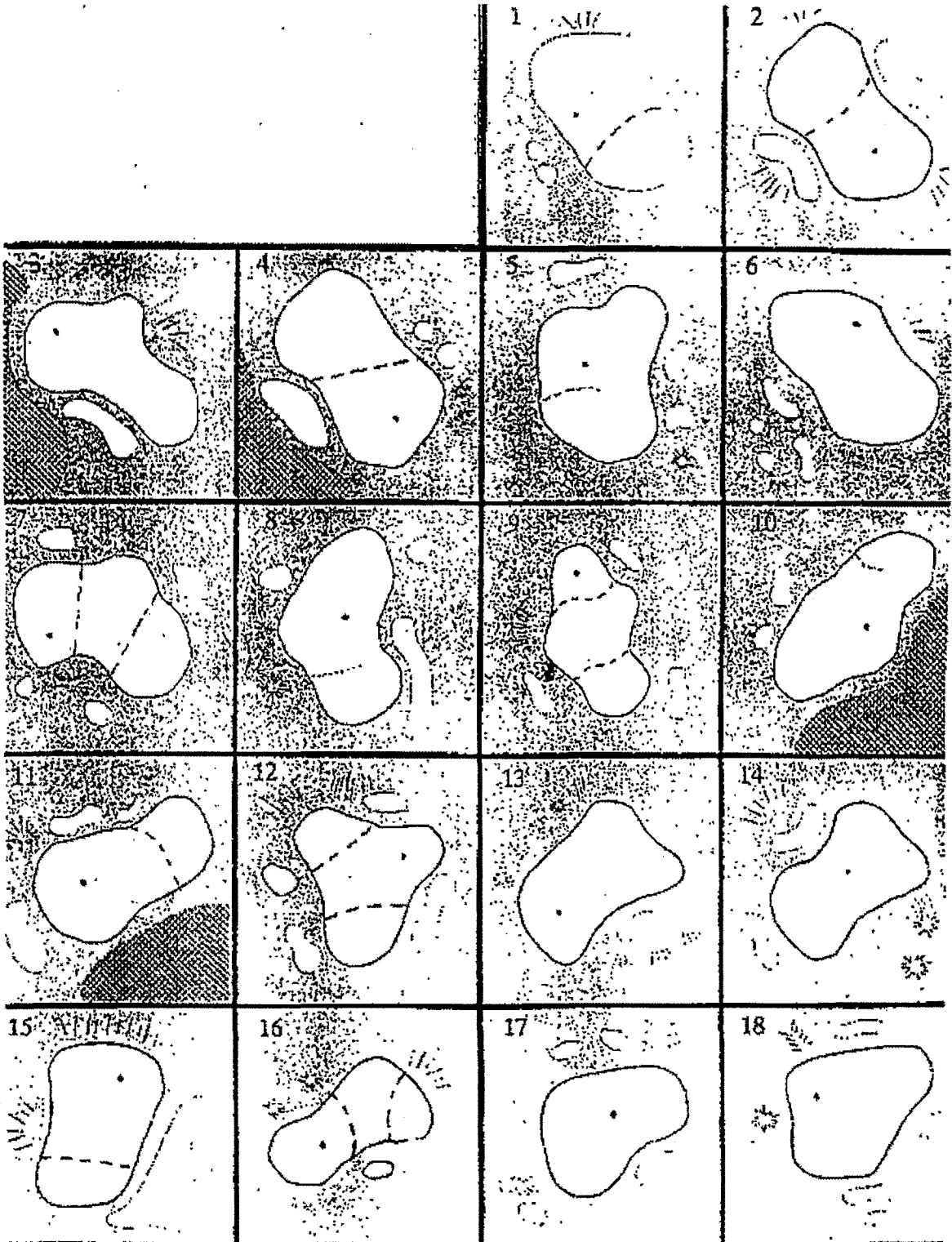
_____, 19__

I, _____, have been offered an employment position by CourseCo, Inc at the Crystal Springs golf course. I understand that the Crystal Springs facility is within an area of great environmental sensitivity and is a model of environmental responsibility. In keeping with this responsibility, CourseCo is required to operate the Crystal Springs facility under the guidelines of the CourseCo - Crystal Springs IPM-CHAMP.

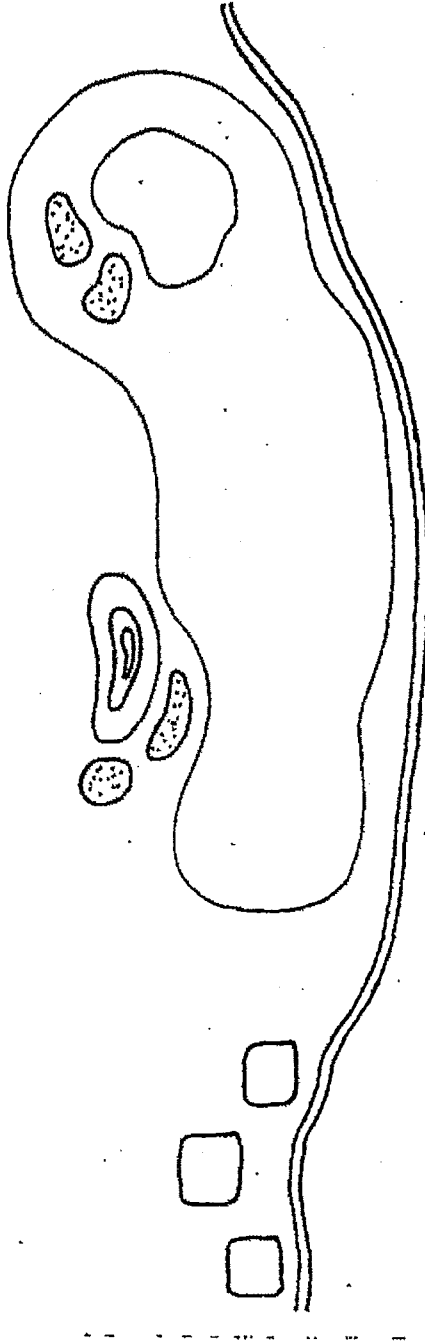
I have read the CourseCo - Crystal Springs IPM-CHAMP in its entirety. I have a full understanding of the letter, the spirit and the intent of the Plan. I agree that during my tenure as an employee of CourseCo, a condition of my employment is that my actions will be in accordance with the Plan in letter, spirit and intent. My actions will reflect my obligation to be environmentally responsible. I also understand that failure to execute my duties in such a manner will result in my immediate dismissal and may subject me to recourse in a court of civil or criminal law.

Notary

Appendix II -
Pest Monitoring Map of Greens
(example)



Appendix III - Pest Monitoring Map of Hole x (example)



Appendix IV - 199x Observed Pest Activity Summary (example)

Pest	Zone	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Pink snow mold	Green	■	■	■	■							■	■
Pink snow mold	Tee	■	■										■
Aphids	Landscape					■	■	■		■	■		
White grubs	Fwy							■	■	■	■		
Cutworms	Green					■	■	■	■	■			
Anthraenose	Green						■	■	■	■			
Crabgrass	Fwy				■	■	■	■	■	■	■		
Spurge	Rough					■	■	■	■	■	■		

Appendix V - IPM Records (example)

Date	Zone	Pest	Monitor-Rep	Action	Comment
3/15/96	Rough	Purslane	5/20/95 - 9/20/95	Spot aerify compacted areas 3 times with 5/8-inch tines	Heavy purslane infestations in localized areas during summer of 1995 indicated that those areas are excessively compacted. Aerification will relieve compaction and make turf more resistant to purslane infestation.
5/20/96	Tee	Fairy ring	1995 summary	Spot apply wetting agent, increase nitrogen fertility	Certain tees are afflicted with several fairy rings. Wetting agent will be applied also to avoid turf loss from hydrophobic condition. Increased nitrogen fertility will mask the visual appearance of the rings.
7/10/96	Green	Pythium	7/10/96	Apply Subdue fungicide	Numerous Pythium infections were observed on 11 greens. Temperatures are predicted to exceed 90F for the next three days along with high humidity. Chemical control is necessary to avoid devastating spread.
7/20/96	Fwy	White grubs	7/15/95 - 9/9/95	Apply biological grub parasite to hot spots	Based upon 1996 observation, it is anticipated that white grubs will cause severe damage to hot spots. Bacterial parasite will be applied to control grubs before a population causes substantial damage.
8/15/96	Green	Algae	8/15/96	Raise cutting height, skip mowing cleanup pass every other day	Turf on many green surfaces is thinning and algae is spreading in those areas. Cutting height will be raised to increase canopy density. Reduced mower traffic will reduced thinning on the cleanup edges.

Appendix VI - Chemical Control Material & Supplemental Nutrient Journal (example)

Material	Formulation	Quantity of Material	
		Received from Vendor	Used - Site
Dursban	4 E		0.8 gallons - Greens zone - treated cutworms on greens 4, 6, 8 & 12
Grass King fertilizer	16 - 8 - 8	800 lbs from Bay Area Turf Supply	
Roundup	4 EC		0.05 gallons - Buffer zone - treated Russian thistle along cart path on right side of holes 1 & 2
Banvel	4 EC		0.5 gallons - Rough Zone - treated English daisies on north side of holes 7 & 8 and south side of hole 3
Nitroform	38 - 0 - 0	1000 lbs from Green Distributors	
Super compost fert	6 - 3 - 4	1000 lbs from West Coast Organics	
Super compost fert	6 - 3 - 4		400 lbs - Greens zone - fertilized all greens

Appendix VII - Chemical Control Material & Supplemental Nutrient Balance Sheet (example)

Material	Formulation	Quantity of Material						
		Beginning balance	+	Received	=	Consumed	+	Ending balance
Dursban	4 EC	2.0 gal	+		=	0.8 gal	+	1.2 gal
Grass King fertilizer	16 - 8 - 8	400 lbs	+	800 lbs	=		+	1200 lbs
Roundup	4 EC	1.0 gal	+		=	0.05 gal	+	0.95 gal
Banvel	4 EC	2.5 gal	+		=	0.5 gal	+	2.0 gal
Nitroform	38 - 0 - 0		+	1000 lbs	=		+	1000 lbs
Super compost fert	6 - 3 - 4		+	1000 lbs	=	400 lbs	+	600 lbs

Appendix VIII - Public Notification Signage

**To ensure quality turf for your golf
experience, the disease-control chemical**

Bayleton

was applied to greens 1,4 & 9 on August 4.

***For more information, please contact the
pro shop staff.***

Appendix IX - Public Notification Signage

Please be advised:

Roundup herbicide

**is in use today for control
of incidental weeds on
the golf course.**

Appendix X - Delineation of Zones for the Crystal Springs Facility

(attachment)

EXHIBIT E

REQUIRED WORK Summary Description of Capital Improvements

A. Clubhouse and Related Improvements

Clubhouse Renovation and ADA Conformance

Substantial remodeling of existing Clubhouse building for improved efficiency and service, aesthetics and ADA conformance. Preliminary Budget Estimate: \$550,000

Parking, Landscaping, Entry Gate

Improvement and expansion of parking and signage; landscaping surrounding Clubhouse, parking, first tee and practice area; entry gate. Preliminary Budget Estimate: \$215,000

B. Other Building Repair/Replacement

Expansion and refurbishment of maintenance building including mechanics work area; EPA-conforming equipment washdown and containment; replacement of fuel storage tanks; construction of on-course snack bar and ADA restrooms with appropriate landscaping. Preliminary Budget Estimate: \$240,000

C. Driving Range and Practice Area

Irrigation, turfing and target greens on range fairway; fence repair; 8,000 square foot practice green built to USGA specification near range tee; fence repair; range lighting if approved; second deck (15 to 28 new practice stalls) on practice tee to increase capacity during peak demand. These improvements will bring to state of the art condition this important revenue center. Preliminary Budget Estimate: \$185,000

D. Golf Course Improvements

CourseCo will develop as a first priority a Master Plan for Golf Course Improvements in consultation with noted international golf course architect Robert Trent Jones II who has committed to work with CourseCo at Crystal Springs. The plan will identify strategic, safety, aesthetic and agronomic strengthening that will improve play for patrons and add value to the asset. The Master Plan will integrate these considerations and set forth priorities and estimated costs for future course improvements. Preliminary Budget Estimate: \$635,000

1. **Cart Paths.** A continuous path system with appropriate curbing will be provided throughout the course. Cart paths will allow for cart rentals in wet weather, protect tee and green areas from compaction, and reduce cart maintenance costs. Because the golf course is compact with numerous tight areas, the system will be designed and sited to fit the landscape and minimize deflective hardscape surfaces in areas where errant shots present a particular hazard.

2. **Tee and Bunker Restoration.** Tee reconstruction and expansion on certain holes is

mandatory to provide conditions consistent with a high quality course with a high volume of play. Bunker restoration, with possible bunker additions for strategy, aesthetics and safety, are indicated at this stage in the life of the course. Remodeling will respect the original design work of Herbert Fowler, the course original architect.

3. Habitat Restoration. Restoration of native habitats around and, as appropriate, within the course is a high priority as part of our mission of environmental stewardship at Crystal Springs. This work will improve wildlife access, better integrate the man made course into its natural setting and improve aesthetics. Significant detail is provided under Management Approach elsewhere in this Proposal.

4. Run-Off Containment and Drainage. Protection of the Crystal Springs watershed is a paramount value to be reflected in all course management practices. While the IPM/CHAMP Plan will significantly reduce the possibility of contamination, run-off containment is an important part of the protection strategy. Improved drainage of the course, focused on landing areas, will make for better playing conditions in all seasons, particularly winter.

E. Contingency

Allowance for modification or additions to the above summarized improvement schedule.
Preliminary Budget Estimate: \$150,000.

This Summary comprises the Required Work the Tenant has committed to accomplish. The Tenant reserves the right to re-allocate the Budgeted Expenditures between Required Work categories, provided all the Required Work is accomplished and the total expended is not less than \$1,975,000.

EXHIBIT F
FIRE PREVENTION PLAN

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**Crystal Springs Golf Course
Burlingame, California
Buildings, Course, and Materials Fire Plan**

I. INTRODUCTION

The Crystal Springs Golf Course is owned by the San Francisco Public Utilities Commission. The course is managed by CourseCo, Inc., the general partner of Crystal Springs Golf Partners. The course is located at 6650 Golf Course Drive, Burlingame, Ca., north of Skyline Blvd. The entry road is all-season paved asphalt.

The California Department of Forestry has primary fire control responsibility with backup by the Hillsborough Fire Department. The Hillsborough Fire Department E-33, with an ETA of 3 minutes and the California Department of Forestry E-17, E-217, E-1775 (brush control unit used during the dry season only), with an ETA of 8 minutes, have first alarm responsibility. All agencies are subject to the Mutual Aid Agreement. The Central County Strike Team has second alarm responsibility, with an ETA of 30 minutes, followed by the North County Strike Team, with an ETA of 40 minutes, in the event of a third alarm. These fire agencies have a fire engagement pre-plan that is carried on all engines.

II. SITE DESCRIPTION

Buildings and Improvements (see drawings in Appendix A).

Clubhouse: The clubhouse is a 121' x 99' two story structure. There are seven exit points from the building. This building consists of two offices including a reception area, ladies' locker room (only room located on the second floor), men's locker room, lounge, dining room, banquet room, kitchen, two each -- men's and ladies' restrooms, and five storage areas. The main electrical shut-off is located at the southwest exit doors. This shut-off will be clearly marked and all employees will be trained in the operation of the shut-off. The main natural gas shut-off is located approximately thirty-six feet from the rear door of the clubhouse at the meter. The same procedures for the electrical shut-off will be followed.

Golf Shop and Quarters: The golf shop and caretaker's quarters are located just to the southeast of the clubhouse. This is a 54' x 24' two story structure with two downstairs exits and one upstairs exit. It contains (on the ground floor) a sales area, restrooms, dressing room, and two storage areas. The second story contains six bedrooms, a recreation area, bathroom, furnace room, and storage area.

Golf Car Storage: The golf car storage area is an underground structure located south of the golf shop. The structure is 103' x 37' and consists of five bays for cart storage and one for the maintenance area. All the bays open to the south. The electrical shut-off for this building is located on the northeast wall of the maintenance area.

Resident Trailers: There are two resident trailers located just west of the clubhouse below the ninth green and tenth tee. One is 12' x 65' with two bedrooms and one bath. There are a total of four rooms and three exits in the trailer. The second trailer is 12' x 45' with one bedroom and one bath. There are a total of three rooms and two exits.

Golf Course Maintenance Building and Corporation Yard: There are two joined structures that make up the equipment, material storage, and office areas. The buildings are 58' x 28' and 60' x 28'. Each building contains one exit. The main electrical shut-off is located in the north building near the chemical lockers. All maintenance personnel will be trained in the proper procedure to shut the power down in case of a fire or other emergency.

III. OCCUPANCY

Clubhouse: During day-time hours, the maximum occupancy for the banquet room is 135 people. The dining room has a maximum occupancy of 120.

Trailers: At present there are a total of five occupants residing in the two mobile homes on the course. The trailers are located below the driving range and the 10th tee. A family of four resides in the mobile home located to the south. The other mobile home is located to the north and is occupied by a single individual. Both adult males occupying the mobile homes are presently employed by the Course.

IV. FIRE PROTECTION SYSTEMS

Fixed Control: A double wet Ansul fixed fire extinguishing system is located in the clubhouse kitchen. There are no sprinklers or standpipes anywhere on the facility.

Building Control: The golf shop has a one hour fire rating throughout the building. In the clubhouse, the wall between the kitchen and the banquet room is fire rated.

Mobile Homes: The two mobile homes have fire protection devices. The larger mobile home has two smoke detectors, one carbon monoxide detector, and two ABC dry chemical fire extinguishers. The second, smaller mobile home has one smoke detector and one ABC dry chemical fire extinguisher.

Cart Storage Facility: The cart storage building contains 85 gas golf carts. Two range carts are located near the area. Two BC dry chemical fire extinguishers are located at the west end of the cart storage building. This section of the building is currently being used as the mechanical shop.

Golf Course Maintenance Building and Corporation Yard: The buildings located within the Golf Course Maintenance Building and Corporation Yard contain equipment storage, a fertilizer locker, and the superintendent's office. There are two 10 pound BC dry chemical fire extinguishers located within these buildings.

Water Supply: The water supply is private. It is supplied by a 125 HP turbine pump that pumps water from a 1,000,000 gallon pond located on the 15th hole. This pump feeds the two hydrants that are located within 25 feet of the northeast and southeast corners of the clubhouse. They are capable of providing 500 GPM each.

V. FIRE RISK

Buildings: There is a minimal risk for spread of fire should one of the buildings ignite. The buildings are separated and there are no fuel sources between the buildings.

The risk is also minimal that a fire would spread beyond any of the buildings onto the golf course because of the lack of fuel sources.

Golf Course: Golf courses are traditionally viewed as fire and fuel breaks rather than fuel sources. The risk of wildfire on the Crystal Springs golf facilities is very low. The potential dry fuel masses on the course are widely scattered, broken up in patterns, seasonably dry, and probably incapable of carrying a flame due to limited fuel volumes. The trees on the course are high in moisture, pruned up from the ground, and present a very low risk.

A potential fire problem may exist during limited fall conditions when the dry winds blow from the north and northeast. During the dry fall period, the native chaparral plant communities found on the watershed property below the course could be ignited by a hot ignition source. Should a fire break out where the golf course and the chaparral meet, the potential for spread is low. A downhill fire burns slower and cooler. The maintenance staff will be trained in proper fire control techniques. Initial attack by trained, on-site employees using irrigation water and the existing irrigation system's quick couplers, (rapid connect and disconnect for hoses) would slow the spread of fire. This immediate response will contain the fire until professional fire fighting forces arrive.

Debris created during the maintenance and removal of trees, brush, and shrubs will be ground and mulched for use on the course. The existing piles of brush have either been ground or mulched or removed from the site.

To avoid any potential problems with tobacco smokers, proper ash and butt disposal equipment could be installed along the course in certain areas. Butt cans at the tees and greens and possibly ash trays in the golf carts are being considered. Also under consideration are signs placed at locations along the west side of the course and cards printed informing the golfing public of the potential for fire in the chaparral. During peak potential fire periods, i.e. red flag days, smoking will not be permitted on the holes on the west side of the course.

VI. AIR QUALITY CONTROL AND SMOKE MANAGEMENT

Building: A reduction in air quality is relatively small due to the close proximity of the responding agencies and their ability to rapidly attack a fire that might strike one of the buildings.

Golf Course: The potential for fire on the course is minimal as described in section V. **Fire Risk.** Should a fire start adjacent to the course in the adjoining chaparral, a minimal reduction in air quality would result due to the slow, cool burn of a downhill fire. The employees' rapid attack of the fire until professionally trained fire fighters arrive will also limit the reduction in air quality.

VII. FIRE PREVENTION OPERATIONS

There will be employee training of all staff in methods of fire prevention. The development of our SB-198 plan will address site inspection for both fire and safety concerns. Use of fire suppression equipment (double wet Ansul system located in the kitchen, fire extinguishers, etc.) will be included in the employee training sessions. Proper signs, detailing safety and procedural techniques, will be posted for employee and customer information.

We will work with the local fire agencies for instructions and guidance in training the maintenance staff. This will include proper use of equipment and safe fire suppression techniques on the golf course at the onset of a fire.

VIII. PRE-SUPPRESSION

All areas of the facility will have regularly scheduled inspections for conditions that may be considered fire hazards. Keeping building areas clear of debris and dried grass are examples of conditions to be monitored. When a discrepancy is found, appropriate action will be taken immediately to correct any problems.

IX. FIRE SUPPRESSION OPERATIONS

Buildings: Employee training will be coordinated with local agencies in the proper procedures to follow at the first report of a fire. This will include, but not limited to, how to report to the 911 operator, safe and prompt evacuation of customers and other employees, use of fire suppression equipment (fire extinguishers), and CPR techniques.

Golf Course: Crystal Springs Golf Course management will coordinate the development of a plan with the local authorities for instructions and guidance in the training of all golf course employees. This plan will include the proper procedures to follow for responding to a fire on the course. The employees will be trained in suppressing a fire using the course's irrigation quick couplers and safety techniques.

In the case of a medium to large fire on the watershed, the golf course could be used as a staging area for initial and extended attack personnel and vehicles.

X. INFORMATION RESPONSIBILITIES

Displayed at key locations throughout the facility will be the **Emergency Response Phone Numbers, 911**, and the alternate number **415-345-1611** (California Department of Forestry County Dispatch). These numbers will serve for both fire and a medical emergency. The areas posted will be the Golf Shop, Clubhouse (kitchen, bar, and dining area), Administration Offices, and Golf Course Maintenance Building and Corporation Yard (storage areas and office).

The responding fire agencies carry, on their engines, the California Department of Forestry Pre-Fire Plan Report, (see Appendix B). This report gives location, directions, and site specific information on the facility. This report will be updated to provide current information as needed.

XI. MATERIALS AND LOCATIONS

Fuel: Two underground fuel tanks are located at the west end of the cart storage building. One, one thousand gallon tank contains a mix of two cycle oil and supreme unleaded gasoline. The other one thousand gallon tank contains supreme unleaded gasoline. The power disconnect is located in the cart storage building maintenance shop at the northeast corner. At the Golf Course Maintenance Building and Corporation Yard there are two five hundred gallon above-ground fuel tanks. They are located to the east of the buildings with the power disconnect located just north of the tanks. Brush and debris will be removed as needed to reduce the risk of fire in these areas.

Materials: A Hazardous Materials Safety Plan identifying which materials and material storage are on the facility including their exact locations is being developed. This plan, subject to approval, will be filed with the appropriate agencies including San Mateo County Environmental Health Department.

XII. EVACUATION PLANS

There is a need to move people quickly and safely out of the buildings when fire is a danger. In the case of a forest fire in the watershed, there is a need to move people off the golf course property quickly and safely. This plan will describe that process. First, the buildings will be addressed including what will be done and who will be responsible for performing designated tasks. Second, the golf course evacuation will be addressed and the evacuation of automobiles from the property.

These evacuation plans will also be used during any emergency that requires evacuation of the buildings and/or the golf course.

XIII. BUILDINGS EVACUATION PLAN

The property has a number of buildings which present the potential for fire. They are listed below:

- Pro Shop
- Clubhouse
- Golf Car Storage/Mechanic's Shop
- Snack Shack #10 Tee
- Mobile Homes (2) #10 Tee
- Golf Course Maintenance Building and Corporation Yard

Pro Shop

The Pro Shop will serve as the emergency information center for Crystal Springs Golf Course. All Pro Shop personnel will be trained regarding procedures regarding how to contract emergency response services (911). They will also be responsible for informing all departments of the fire and informing them if evacuation of other buildings are required. However, if a fire should start in the Pro Shop or the fire takes place after the Pro Shop closes, these duties will be performed by bar personnel.

a) Downstairs fire:

Should a fire start downstairs in the Pro Shop, trained personnel will alert all customers of the situation, evacuate occupants of the second floor, inform the bar personnel and the administrative office staff. The bar personnel will

contact emergency response services (911). There are two exits from the downstairs Pro Shop. Customers will be escorted to the evacuation zone by the safest route.

b) Upstairs fire:

Should a fire start upstairs personnel will be trained to evacuate the building through the use of the door, or the south east office window using the emergency ladder stored in the closet located on the north wall of that office. Trained personnel will alert all customers of the situation, inform the bar personnel and the administrative office staff. The bar personnel will contact emergency response services (911). There are two exits from the downstairs Pro Shop. Customers will be escorted to the evacuation zone by the safest route.

Clubhouse

Staff are responsible for assisting customers in the evacuation of the property. Depending upon the location of the fire, staff will calmly inform the customers of the situation and escort them out of the safest of the three front (south) exits or the service door at the back of the kitchen.

a) Kitchen area fire:

Should a fire in the kitchen area get out of control, Kitchen personnel will be trained to activate the ANSUL system, then communicate the situation to the Service staff who will contact the Pro Shop, and the administrative office. The Service staff will then calmly inform the customers of the situation and escort them out of the building through the safest of the three front (south) exits. They will be guided by the safest route to the evacuation zone located next to the Crystal Springs sign.

b) Banquet area fire:

Should a fire start in the banquet area, Service personnel will be trained to communicate the situation to the Pro Shop and the administrative office. They will also calmly inform the customers and lead them out of the building through the safest exit to the evacuation zone next to the Crystal Springs sign.

c) Locker room/restroom area fire:

Should a fire start in either locker room or the restrooms, the first staff person to become aware of the fire will communicate the situation to the Pro Shop and the administrative office. Other staff will calmly inform the customers and

lead them out of the building through the safest exit to the evacuation zone next to the Crystal Springs sign.

d) Administrative office fire:

Should a fire start in the administrative office, all personnel will be trained to communicate the situation to the Pro Shop and restaurant staff. They will evacuate through the safest exit and proceed to the evacuation zone next to the Crystal Springs sign. Restaurant staff will then calmly inform the customers and lead them out of the building through the safest exit to the evacuation zone next to the Crystal Springs sign.

Golf Car Storage/ Mechanic's Shop

If a fire should start in the cart barn, personnel will be trained to evacuate the building and immediately communicate the situation to the Pro Shop. The Pro Shop will be evacuated after contacting emergency response services (911). The bar will then act as the emergency communication center. All cart and shop personnel will escort customers by the safest route to the evacuation zone next to the Crystal Springs sign.

Snack Shack #10 Tee

Should a fire start in the snack shack, personnel will be trained to inform the customers and evacuate the shack if the fire cannot be controlled with existing fire suppression equipment. The Pro Shop will be contacted immediately so emergency response services (911) can be contacted. Occupants of the mobile homes will be informed of the fire after the Pro Shop is informed. Personnel will be trained to close the valve servicing the propane tank. This is done by hand.

Mobile Homes

Should a fire start in the mobile homes during business hours, the Pro Shop will be contacted and the two mobile homes will be evacuated by the safest routes. Occupants will gather at the snack shack to be counted. Pro shop personnel will contact emergency response services (911). Procedures will be followed to inform all personnel of the fire. The propane tank will be secured by having the valve closed by hand.

Golf Course Maintenance Building and Corporate Yard

Should a fire start in the Golf Course Maintenance Building or the Corporate Yard, personnel will be trained to evacuate through the two large service doors. The Pro Shop will be informed immediately and measures taken to control the fire with existing fire suppression equipment. The emergency power shut-off for

the two above-ground storage tanks will be used to cut power to the pumps. Pro shop personnel will contact emergency response services (911). Procedures will be followed to inform all personnel of the fire.

XIV. WATERSHED FIRE GOLF COURSE EVACUATION PLAN

In the event of a fire on the golf course or on the watershed that would require the evacuation of the customers and staff on the golf course property, the following procedures will be followed.

Pro shop staff will use motor vehicles and loud speakers to inform the customers on the course and have them proceed to the evacuation zone, (#1 fairway if they are on the front nine, and the #18 fairway if they are on the back nine). At least one staff person will work each nine. The customers will receive further instructions after they arrive at the golf course evacuation zones. Depending upon the location of the fire and the need to bring fire fighting equipment in the main road, customers will be directed by emergency response personnel and assisted by Crystal Springs personnel regarding an orderly evacuation of the customers off the property. Golf carts will be parked on #18 and #1 fairways in an orderly manner until directed otherwise by emergency response personnel.

XV. TRAINING PROGRAM

The training of staff will be accomplished through in-house sessions and with the assistance of the local fire department. The program will teach the goals of the fire plan, the role of the staff in accomplishing the goals, specific training by department regarding the fire suppression equipment. The training will also include evacuation procedures and responsibilities. The training topics are outlined below.

FIRE IN THE BUILDINGS

- Fire prevention do's and don'ts
- Inspections
- Communication of a fire to personnel and customers
- 911 call procedures (number on phones)
- Emergency vehicle access
- Smoke alarms
- ANSUL system
- Fire extinguisher locations and usage
- Power shut-off location and use for buildings (natural gas and electric)
- Power shut-off for above-ground storage tanks (gasoline and diesel)
- Chemicals in golf course maintenance building
- Containment
- Hoses around buildings
- Fire hydrants and irrigation system link

- Evacuation routes from each building
- Staff count following evacuation
- Fire recognition and response
 - Call 911
 - Notify the pro-shop
 - Evacuate customers from the building
 - Use fire suppression equipment
 - Evacuate remaining staff
 - Follow directions of emergency response personnel

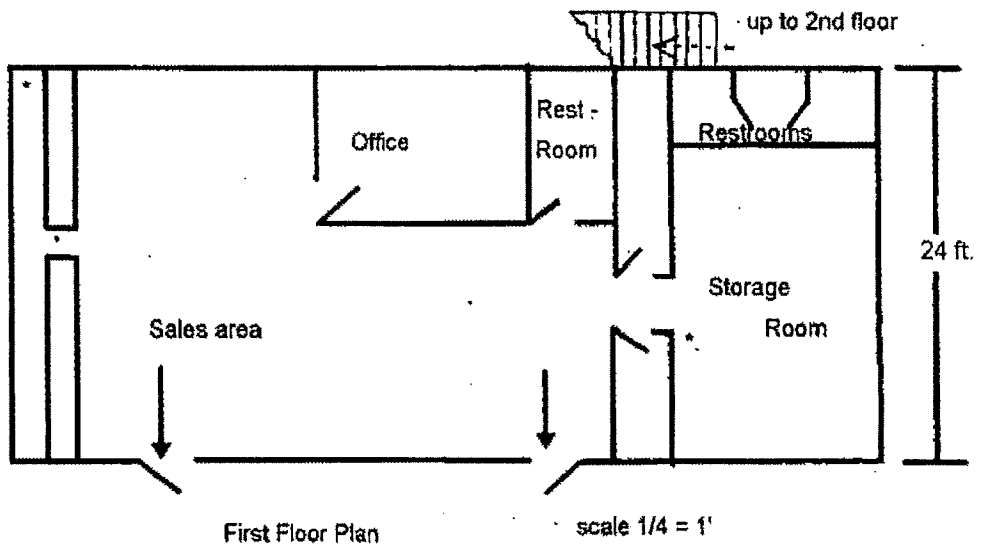
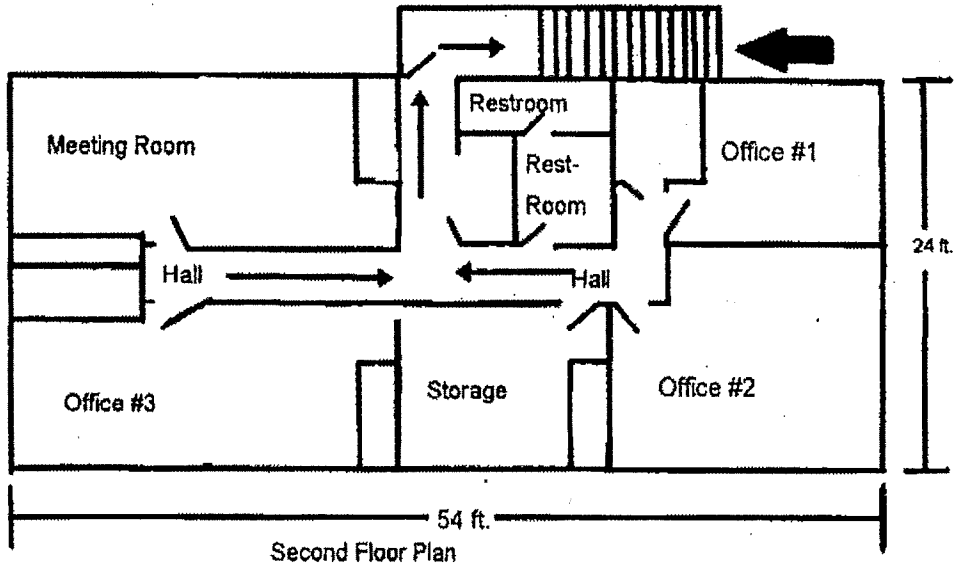
FIRE ON THE WATERSHED OR GOLF COURSE

- Prevention
- Inspections
- Communication of a fire to personnel and customers
- 911 call procedures (number on phones)
- Emergency vehicle access and staging on the course
- Fire extinguisher locations and usage
- Power shut-off for above-ground storage tanks (gasoline and diesel)
- Chemicals in golf course maintenance building
- Containment
- Hoses around buildings
- Fire recognition and response
- Evacuation of customers from the golf course
- Evacuation of vehicles from the parking lot
- Cooperation with emergency response personnel

XVI. APPENDICES

- A. Building Locations and Layouts.
- B. California Department of Forestry Pre-Fire Plan Report.

Pro Shop & Offices
Crystal Springs Golf Course

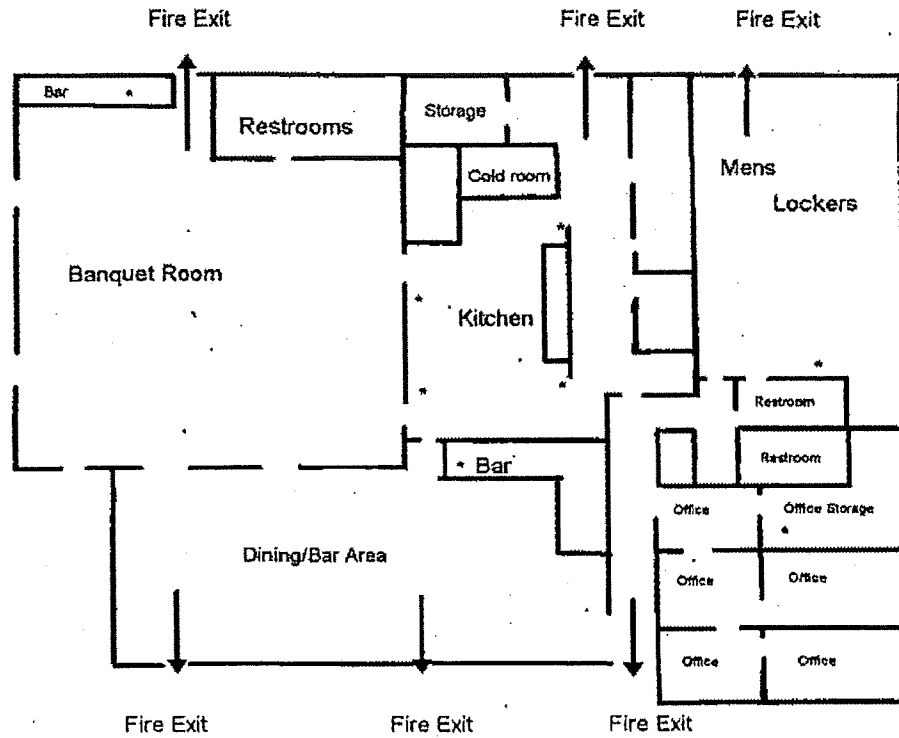


scale 1/4" = 1'

* = Fire extinguishers

Arrows = Fire Exits

Clubhouse



* = Fire Extinguishers
Arrows = Fire Exits

EXHIBIT G

CourseCo Maintenance Standards for Crystal Springs Golf Course

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Putting Greens:		
Mowing Frequency	<p>Spring, Summer and Fall. Five to six days per week, if tournament scheduled they will be mowed on the seventh day.</p> <p>Winter - Three to four days per week.</p>	
Height Of Cut	<p>1/8" - 3/16" (may increase during extreme heat).</p>	<p>Mowing - As needed to an average height of 1/8" to 5/32".</p>
Changing Cups	<p>Daily, year round.</p> <p>Pin placement per USGA recommended standards.</p>	<p>Same</p>
General Maintenance	<p>Repair ballmarks, divots, and any other damaged turf on all greens and practice putting greens daily.</p>	<p>Same</p>
Fertilization	<p>Pounds of N per year based on USGA research recommendations. Other nutrients will be based on soil sampling and/or tissue analysis. Foliar application will be worked into overall program. Applications will conform to CHAMP/IPM Plan.</p>	<p>Fertilization - All greens shall be fertilized to maintain color, growth, and turgidity of the turf. Types, amount and frequency of application must be addressed in the CHAMP/IPM Plan.</p>

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Aerification	<p>Three times per year: March/April, September and October.</p> <p>Verti-drain, solid tine and HydroJect aerification will also be performed during season.</p>	Aerify all greens three times per year.
Spiking	As needed for compaction control and to improve water infiltration. To be used in conjunction with other forms of greens cultivation.	Spiking of all greens shall be performed as needed between aerifications to relieve compaction and maintenance water infiltration.
Greens Seeding	Slice seeding, roller seeding and spike seeding will all be part of the greens seeding program. Aggressive overseeding in spring and fall to re-establish higher bentgrass ratio for playing quality and disease resistance.	
Topdressing	Topdress using approved material following three major aerifications, to fill aerification holes.	Same
	Light topdressing as needed to maintain a smooth putting surface	Same
Vertical Mowing	Vertical mowing each month during the growing season. Greens will be topdressed lightly w/sand following	Vertical mowing of all greens shall be performed as needed to control mat and thatch build up.

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Pesticide Usage	<p>Follow the CHAMP/IPM plan.</p> <p>PCA recommendation required, restricted materials use permit and notice of intent may be required. Certified applicator required on site during application.</p>	<p>Pesticide - All greens shall be treated on a preventive basis as may be required to control weed growth, fungus activity and to prevent damage to the turf. Types, amount and frequency of application must be addressed in the CHAMP/IPM Plan.</p>
Collar Maintenance:		
Height Of Cut	1/2" to 3/4", height may vary to seasonal adjustment.	
Fertilization	Follow greens program.	
Pesticide Usage	Follow the CHAMP/IPM plan.	
Tee Maintenance:		
Mowing Frequency	Three times per week throughout the year.	Same
Height Of Cut	7/16" to 3/4", height may vary due to seasonal adjustment.	<p>Mowing - All tees shall be mowed at a height of 7/16" three times per week at an interval not to exceed three (3) days.</p>

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Fertilization	Monthly; with formulation based on soil test and seasonal requirements. All applications will conform to CHAMP/IPM Plan.	All Tees shall be fertilized as required to maintain color and turgidity of the turf as determined by soil analysis. Types, amount and frequency of applications must be addressed in the CHAMP/IPM Plan.
Vertical Mowing	Tees will be cultivated (aerified, verticut, sliced and spiked) for grain and thatch control.	Vertical mowing - All tees shall receive vertical mowing to control mat or thatch build up.
Aerification	Minimum six times per year, will aerify as needed to stimulate growth and eliminate compaction, solid tines may also be used.	Aerification - All tees shall be aerified every two months in conjunction with seeding and topdressing operation.
Topdressing	Following aerification and during divot repair in conjunction with seeding.	All tees shall be topdressed weekly to fill divots and to level tee surface.
Overseeding	Perennial rye grass used in conjunction with aerifications. May be broadcast or slice seeded. Tee will be spot seeded for divot replacement.	Same
Tee Markers	Move daily and use program of tee marker/pin placement rotation. All tee equipment will be maintained as needed.	Set-up - Tee markers and all tee equipment shall be moved daily to preserve tee areas. All tee equipment shall be maintained and replaced as necessary.
Permanent Yardage Markers	Keep visible at all times	

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Pesticide Usage	Follow the CHAMP/IPM plan.	
Fairway Maintenance:		
Mowing Frequency	Minimum of three times per week in Spring/Summer/Fall: Minimum once per week in the winter as weather permits.	All fairways shall be mowed twice a week at a height of 11/16" during the growing season and as needed for the balance of the year.
Height Of Cut	1/2" to 3/4" dependent on season	All fairways shall be mowed twice a week at a height of 11/16" during the growing season and as needed for the balance of the year.
Fertilization	Minimum of three times per year. Formulation based on soil test and in conformance with the CHAMP/IPM Plan.	All fairways shall be fertilized as required to maintain color and turgidity of the turf as determined by soil analysis. Types, amount and frequency of applications must be addressed in the CHAMP/IPM Plan.
Aerification	Minimum of two times per year, additional slicing during the growing season to relieve compaction and increase water infiltration.	All fairways shall be aerified a minimum of twice per year.
Overseeding	An annual fall overseeding program will strengthen fairways, improve the lie of the ball.	
Pesticide Usage	Follow the CHAMP/IPM Plan.	

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Shoulder Maintenance:		
Mowing Frequency	Minimum of twice per week, increased frequency as needed.	
Height Of Cut	1-1/4" to 1-3/4" dependent on seasonal variance.	
Fertilization	Same as fairways	
Aerification	Same as fairways.	
Overseeding	Seed as necessary to maintain healthy stand of turf.	
Pesticide Usage	Follow the CHAMP/IPM Plan.	
Irrigation:		
Maintenance	Maintain system, including valves, lateral lines, sprinkler heads and controllers in good repair, functioning properly and conforming to related codes and regulations. Maintain all landscaped and nursery irrigation to the same standard.	Repair and replace all heads, valves controllers, wiring, hydraulic tubing and pipe as needed to maintain the proper operation of the entire golf course irrigation system (including greens, fairways, tees, planters, flower bed, etc.) on an ongoing basis.
Frequency	Irrigate as required to maintain adequate moisture for growth rate and appearance.	

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Wind Problems	In areas where wind creates problems of spraying onto private property or road right of way, operation should occur during periods of lowest wind velocity.	
System Check	System should be checked daily. Adjust or repair as needed.	
Inspection Of Controllers	Inspect daily and adjusted weekly or more frequently as required.	
Priority Water Distribution	In the event of water reduction, priority is: 1) greens, 2) tees, 3) fairways, 4) trees, 5) other turf and landscape areas.	
Nursery:		
Greens	Maintain same as putting green.	
Formulations Of Materials Used:	All materials will be approved prior to use, including but not limited to fertilizers and pesticides. All applications will be in conformance with CHAMP/IPM Plan.	
Other Areas:		
Tee Markers	Three sets each hole. Replace immediately if broken or damaged.	

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Benches/Tee Signs	If vandalized, remove benches and tee signs from service immediately. Repair and replace.	
Yard Markers	Replace as needed.	
Greens Flags, Poles, Cups	Replace when discolored, frayed or well worn.	
Ball Washers	Check for water/soap daily. Replace tee towels as needed. Remove ball washer immediately if vandalized or broken. Replace with new washer or repair old one.	
Sand Trap Rakes	One rake per trap or more as needed. Replace immediately if missing or broken.	
Out Of Bounds/Hazard Stakes	Replace immediately if missing or broken. White for OB, red for water and lateral hazards.	
Lakes	Aerate ponds for algae control. Weed control as needed by mechanical means or chemical means in conformance with CHAMP/IPM Plan.	

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Driving Range	Keep area clean of debris, trash; edges free of weeds by means not destructive to netting. Cultivate range turf same as fairways.	Trash and debris removal shall be the responsibility of Tenant. Tenant shall take appropriate measures to prevent the emergence of problems relating to refuse-related odors, insects, etc.
Weed Control (Non-Selective)	Follow the CHAMP/IPM Plan.	
Litter	Remove daily.	
Trash And Debris (From Maintenance Area)	Remove as it occurs.	
Soil, Water Samples	Soil samples three times per year. Tissue samples as needed. Water samples minimum once per year and in conformance with CHAMP/IPM Plan.	
Rodent Control	Manual control (trapping) will be the principal method. Specific steps will be taken to encourage raptors. Other eradication methods will be addressed in the CHAMP/IPM Plan.	

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Sand Traps	<p>Keep sand at 4" depth minimum. Keep clean of weeds. When using power rake, stay about one foot from edge of bunker. When hand-raking edge, push sand inward on low side and pull outward on the high side. Edge sand bunkers monthly or as needed. Rake bunkers daily.</p> <p>Do not drag sand out of trap when exiting trap with power rake. Ideally to be raked every day.</p>	<p>All sand traps shall be edged, raked daily and filled with fresh sand at least twice a year to maintain an adequate depth in the bottom</p>
Trees	<p>All new trees will be staked and protected from predation by deer and rodents. Keep basins (tree wells) clean and free of debris.</p> <p>Keep trimmed at least 6' from ground to prevent damage to golf cart tops and maintenance equipment. Maintain a safe, healthy and aesthetically pleasing condition at all times. Spray or mow tree wells as needed. Broken limbs to be removed immediately.</p> <p>All new trees will be irrigated to insure proper growth.</p>	<p>Stake - Any new trees shall be staked for protection from wind and for proper growth</p> <p>Trimming - All new and existing trees shall be trimmed for protection from wind and pests as well as for appearance. Any trimming must first be approved by the City and addressed as part of the CHAMP/IPM Plan.</p> <p>Irrigation - Any new trees shall be irrigated to provide adequate moisture for proper growth.</p>

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
USGA Green Section Visit	<p>Visits scheduled yearly during late summer so staff agronomist can clearly see changes to facility.</p>	
Leaf Pickup	<p>Recommendations are to be considered and acted upon as appropriate.</p> <p>Fall leaves to be totally removed from golf courses by January 1st. Needles removed back to drip line.</p>	
Vandalism/Graffiti	<p>Graffiti to be removed within 72 hours. Vandalism to be corrected immediately.</p>	
Safety	<p>Hard hats, gloves, safety glasses, and all other required safety equipment will be worn. Hard hats must be worn when in or on an open vehicle on the golf course. Accidents must be reported immediately.</p> <p>If an accident occurs on a weekend, a supervisor must be notified. Observe and follow label instructions on chemical containers as to their use. Proper attire must be worn when working with pesticides.</p> <p>Correct all unsafe conditions or report them to your supervisor. Use safety</p>	

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Safety, continued.	lights on equipment when golfers are present. Clean equipment when finished and check for missing or damaged parts.	
Clubhouse & Buildings:	Golf staff must view clubhouse areas daily to ensure that areas are being maintained and cleaned properly to include the following. Litter is to be picked up immediately by all staff on site.	
Restrooms	Maintain daily or more frequently as needed in a manner to provide a clean and sanitary facility. Management staff to inspect at least twice daily.	Same
Lobby And Patio	Vacuumed, dusted and swept daily.	Same
General Maintenance & Repair	Maintain all structural areas and fixtures as needed to ensure proper function, safety and appearance. Mechanical systems to be inspected annually. Filters changed annually.	Same
Entry Area/Clubhouse Grounds:		
Flower Beds/Planters	All annual plantings shall be maintained free of all trash, debris, weeds and be maintained and trimmed in a proper manner.	Clean up - All planters shall be maintained free of trash and debris, such as paper, drinking cans, bottles, fallen limbs and leaves.

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Walkways/Cart Paths	Daily, sweep or blow. Cart paths to be edged as needed.	Edging - All edges of sidewalks, patios and cart paths must be edged as needed. Edging of trees, sprinklers, valve boxes, meter boxes, backflow preventers, etc., shall be done as needed to insure that there is no obstruction of play from growth around any plants and facilities.
Trash And Cigarette Cans	Dump daily	
Leaks From Golf Carts	Clean up immediately and inform Pro shop staff of the problem.	
Landscape Shrubbery	Trim monthly, or as needed.	
Annual Plantings	Remove and replant as needed.	
Parking Lots:		
Sweeping	Monthly - may be done by contractor.	
Loose Trash And Garbage Cans	Picked up and checked daily.	
Broken Glass/Bottles	Picked up immediately.	

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Corporation Yard & Fuel Stations:		
Equipment	To be stored in an orderly and consistent fashion. To be cleaned prior to parking. Observe all legal requirements and safety regulations according to CAL-OSHA	
Yard	Maintain maintenance rooms and storage yards in clean, orderly, safe condition at all times, conforming to applicable laws and regulations.	
Fuel Stations	To remain accessible at all times.	
Emergency Shutoffs	Employees to know where emergency shutoffs are located.	
Spilled Fuel	To be cleaned up immediately, using proper techniques.	
Employee Bulletin Board	Kept up-to-date.	
Pesticide/Materials Storage:	To be kept in neat and orderly fashion. The site to be approved by the City. To be kept locked at all times.	All material storage and disposal areas must be designated and delineated on a site plan prepared by the Tenant and approved by the City.

Task	CourseCo Standards For Crystal Springs	Suggested Maintenance (Per Draft Lease)
Pesticide/Materials Storage, continued	<p>Proper recording methods to be used. Only employees with certified applicator's license will be permitted access to facility.</p> <p>Observe all legal requirements and safety regulations in accordance with CAL-OSHA.</p>	

EXHIBIT H

[INSERT CONSENT TO LEASEHOLD TRUST DEED]

EXHIBIT I

EXAMPLE OF WATER RATE CREDIT CALCULATION

Assumptions:

1. Rate per quantity charged to Tenant for water used at the Premises as of the Effective Date = 50 cents/100 gallons ("Initial Tenant Rate").

2. The average rate per quantity charged to residential water users in San Francisco as of the Effective date = 100 cents/100 gallons ("Initial Residential Rate").

3. The Modified Residential Rate (as defined below) is either the only rate charged residential water customers in the City or, if there is more than one classification, it is the average rate charged to residential customers of single family detached homes in the City.

4. The amount of water used by the Tenant during the period that Tenant paid the Excess Rate for water used at the Premises is 100 Units of 100 gallons.

Example 1:

If City raises the Initial Residential Rate to 125 cents/100 gallons (the "Modified Residential Rate) (a 25% increase); and

If City raises the Initial Tenant Rate to 62.5 cents/100 gallons (a 25% increase); then

Tenant is not entitled to any rent credit under Section 5.2(b).

Example 2.

If City raises the Initial Residential Rate to the Modified Residential Rate of 125 cents/gallon (a 25% increase); and

If City raises the Tenant Rate to 75 cents/gallon (a 50%) increase; then

The Excess Rate, as defined in Section 5.2(b) shall be equal to the amount by which the rate paid for water at the Premises (75 cents/100 gallons) exceeds the Adjusted Base Water Rate of 62.5 cents, or 12.5 cents/100 gallons; and

The Excess Amount shall be equal to 1250 cents (the Excess Rate of 12.5 cents per 100 gallons multiplied by the amount of water used by Tenant during the term of the Excess Rate (100 Units of 100 gallons), and shall be offset as a credit against Base Rent due.

EXHIBIT J

GUARANTY

This GUARANTY ("Guaranty") is made as of _____, by JOHN C. TELISCHAK and THOMAS BOOTH ISAAK (each individually a "Guarantor" and collectively "Guarantors"), to and for the benefit of THE CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City").

RECITALS

A. City has agreed to enter into that certain San Francisco Water Department Right-of-Way Ground Lease dated of even date herewith (the "Lease") by and between City, as Owner, and Crystal Springs Golf Partners, L.P., a California limited partnership ("Tenant"), as Tenant.

B. It is a condition precedent to City entering into the Lease that this Guaranty be executed and delivered by Guarantors, and City is entering into the Lease in reliance on this Guaranty. Capitalized terms used but not otherwise defined herein shall have the same meanings as in the Lease.

C. Guarantors, through their ownership interests in Tenant, have a financial interest in City entering into the Lease.

NOW, THEREFORE, in consideration of the foregoing and of City entering into the Lease, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, each Guarantor covenants and agrees as follows:

AGREEMENT

1. Guaranty. Each Guarantor unconditionally guarantees to City the full payment and performance of all of the present and future obligations of Tenant under Section 22.2 of the Lease. All such obligations, as the same may be amended or modified from time to time, are referred to in this Guaranty severally and collectively as the "Obligations," and shall be payable by each Guarantor to City immediately upon demand in the event of any failure of Tenant to pay or perform any of the Obligations upon the expiration of any applicable notice and/or cure period expressly provided in the Lease. Each Guarantor further unconditionally agrees that if for any reason Tenant fails to pay or perform any of the Obligations upon the expiration of any applicable notice and/or cure period expressly provided in the Lease then, upon demand by City, Guarantors will immediately assume responsibility for the payment and performance of all further Obligations, including, without limitation, upon the death, dissolution, liquidation, insolvency or business failure of, or any assignment for the benefit of creditors by, or commencement of any bankruptcy, reorganization, receivership, moratorium or other debtor relief proceedings by or against, Tenant or any Guarantor. In any such event, each Guarantor unconditionally promises to pay the Obligations to City or order, on demand, in lawful money of the United States.

2. Rights of City. Each Guarantor authorizes City to perform any or all of the following acts at any time in its sole discretion, upon any terms and conditions as City may elect, without notice to or obtaining the consent of any Guarantor and without affecting the liability of any Guarantor under this Guaranty:

(a) City may alter any terms of the Obligations (to the extent allowed under the Lease), including renewing, compromising, extending or accelerating, or otherwise changing the time for payment or performance of the Obligations, so long as any such alteration, renewal, compromise, extension or acceleration does not materially increase the scope of the Obligations.

(b) City may take and hold security for the Obligations, accept additional or substituted security, and subordinate, exchange, enforce, waive, release, compromise, fail to perfect and sell or otherwise dispose of any such security.

(c) City may enforce or waive any rights or remedies against Tenant that may be available under the Lease.

(d) City may release Tenant, to the extent such release is deemed to occur involuntarily or pursuant to applicable law, or any Guarantor of its liability for all or any of the Obligations.

Each Guarantor expressly agrees that until each of the Obligations has been fully paid and performed and until each and every term, covenant and condition of this Guaranty is fully performed, no Guarantor shall be released by any act or event which might, but for this provision of this Guaranty, be deemed a legal or equitable discharge of a surety, nor shall any Guarantor be released because of any waiver, extension, modification, forbearance or delay or other act or omission of City or the failure of City to proceed promptly or otherwise as against Tenant or any Guarantor, or because of any action taken or omitted or circumstances which might vary the risk or affect the rights or remedies of any Guarantor as against Tenant, or because of any further dealings between Tenant and City, whether relating to the Obligations or otherwise. Each Guarantor hereby expressly waives and surrenders any defense to its liability under this Guaranty based upon any of the foregoing acts, omissions, agreements, waivers or any of them, it being the purpose and intent of this Guaranty that the obligations of each Guarantor hereunder are absolute and unconditional under all circumstances.

3. Waivers of Defenses. Each Guarantor hereby waives:

(a) Any right it may have to require City to proceed against Tenant, proceed against or exhaust any security held from Tenant, or pursue any other remedy in City's power to pursue;

(b) Any defense based on any legal disability of Tenant or any discharge of the liability of Tenant to City, whether consensual or arising by operation of law or any bankruptcy, reorganization, receivership, insolvency or debtor-relief proceeding, or any claim

that because of such disability or discharge any Guarantor's obligations exceed or are more burdensome than those of Tenant; and

(c) Except as expressly provided in Section 1, all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, notices of acceptance of this Guaranty, and demands and notices of every kind.

4. Waiver of Subrogation. Each Guarantor agrees that until such time as the Obligations have been paid and performed in full, any claims or other rights which it may now have or hereafter acquire against Tenant or any other guarantor of all or any of the Obligations, that arise from the existence or performance of any Guarantor's obligations under this Guaranty (all such claims and rights are referred to as "Guarantor's Conditional Rights"), including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, or indemnification, any right to participate in or enforce any claim or remedy of City against Tenant or participate in any security or collateral which City now has or hereafter acquires, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, by any payment made hereunder or otherwise, including, without limitation, the right to take or receive from Tenant, directly or indirectly, in cash or other property or by setoff or in any other manner, payment or security on account of such claim or other rights, shall be subordinate to City's right to full payment and performance of the Obligations, and Guarantor shall not enforce Guarantor's Conditional Rights during such period.

5. Tenant's Financial Condition. Each Guarantor assumes full responsibility for keeping informed of the financial condition of Tenant and all of Tenant's constituent partners and the business operations and all other circumstances affecting the ability of Tenant to pay or perform the Obligations, and agrees that City shall have no duty to disclose to any Guarantor any information which City may receive about the financial condition or business operations of Tenant or its constituent partners, or any other circumstances bearing on the ability of Tenant to pay or perform the Obligations.

6. Assignment. City in its sole discretion may assign its interest in the Lease and this Guaranty without notice to any Guarantor and without affecting the liability of any Guarantor under this Guaranty, and this Guaranty shall benefit any such assignee. City may disclose any and all information in its possession concerning Guarantors, this Guaranty and any security for this Guaranty to any purchaser or prospective purchaser of all or part of City's interest in the property which is the subject of the Lease.

7. Additional and Independent Obligations. Each Guarantor's obligations under this Guaranty are independent of those of Tenant under the Lease and in addition to the obligations of each Guarantor or its Affiliates under any other existing or future guaranties or indemnities. City may bring a separate action or proceeding against any one or more Guarantors without first proceeding against Tenant or any other person or any security that City may hold and without pursuing any other remedy. City's rights under this Guaranty shall not be exhausted by any action by City until all of the Obligations have been paid and performed in full, and each and every term, covenant and condition of this Guaranty has been performed in full. Each Guarantor

further agrees that to the extent Tenant or any Guarantor makes any payment to City in connection with the Obligations and all or any part of such payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid by City or paid over to a trustee receiver or any other entity, whether under any bankruptcy act or otherwise (any such payment is hereinafter referred to as a "Preferential Payment"), then this Guaranty shall continue to be effective or shall be reinstated, as the case may be, and, to the extent of such payment or repayment by City, the Obligations or the part thereof intended to be satisfied by such Preferential Payment shall be revived and continued in full force and effect as if said Preferential Payment had not been made.

8. Delay: Cumulative Remedies. No delay or failure by City to exercise any right or remedy against Tenant or any Guarantor or any other guarantor will be construed as a waiver of that right or remedy. All remedies of City against Tenant and each Guarantor or any other guarantor are cumulative.

9. Rules of Construction. In this Guaranty, the term "Tenant" includes both Tenant and any other person who at any time assumes or otherwise becomes primarily liable for all or any part of the Obligations. The word "person" includes any individual, company, trust or other legal entity of any kind. When the context and construction so require, all words used in the singular shall be deemed to have been used in the plural and vice versa. All headings appearing in this Guaranty are for convenience only and shall be disregarded in construing this Guaranty.

10. Liability.

(a) Notwithstanding any other provisions of this Guaranty, any liability of any Guarantor hereunder shall be liability personal to such Guarantor, and may be asserted against any and all of his assets.

(b) The obligations of each Guarantor hereunder shall survive the Lease, and the dissolution and termination of the Tenant.

(c) The rights and remedies of City under this Guaranty (i) shall be in addition to any other rights and remedies of City under any other document or instrument now or hereafter executed in connection with the Lease or at law or in equity, and (ii) may be enforced by City without regard to or affecting any rights and remedies that City may have under any other document or instrument now or hereafter executed in connection with the Lease or at law or in equity, and without regard to any limitations on City's recourse for recovery of any amounts due under the Lease or as may be provided in any other document or instrument now or hereafter executed in connection with the Lease.

11. Governing Law. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of California.

12. Costs and Expenses. Each Guarantor agrees to pay all of City's costs and expenses, including but not limited to reasonable attorneys' fees and expenses, which may be

incurred in any effort to collect or enforce this Guaranty, including all such costs and expenses which may be incurred by City in any action or proceeding. From the time incurred until paid in full to City, those sums shall bear interest at a rate equal to the lesser of (i) the Prime Rate (as announced from time to time in the Wall Street Journal) plus four percent (4%) per annum, or (ii) the maximum legal rate then permitted. In the event of any dispute between the parties hereto arising out of the obligations of the parties under this Guaranty or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses of such dispute, including, without limitation, reasonable attorneys' fees and expenses. For purposes of this Guaranty, reasonable fees of the attorneys of City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

13. Consideration. Guarantor acknowledges that it expects to benefit from City entering into the Lease, and that Guarantor is executing this agreement in consideration of that anticipated benefit.

14. Financial Information. Each Guarantor has furnished certain financial information to City, and agrees to furnish such other information about such Guarantor's financial condition as City may reasonably request from time to time. Each Guarantor represents and warrants that all financial statements and other financial information furnished to City is or will be true and correct and fairly represents or will represent the financial condition of such Guarantor (including all contingent liabilities).

15. Enforcement. Notwithstanding anything to the contrary contained in this Guaranty, City shall have the sole right to enforce the rights and remedies of City contained in this Guaranty. Separate and successive actions may be brought hereunder to enforce any of the provisions hereof at any time and from time to time. No action hereunder shall preclude any subsequent action, and the undersigned hereby waives and covenants not to assert any defense in the nature of splitting of causes of action or merger of judgments.

16. Miscellaneous. The obligations of each Guarantor under this Guaranty are joint and several. The provisions of this Guaranty shall bind and benefit the heirs, executors, administrators, legal representatives, successors and assigns of Guarantor and City, including without limitation the successors in interest to City under the Lease. The illegality or unenforceability of one or more provisions of this Guaranty shall not affect any other provision. This Guaranty contains the entire agreement between Guarantors and City concerning

its subject matter, and no representation, understanding, promise or condition shall be enforceable against any party unless it is contained in this Guaranty. This Guaranty may not be modified except in a writing signed by City and each Guarantor.

GUARANTORS:

JOHN C. TELISCHAK

Address for Notices:

THOMAS BOOTH ISAAK

Address for Notices:

The undersigned spouse(s) of Guarantor(s) are executing this agreement for the sole purpose of subjecting any community property interest(s) of such spouse(s) to the terms of this Guaranty.

SCHEDULE 1

DISCLOSURE SCHEDULE

1. All items disclosed in the Request for Proposals for the Lease of Crystal Springs Golf Course, Burlingame, California, by the San Francisco Public Utilities Commission, San Francisco Water Department, dated August 1, 1995, as supplemented on September 20, 1995, October 30, 1995 and November 14, 1995.
2. Summary Report: Bulk Asbestos Survey prepared by SCA Environmental, Inc., dated September 19, 1995.
3. Wood Destroying Pests and Organisms Inspection Report prepared by Clark Pest Control, dated August 25, 1995.
4. William G. Buchanan and Associates' Report of Visit to Crystal Springs Golf Club, dated October 31, 1994, November 1 & 2, 1994.

SCHEDULE 2

COMPARABLE GOLF COURSES

	<u>Course</u>	<u>Location</u>
1)	Aptos Seascape	Aptos
2)	Chardonnay	Napa
3)	Half Moon Bay	Half Moon Bay
4)	Oakhurst	Clayton/Walnut Creek
5)	Poppy Hill	Monterey
6)	Poppy Ridge	Livermore
7)	Presidio Golf Course	San Francisco
8)	Rancho Canada	Carmel
9)	San Geronimo	West Marin
10)	Sonoma Golf Club	Sonoma Valley

PUBLIC UTILITIES COMMISSION
City and County of San Francisco

RESOLUTION NO. 96-0265

WHEREAS, The City and County of San Francisco (the "City") owns certain real property under the jurisdiction of the Public Utilities Commission ("PUC"), in the City of Burlingame, San Mateo County, commonly known as the Crystal Springs Golf Course (the "Property"); and

WHEREAS, On August 1, 1995, the PUC issued a Request for Proposals ("RFP") seeking a tenant to lease the Property as a public golf course and related facilities, including food and beverage service, on terms and conditions satisfactory to the City; and

WHEREAS, On January 30, 1996, after due consideration of all qualified proposals submitted in response to the RFP, the PUC selected Crystal Springs Golf Partners, L.P. ("Tenant"); and

WHEREAS, On April 1, 1996, the PUC and Tenant entered into an interim management agreement for use and operation of the Property pending negotiation and approval of a long-term lease for the Property; and

WHEREAS, PUC staff and Tenant have negotiated a long-term lease for the use and operation of the Premises (the "Lease"), a description of the terms of which is attached hereto; and

WHEREAS, The Water Department has determined, and completed a certification, that the project described by the proposed Lease is categorically exempt from the requirements of the California Environmental Quality Act; now, therefore, be it

RESOLVED, That this Commission hereby approves the terms and conditions and authorizes the execution of the Lease of the Property to Tenant for the purpose of operating a public golf course and related facilities, including food and beverage service, on the terms and conditions set forth in the Lease, for the term commencing on April 1, 1997 and terminating March 31, 2017; at a rental rate which will be the greater of the Base Rent or Percentage Rent as follows:

Base Rent: For the first three Lease Years:
Annual Base Rent: \$1,250,000
Monthly payments: \$104,167

For the fourth through tenth Lease Year:
Annual Base Rent: \$1,500,000
Monthly payments: \$125,000

For the eleventh through fifteenth Lease Year:
Annual Base Rent: \$2,000,000

Monthly payments: \$166,667

For the sixteenth Lease Year and each
Lease Year thereafter:

Annual Base Rent: \$2,250,000

Monthly payments: \$187,500

Percentage Rent: 8% of Gross Revenues derived from food and beverage sales; plus
12% of Gross Revenues derived from Merchandise Sales; plus

In Lease Years 1 and 2, 25% of Gross Revenues derived from all
other sources;

In Lease Years 3 through 5, 35% of Gross Revenues derived from
all other sources; and

In Lease Years 6 through 20, 40% of Gross Revenues derived from
all other sources; and be it

FURTHER RESOLVED, That all actions authorized by this resolution and heretofore
taken by any City official in connection with such Agreement are hereby ratified, approved and
confirmed by this Commission; and be it

FURTHER RESOLVED, That upon approval by this Commission, the General Manager
of Public Utilities is hereby authorized and directed to execute said Lease, and any agreements
or Exhibits contemplated therein, including, without limitation, the Consent to Leasehold
Encumbrance attached as Exhibit H to the Lease; and be it

FURTHER RESOLVED, That the PUC hereby ratifies and confirms the selection of
Tenant pursuant to the RFP process described above; and be it

FURTHER RESOLVED, That the PUC authorizes the General Manager to enter into any
additions, amendments or other modifications to the Lease (including, without limitation, the
attachment of exhibits) that the General Manager determines are in the best interests of the
City and the PUC, and that do not materially increase the obligations or liabilities of the City or
the PUC, and are necessary and advisable to effectuate the purpose and intent of this
resolution.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its
meeting of NOVEMBER 12 1996

Lorraine A. Boldridge

Secretary, Public Utilities Commission



Pro Forma
Advisors LLC

Evaluation of Rent Proposal Crystal Springs Golf Course

Burlingame, San Mateo County, California

Prepared for: **San Francisco Public Utilities Commission**

Prepared by: **Pro Forma Advisors LLC**

December 2016

PFA ID: 10-781RR

Introduction and Background

Crystal Springs Golf Course is an 18-hole regulation length municipal golf course located in Burlingame, San Mateo County, California. The golf course is owned by the City and County of San Francisco and leased to Crystal Springs Golf Partners. The San Francisco Public Utilities Commission (SFPUC), a public agency of the City and County of San Francisco, is responsible for administering the lease. The golf course is managed for Crystal Springs Partners by CourseCo, Inc., a California-based professional golf course management company.

The current lease expires March 31, 2017. After consideration of a number of factors, including an analysis conducted for the SFPUC by an independent consulting firm (EPS), the SFPUC has elected to negotiate a new 20-year lease with the current operator rather than conduct a bidding process to re-lease the golf course property at the end of the current lease term. First, there are a number of near-term capital improvements required at the golf facility in order to remain competitive, and Crystal Springs Golf Partners has expressed willingness to fund such improvements. CourseCo has performed well in a challenging golf market, and the SFPUC has been satisfied with this performance. CourseCo also has demonstrated environmental leadership in its maintenance and operating practices. Finally, with weak demand in the golf course leasing market, an RFP process is likely to result in few, if any, qualified respondents.

Tentative terms have been formulated regarding a new lease agreement between the SFPUC and Crystal Springs Partners. The following presents an evaluation of the proposed lease structure in the context of current and anticipated market conditions.

Market Overview

- ▶ During the 1990s and early part of the 2000 decade, the national golf market exhibited strength, with most golf courses operating at close to full effective capacity and sustaining greens fees increases well above general price inflation.
- ▶ However, the golf market has softened considerably over the past 10-15 years. The number of golfers in the U.S. declined from 30.4 million in 2003 to 24.7 million in 2014, and then dropped further to 24.1 million in 2015, a reduction of over 20 percent. Accordingly, the number of rounds played declined from 520 million to 457 million over the same time frame.
- ▶ The national golf participation rate over the 2003-2015 period declined sharply from 12.4 percent to 8.5 percent of the population over 6 years old. Among the most disturbing statistics is that the largest departing golfer segment is the 18-34 year age group. The decline in the number of golfers in this age cohort does not portend a near term recovery of the golf industry.
- ▶ Since 2007, an annual average of 40 golf courses have been added to the national inventory, while the annual number of course closures has average 150.

- ▶ The softening of the golf market over the past 10-15 years is due to a variety of factors including:
 - The dramatic increase in the supply of public golf courses;
 - Development of golf courses located within master-planned golf communities, justified by housing economics rather than golf market conditions;
 - Fundamental changes in lifestyle and entertainment/recreation pursuits affecting the underlying demand for golf;
 - The sharp downturn in the economy commencing in 2007/2008.
- ▶ For the most part, the Bay Area golf market has mirrored the national market. Since 1990, 30 new public golf courses were added to the Bay Area inventory, an increase of 40 percent. Rounds on most public golf courses have declined approximately 25 percent over the past 15 years.
- ▶ After sharp declines in overall performance, the Bay Area golf market has stabilized over the past three years. Nonetheless, the relatively flat performance over the past several years is concerning in the context of an improving economy.
- ▶ Irrigation water availability and cost has become an extremely important factor in the operation of Bay Area golf courses.
- ▶ Challenged by soft golf market conditions and irrigation water availability/cost, six Bay Area golf courses have closed in the past year alone, including the 36-hole Sunol Valley Golf Course in the Sunol Valley area of the East Bay.
- ▶ The mid- to long-term outlook for the regional golf market is highly uncertain at this time. Some analysts believe that the aging baby boomer population (participation and frequency of play increase with age), few if any additions to the golf course inventory, and an improvement in overall economic conditions suggest stabilization or possible marginal industry growth. Other analysts suggest that the market is still seeking its bottom, with the hope of achieving some stability in the next 3- to 5-years.

Crystal Springs Historical Performance

- ▶ Annual play (paid rounds) at Crystal Springs Golf Course for the 2007-2015 period is reported as follows:

Exhibit 1: Crystal Spring Annual Paid Rounds	
Year	Rounds
2007	73,654
2008	70,037
2009	71,083
2010	61,330
2011	62,084
2012	63,849
2013	67,929
2014	65,146
2015	69,577

- ▶ Play over the past four years, averaging 66,625 rounds per year, has benefited from drought conditions. Play for 2015, for example, adjusted for normal rainfall, would have been in the range of 65,000 rounds compared to the 69,577 rounds recorded.
- ▶ While play has increased over the 2012-2015 period, the average golf (greens fees, member dues, carts and range) revenue per round has declined from \$51.09 to \$49.76 over this period.
- ▶ Operator net operating cash flow for the 2007-2015 period is reported as follows (note that there is an allowance for a management fee included in general and administrative expenses):

Exhibit 2: Crystal Springs Golf Course Net Operating Income (\$000)									
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Gross Revenue	\$4,105	\$3,838	\$3,791	\$3,368	\$3,375	\$3,610	\$3,904	\$3,662	\$3,817
Less: Merchandise COS	165	150	201	194	208	168	201	167	163
Gross Profit	\$3,940	\$3,688	\$3,590	\$3,174	\$3,167	\$3,442	\$3,703	\$3,495	\$3,654
F & B Contribution ^{1/}	527	567	446	479	544	639	611	628	716
Total	\$4,467	\$4,255	\$4,036	\$3,653	\$3,711	\$4,081	\$4,314	\$4,123	\$4,370
Operating Expenses									
Golf Operations	\$385	\$446	\$479	\$450	\$443	\$554	\$528	\$541	\$604
Maintenance	807	836	778	779	744	718	695	843	911
General & Admin	874	901	861	868	829	836	801	835	835
Total	\$2,066	\$2,183	\$2,118	\$2,097	\$2,015	\$2,108	\$2,023	\$2,219	\$2,350
Net Income (EBITDAR)^{2/}	\$2,401	\$2,072	\$1,918	\$1,556	\$1,696	\$1,973	\$2,291	\$1,904	\$2,020
Less: Rent	\$1,421	\$1,400	\$1,447	\$1,490	\$1,508	\$1,566	\$1,622	\$1,665	\$1,708
Less: CIP Contribution	126	122	116	107	112	123	128	125	135
Net Operating Cash Flow	\$854	\$550	\$355	(\$42)	\$76	\$285	\$541	\$114	\$177

^{1/} Estimated net contribution from food and beverage operations joint venture. ^{2/} Before rent and CIP contribution.

Crystal Springs Partners' original capital investment totaled approximately \$2.2 million in 1997. Based on audited financial statements for the period 1997 through 2015, the internal rate of return on initial investment is calculated at 1.43 percent.

Golf Course Rents

- ▶ Annual rent paid in 2014 for selected Bay Area facilities based on their performance and the lease terms of the agreement is summarized below.

Exhibit 3: Rent Paid at Selected Bay Area Regulation Length Golf Courses--2015						
	Crystal Springs	Monarch Bay	Spring Valley	Metropolitan	Tilden Park	Chuck Corica
	Burlingame	San Leandro	Milpitas	Oakland	Berkeley	Alameda
	18 Holes	27 Holes^{1/}	18 Holes	18 Holes	18 Holes	45 Holes^{2/}
Gross Revenue (\$000)						
Greens Fees	\$2,485	\$1,674	\$2,086	\$1,530	\$1,680	\$3,470
Cart Rentals	613	410	462	430	390	715
Range Fees	268	304	120	292	600	500
Subtotal Golf	\$3,366	\$2,388	\$2,668	\$2,252	\$2,670	\$4,685
Merchandise	\$239	\$189	116	\$215	\$180	\$330
Food & Beverage	2,702	394	639	1,586	600	835
Instruction/Other	237	28	74	92	75	---
Total	\$6,544	\$2,999	\$3,498	\$4,145	\$3,525	\$5,850
Rent (\$000)						
Minimum Rent	\$1,665	\$750	\$312	\$604	\$375	\$300
Percentage Rent						
Golf	\$944	\$669	\$336	\$450	\$465	\$375
Merchandise	19	11	12	9	9	26
Food & Beverage	239	24	67	63	56	71
Instruction/Other	108	2	8	4	4	---
Total	\$1,310	\$696	\$423	\$526	\$536	\$472
Rent Paid	\$1,708	\$750	\$423	\$302^{3/}	\$536	\$472
^{1/} One regulation length 18-hole and one 9-hole executive length course. ^{2/} Two 18-hole regulation length and one 9-hole par-3 course. Revenue and rent forecast for FY2016-17 when capital improvements are completed. ^{3/} Rent relief equal to 50% reduction in minimum/percentage rent.						

- ▶ An adjusted “annual facility cost,” comprised of rent paid plus amortization of lessee-funded initial capital improvements, for selected Bay Area municipal golf facilities is shown below:

Exhibit 4: Adjusted Annual Rent Paid at Selected Bay Area Facilities			
Facility	Annual Rent Paid	Amortization of Initial Capital^{1/}	Total Annual Facility Cost
Crystal Springs Current	\$1,708,000	\$192,000^{2/}	\$1,900,000
Monarch Bay Golf Club (27 holes)	750,000	640,000	\$1,390,000
Spring Valley Golf Course	423,000	195,000	618,000
Metropolitan Golf Links	302,000	625,000	927,000
Tilden Park Golf Course	536,000	260,000	796,000
Chuck Corica (45 holes)	472,000	445,000	917,000

^{1/} Represents lessee-funded initial capital improvements amortized over 25 years at a 6% cost of capital.
^{2/} Calculation based on original lease minimum capital investment of \$2.2 million amortized over 20 years.

- ▶ In terms of annual rent paid, Crystal Springs is by far the highest of the six Bay Area golf courses shown. When a component is added to reflect the annual cost of amortizing initial lessee-funded capital improvements, yielding total annual facility cost, Crystal Springs obligation is still significantly above the other golf courses shown.
- ▶ Compared with Southern California municipal golf courses which are leased, Crystal Springs annual rent of \$1,708,000 exceeds all but one of the forty-five regulation length 18-hole Southern California golf facilities operating under a long-term lease agreement. Annual rent at Los Angeles County’s 13 regulation length facilities, for example, averages just under \$1.0 million per 18-hole facility. Most of these facilities are located in very strong golf markets, benefit by more favorable weather than similar municipal courses in the Bay Area, and are relatively easy to maintain.
- ▶ Notably, the municipal golf course lease market has softened considerably over the past 10-15 years. Requests for proposals for leasing opportunities have attracted very limited bidders and, in many cases, there have not been any bidders (Los Angeles County Marshall Canyon Golf Course; East Bay Regional Park District Willow Springs Golf Course).
- ▶ In recent years a number of California municipal golf course lessees, several in the Bay Area, have sought and received rent relief from the public agencies which own the courses. Moreover, there are numerous lessees which are in the process of restructuring their leases to remain economically viable.

Proposed Crystal Springs Lease Terms

The following basic terms are proposed at Crystal Springs:

- Term: 20 years
- Initial Investment:
 - Year 1: \$1.25 million
 - Year 11: \$1.0 million
- Rent Deposit: \$400,000 (returned at conclusion of lease term)
- Base Rent: \$1.0 million (years 1-3, then at 80% of prior 3 years' percentage rent)
- Percentage Rent:

<u>Department</u>	<u>Revenue</u>	<u>Percent of Gross</u>	
		<u>Below</u>	<u>Above</u>
	<u>Threshold^{1/}</u>	<u>Threshold</u>	<u>Threshold</u>
Golf (greens fees, carts, range)	\$4.0 M	25.0%	30.0%
Merchandise	.4 M	5.0	6.0
Food & Beverage	---	7.0	---

- Capital Improvement Replacement Reserve:
 - Tenant: 2.0% of total gross revenue
 - Lessor: 2.0% of total gross revenue

^{1/} Increased by 1.5% per year

Pro Forma Operating Income

- ▶ A stable year (2017) pro forma operating income statement is presented in Exhibit 5 based on a series of factors and assumptions, and reflecting the proposed lease terms (note that a 20-year financial model is available under separate cover). The values are expressed in constant 2017 dollars, and are based on 67,320 annual rounds (annual play over the past four drought years has averaged 66,625 rounds). The average greens fees (\$37.57 per round) and cart rental revenue (\$8.95 per round) are consistent with actual results for 2015.
- ▶ Operating expenses include a deduction for the lessee's share of the capital improvement reserve and an allowance for a standard management fee. Expenses also include an ongoing annual reserve for replacement of golf course maintenance equipment and a cart fleet lease obligation.

Exhibit 5: Crystal Springs Golf Club Stable Year Net Cash Flow (thousands of constant 2016 dollars)			
	Baseline	Upside	Downside
Rounds	67,360	70,000	65,000
Gross Revenue			
Greens Fees/Member Dues	\$2,531	\$2,660	\$2,340
Cart Rentals	603	595	555
Range Revenue	275	300	275
Subtotal Golf	\$3,409	\$3,555	\$3,170
Merchandise	241	260	230
Food & Beverage	2,500	2,750	2,400
Other	56	100	40
Total	\$6,206	\$6,690	\$5,840
Less: Cost of Sales			
Merchandise	\$169	\$182	\$161
Food & Beverage	775	960	840
Subtotal	\$944	\$1,142	\$1,001
Gross Profit	\$5,262	\$5,548	\$4,839
Operating Expenses			
Course Maintenance	\$1,013	\$1,013	\$1,013
Golf Operations	608	608	608
Food & Beverage	1,225	1,300	1,200
General & Administrative	894	925	875
CIP Contribution	124	134	117
Total	\$3,864	\$3,980	\$3,813
EBITDAR	\$1,398	\$1,568	\$1,026
Rent to SFPUC	\$1,042	\$1,101	\$1,000
Net Cash Flow	\$356	\$467	\$26

- ▶ In addition to the baseline stable year projection, modest upside and downside scenarios are formulated. The upside projection reflects an annual play level of 70,000 rounds at a \$38 average greens fees, while the downside is based on annual play of 65,000 rounds at a \$36 average greens fees.
- ▶ Under the baseline scenario, earnings before interest, taxes, depreciation, amortization and rent (EBITDAR) is projected at approximately \$1.4 million per year. Deducting rent yields operator net cash flow of \$356,000.
- ▶ As golf is largely a fixed cost business (expenses do not significantly vary with changes in revenues), very modest changes in rounds and/or greens fees have amplified impacts on net operating income. As the exhibit illustrates, in the upside scenario an 8 percent increase in gross revenue results in a 31 percent increase in net cash flow. Similarly, in the downside scenario a 6 percent decrease in gross revenue produces over a 90 percent reduction in net cash flow (just above breakeven). This high degree of sensitivity translates into greater risk than most non-golf business operations.
- ▶ The financial risk for properties like Crystal Springs is magnified due to the high minimum rent provision of the lease.

Operator Economics

- ▶ The baseline operating margin (the ratio of EBITDAR to gross revenue) is calculated at 22.5 percent. While this margin is somewhat low for well performing courses such as Crystal Springs, the margin before deduction of a standard management fee is calculated at 26.5 percent. Considering the high proportion of food and beverage gross revenue at Crystal Springs, where margins are relatively low, the 26.5 percent margin is consistent with similar courses.
- ▶ Projected annual EBITDAR, before rent and management fees, under the baseline totals approximately \$1.65 million. With modest lessee-funded capital improvement requirements, a typical split of EBITDAR is roughly two-thirds to the lessor and one-third to the lessee. Under the baseline, the projected distribution of annual EBITDAR is about \$604,000 (36 percent) to the lessee and \$1,042,000 (64 percent) to the lessor.
- ▶ Alternatively, under the baseline scenario, the lessee's EBITDA (before management fees) is just over twice the standard management fee of 4 percent. Again, given the modest capital investment level and high risk associated with golf operations, earnings equal to twice the management fee under a lease agreement is in-line with the expectations of most operators.
- ▶ Based on the 20-year financial model prepared by the SFPUC and its consultants, the internal rate of return on the lessee's investment is calculated at 13.95 percent under the baseline case (see Exhibit 6).

- ▶ The Society of Golf Course Appraisers Financing and Investment Survey, probably the most reliable source of data on golf property investment criteria, shows “unleveraged” internal rates of return (present value discount rates) ranging from 10 percent to 22 percent, averaging 14 percent. Thus, the IRR under the baseline scenario for Crystal Springs is consistent with current industry investment criteria.
- ▶ The internal rate of return on the lessee’s invested capital is highly sensitive to changes in performance. For example, baseline projections reflect an annual increase in demand (golf play) at .6 percent. The internal rate of return drops to zero if demand growth slows to .3 percent annually.
- ▶ The net cash flow earned by the operator also is pre-tax, with only nominal depreciation available on a leasehold property to shelter net earnings. Moreover, the proposed venture relates to a leasehold with a relatively short investment horizon of only 20 years. Such investment is difficult to finance, and the finite period in which the investment needs to be recovered presents substantial additional risk. Lastly, the extremely high financial risk is evidenced by the large disparity between net operator earnings of \$1.6 million versus the \$26.6 million in projected rent payments over the 20-year lease term, most of which is guaranteed by the \$1.0 million annual minimum rent.

Summary

- ▶ The current rent structure at Crystal Springs is substantially above market, and is not supportable going forward.
- ▶ Given the level of front-end capital improvements required, current and anticipated market conditions, and expected operating performance at Crystal Springs, the proposed percentage rental terms are well within the range of present market experience. Minimum rent should be set at about 80 percent of the expected percentage rent amount.
- ▶ The return on invested capital, given the expected performance, relatively short lease term and risk profile, appears reasonable and appropriate from the lessee’s perspective. As well, the share of EBITDAR accruing to the SFPUC in the form of facility rent payments is in-line with market experience.

Exhibit 6: Crystal Springs Operator Internal Rate of Return Calculation (\$000)				
Year	EBITDAR	Less: SFPUC Rent	Less: Capital Investment	Net Cash Flow
0	---	---	\$1,650	(\$1,650)
1	\$1,397	\$1,042	---	\$355
2	1,430	1,068	---	362
3	1,444	1,094	---	349
4	1,462	1,122	---	340
5	1,470	1,150	---	320
6	1,486	1,179	---	308
7	1,502	1,208	---	294
8	1,517	1,238	---	279
9	1,530	1,269	---	261
10	1,543	1,301	---	242
11	1,554	1,333	1,000	(779)
12	1,564	1,367	---	197
13	1,572	1,401	---	171
14	1,578	1,436	---	142
15	1,582	1,472	---	110
16	1,584	1,512	---	72
17	1,584	1,552	---	32
18	1,581	1,594	---	(13)
19	1,575	1,637	---	(62)
20	1,566	1,680	(400)	285
Total	30,521	26,655	(2,250)	1,616
Internal Rate of Return	---	---	---	13.95%



SAN FRANCISCO PLANNING DEPARTMENT

CEQA CATEGORICAL EXEMPTION FORM

PROJECT NAME: SFPUC - Crystal Springs Golf Course 20-Year Lease

PROJECT LOCATION: Crystal Springs Golf Course

CASE NUMBER: 2017-005038ENV

PROJECT TYPE: New Facility

Replacement Facility/Equipment

Repair/Maintenance/Upgrade

Other: _____

1. EXEMPTION CLASS

Class 1: Existing Facilities

Class 2: Replacement or Reconstruction

Class 3: New Construction or Conversion of Small Structures

Class 6: Information Collection

Other: _____

2. CEQA Impacts

For any box checked below, refer to the attached Environmental Evaluation Application with supporting analysis and documentation.

Air Quality: Would the project affect sensitive receptors (specifically schools, colleges, universities, day care facilities, hospitals, residential dwellings, or senior-care facilities)?

Noise: Would the project conflict with the applicable local Noise Ordinance?

Hazardous Materials: Would the project be located on a site included on any list compiled pursuant to Section 65962.5 of the Government Code, or impact an area with known hazardous materials such as a former gas station, auto repair, dry cleaners, heavy manufacturing use, or site with underground storage tanks?

Soils Disturbance/Modification: Would the project result in soil disturbance greater than 2 feet below grade in archeological sensitive area or 8 feet in a non-archeological sensitive area?

Biology: Would the project have the potential to impact sensitive species, rare plants or designated critical habitat? Is the project consistent with the applicable tree protection ordinance?

Visual: Is the project located within or adjacent to a designated scenic roadway, or would the project have the potential to impact scenic resources that are visible from public locations?

Transportation: Would project construction or operation have the potential to substantially interfere with existing traffic patterns or transit operations.

Historical Resources: Is the project located on a site with a known or potential historical resource?

Other: _____

3. CATEGORICAL EXEMPTION DETERMINATION

Further Environmental Review Required.

Notes: _____

No Further Environmental Review Required. Project is categorically exempt under CEQA.

Chelsea Fordham
Planner's Signature

Digitally signed by Chelsea Fordham
DN: dc=org, dc=sfgov, dc=cityplanning, ou=CityPlanning, ou=Environmental
Planning, email=Chelsea.Fordham@sf.gov, serial=Chelsea.Fordham@sf.gov
Date: 2017.05.08 18:02:20 -0700

April 24, 2017
Date

Chelsea Fordham, CEQA Coordinator
Name, Title

Project Approval Action: SFPUC public hearing

Once signed and dated, this document constitutes a categorical exemption pursuant to CEQA Guidelines and Chapter 31 of the Administrative Code.



SAN FRANCISCO PLANNING DEPARTMENT

ENVIRONMENTAL EVALUATION APPLICATION COVER MEMO - PUBLIC PROJECTS ONLY

In accordance with Chapter 31 of the San Francisco Administrative Code, an appeal of an exemption determination can only be filed within 30 days of the project receiving the first approval action.

Please attach this memo along with all necessary materials to the Environmental Evaluation Application.

Project Address and/or Title:	Crystal Springs Golf Course 20-Year Lease
Funding Source (MTA only):	
Project Approval Action:	Award of lease would require a public hearing.
Will the approval action be taken at a noticed public hearing?	<input checked="" type="checkbox"/> YES* <input type="checkbox"/> NO
* If YES is checked, please see below.	

IF APPROVAL ACTION IS TAKEN AT A NOTICED PUBLIC HEARING, INCLUDE THE FOLLOWING CALENDAR LANGUAGE:

End of Calendar: CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.

Individual calendar items: This proposed action is the Approval Action as defined by S.F. Administrative Code Chapter 31.

THE FOLLOWING MATERIALS ARE INCLUDED:

- 2 sets of plans (11x17)
- Project description
- Photos of proposed work areas/project site
- Necessary background reports (specified in EEA)
- MTA only: Synchro data for lane reductions and traffic calming projects

APPLICATION FOR Environmental Evaluation

1. Owner/Applicant Information

PROPERTY OWNER'S NAME: San Francisco Public Utilities Commission (SFPUC)	
PROPERTY OWNER'S ADDRESS: 525 Golden Gate Avenue, 13th Floor San Francisco, CA 94102	TELEPHONE: (415) 554-1600
	EMAIL: www.sfwater.org

APPLICANT'S NAME, COMPANY/ORGANIZATION (IF APPLICABLE): Irina P. Torrey, AICP, Manager, Bureau of Environmental Management Same as Above <input type="checkbox"/>	
APPLICANT'S ADDRESS: 525 Golden Gate Avenue, 6th Floor San Francisco, CA 94102	TELEPHONE: (415) 554-3232
	EMAIL: itorrey@sfwater.org

CONTACT FOR PROJECT INFORMATION: Sally Morgan, Environmental Project Manager Same as Above <input type="checkbox"/>	
ADDRESS: 525 Golden Gate Avenue, 6th Floor San Francisco, CA 94102	TELEPHONE: (415) 934-3938
	EMAIL: smorgan@sfwater.org

2. Location and Classification

STREET ADDRESS OF PROJECT: 6650 Golf Course Drive, Burlingame	ZIP CODE: 94010
CROSS STREETS: Skyline Blvd.	

ASSESSORS BLOCK/LOT: N/A /	LOT DIMENSIONS:	LOT AREA (SQ FT): 199 ac.	ZONING DISTRICT: N/A	HEIGHT/BULK DISTRICT: N/A
COMMUNITY PLAN AREA (IF ANY): N/A				

3. Project Description

(Please check all that apply) <input type="checkbox"/> Change of Use <input type="checkbox"/> Change of Hours <input type="checkbox"/> New Construction <input type="checkbox"/> Alterations <input type="checkbox"/> Demolition <input checked="" type="checkbox"/> Other Please clarify: lease of existing golf course	ADDITIONS TO BUILDING: <input type="checkbox"/> Rear <input type="checkbox"/> Front <input type="checkbox"/> Height <input type="checkbox"/> Side Yard	PRESENT OR PREVIOUS USE: golf course
		PROPOSED USE: same
		BUILDING APPLICATION PERMIT NO.: N/A

4. Project Summary Table

If you are not sure of the eventual size of the project, provide the maximum estimates.

	EXISTING USES	EXISTING USES TO BE RETAINED	NET NEW CONSTRUCTION AND/OR ADDITION	PROJECT TOTALS
PROJECT FEATURES				
Dwelling Units			0	
Hotel Rooms			0	
Parking Spaces			0	
Loading Spaces			0	
Number of Buildings			0	
Height of Building(s)			0	
Number of Stories			0	
Bicycle Spaces			0	
GROSS SQUARE FOOTAGE (GSF)				
Residential				
Retail				
Office				
Industrial				
PDR Production, Distribution, & Repair				
Parking				
Other ()				
Other ()				
Other ()				
TOTAL GSF	no changes	no changes	no changes	

Please provide a narrative project description that summarizes the project and its purpose or describe any additional features that are not included in this table. Please list any special authorizations or changes to the Planning Code or Zoning Maps if applicable. **THIS SECTION MUST BE COMPLETED.**

The SFPUC proposes to lease an existing golf course on SFPUC's Peninsula Watershed lands to the existing tenant under new terms for a term of 20 years. proposed capital improvements to existing facilities are included in the new lease proposal. These would entail minor alterations to existing facilities, no new ground disturbance, and no vegetation removal with the exception of dead, previously-planted trees. Any subsequent capital improvements to the golf course would be subject to subsequent approvals by SFPUC's Natural Resources Land Management Division (NRLMD) and to the provisions of the previously-approved Peninsula Watershed Management Plan (SFPUC 1998), and contingent on future environmental reviews by BEM and EP of specific proposals. The Tenant would continue to carry out existing operations and routine maintenance, as allowed under the existing lease.

5. Environmental Evaluation Project Information

1. **Would the project involve a major alteration of a structure constructed 45 or more years ago or a structure in a historic district?** YES NO

If yes, submit the *Supplemental Information for Historic Resource Evaluation* application.

2. **Would the project involve demolition of a structure constructed 45 or more years ago or a structure located in a historic district?** YES NO

If yes, a historic resource evaluation (HRE) report will be required. The scope of the HRE will be determined in consultation with Preservation Planning staff.

3. **Would the project result in excavation or soil disturbance/modification?** YES NO

If yes, please provide the following:

Depth of excavation/disturbance below grade (in feet): _____

Area of excavation/disturbance (in square feet): _____

Amount of excavation (in cubic yards): _____

Type of foundation to be used (if known) and/or other information regarding excavation or soil disturbance modification:

Note: A geotechnical report prepared by a qualified professional must be submitted if one of the following thresholds apply to the project:

- *The project involves a lot split located on a slope equal to or greater than 20 percent.*
- *The project is located in a seismic hazard landslide zone or on a lot with a slope average equal to or greater than 20 percent and involves either*
 - *excavation of 50 or more cubic yards of soil, or*
 - *building expansion greater than 1,000 square feet outside of the existing building footprint.*

A geotechnical report may also be required for other circumstances as determined by Environmental Planning staff.

- 4a. **Would the project involve any of the following: (1) the construction of a new building; (2) the addition of a dwelling unit; (3) the addition of a new curb-cut; (4) the addition of a garage; and/or (5) a net addition to an existing building of 500 gross square feet or more?** YES NO

If yes, you will need to comply with the tree planting regulations of Public Works Code Section 806 prior to receiving a building permit.

4b. Does the project include the removal or addition of trees on, over, or adjacent to the project site? YES NO

If yes, please answer the following questions:

Number of trees on, over, or adjacent to the project site:	<u>200+</u>
Number of trees on, over, or adjacent to the project site that would be removed by the project (see Public Works Code Article 16 for definitions of removal, significant, landmark, and street trees):	
Significant trees:	<u>0</u>
Landmark trees:	<u>0</u>
Street trees:	<u>6</u>
Number of trees on, over, or adjacent to the project site that would be added by the project:	<u>TBD</u>

5. Would the project result in any construction over 40 feet in height? YES NO

If yes, please submit a *Shadow Analysis Application*. This application should be filed at the PIC and should not be included with the Environmental Evaluation Application. (If the project already underwent Preliminary Project Assessment, this application may not be needed. Please refer to the shadow discussion in the PPA letter.)

6. Would the project result in a construction of a structure 80 feet or higher? YES NO

If yes, an initial review by a wind expert, including a recommendation as to whether a wind analysis is needed, may be required, as determined by Planning staff. (If the project already underwent Preliminary Project Assessment, please refer to the wind discussion in the PPA letter.)

7. Would the project involve work on a site with an existing or former gas station, auto repair, dry cleaners, or heavy manufacturing use, or a site with underground storage tanks? YES NO

If yes, please submit a Phase I Environmental Site Assessment (ESA) prepared by a qualified consultant. If the project is subject to Health Code Article 22A, Planning staff will refer the project sponsor to the Department of Public Health for enrollment in DPH's Maher program.

8. Would the project require any variances, special authorizations, or changes to the Planning Code or Zoning Maps? YES NO

If yes, please describe.

9. Is the project related to a larger project, series of projects, or program? YES NO

If yes, please describe.

Estimated Construction Costs

TYPE OF APPLICATION:

N/A

OCCUPANCY CLASSIFICATION:

N/A

BUILDING TYPE:

N/A

TOTAL GROSS SQUARE FEET OF CONSTRUCTION:

N/A

BY PROPOSED USES:

existing golf course operations,
minor capital improvements

ESTIMATED CONSTRUCTION COST:

ESTIMATE PREPARED BY:

SFPUC

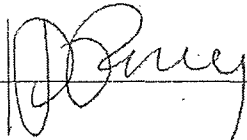
FEE ESTABLISHED:

Applicant's Affidavit

Under penalty of perjury the following declarations are made:

- a: The undersigned is the owner or authorized agent of the owner of this property.
- b: The information presented is true and correct to the best of my knowledge.
- c: Other information or applications may be required.

Signature: _____



Date: _____

4/4/17

Print name, and indicate whether owner, or authorized agent:

Irina P Torrey, AICP, Manager BEM

Owner / Authorized Agent (circle one)

Environmental Evaluation Application Submittal Checklist

APPLICATION MATERIALS	PROVIDED	NOT APPLICABLE
Two (2) originals of this application signed by owner or agent, with all blanks filled in.	<input type="checkbox"/>	
Two (2) hard copy sets of project drawings in 11" x 17" format showing existing and proposed site plans with structures on the subject property and on immediately adjoining properties, and existing and proposed floor plans, elevations, and sections of the proposed project.	<input type="checkbox"/>	
One (1) CD containing the application and project drawings and any other submittal materials that are available electronically. (e.g., geotechnical report)	<input type="checkbox"/>	
Photos of the project site and its immediate vicinity, with viewpoints labeled.	<input type="checkbox"/>	
Check payable to San Francisco Planning Department.	<input type="checkbox"/>	
Letter of authorization for agent.	<input type="checkbox"/>	<input type="checkbox"/>
<i>Supplemental Information for Historic Resource Evaluation</i> , as indicated in Part 5 Question 1.	<input type="checkbox"/>	<input type="checkbox"/>
Two (2) hard copies of the <i>Historic Resource Evaluation</i> , as indicated in Part 5 Question 2.	<input type="checkbox"/>	<input type="checkbox"/>
Geotechnical report, as indicated in Part 5 Question 3.	<input type="checkbox"/>	<input type="checkbox"/>
Phase I Environmental Site Assessment, as indicated in Part 5 Question 7.	<input type="checkbox"/>	<input type="checkbox"/>
Additional studies (list).	<input type="checkbox"/>	<input type="checkbox"/>

For Department Use Only

Application received by Planning Department:

By: _____

Date: _____



SAN FRANCISCO
PLANNING
DEPARTMENT

FOR MORE INFORMATION:
Call or visit the San Francisco Planning Department

Central Reception
1650 Mission Street, Suite 400
San Francisco CA 94103-2479

TEL: **415.558.6378**
FAX: **415 558-6409**
WEB: <http://www.sfplanning.org>

Planning Information Center (PIC)
1660 Mission Street, First Floor
San Francisco CA 94103-2479

TEL: **415.558.6377**
*Planning staff are available by phone and at the PIC counter.
No appointment is necessary.*

Bureau of Environmental Management
525 Golden Gate Avenue, 6th Floor
San Francisco, CA 94102
T 415.934.5700
F 415.934.5750
TTY 415.554.3488

April 17, 2017

Mr. Timothy Johnston, MP, Environmental Planner
Environmental Planning Division
San Francisco Planning Department
1650 Mission Street, Suite 401
San Francisco, CA 94103

RE: CEQA Exemption Request, revised
Crystal Springs Golf Course 20-Yr Lease,
(Real Estate project: Overhead code
400474)

Dear Timothy:

The San Francisco Public Utilities Commission (SFPUC) requests review of SFPUC's proposal to renew its lease to Crystal Springs Golf Partners, L.P., for the Crystal Springs Golf Course, Burlingame, CA (the Project) under the California Environmental Quality Act (CEQA). SFPUC requests San Francisco Planning Department – Environmental Planning Division (EP) concurrence that the proposed Project is categorically exempt under CEQA Section 15301, Class 1 (Existing Facilities). Class 1 includes the leasing of existing facilities, including negligible or no expansion of use beyond that existing at the time of the lead Agency's determination.

The following analysis demonstrates the proposed Project would not result in adverse environmental effects, and provides support for our recommendation that it be determined categorically exempt under CEQA. The Project would be conducted in compliance with applicable federal, State, and local regulations and under contractual provisions prohibiting work in violation of applicable regulations and plans.

BACKGROUND

Crystal Springs Golf Partners, L.P. has maintained and operated the 199-acre Crystal Spring Golf Course, under a lease of land in SFPUC's Peninsula Watershed, since 1996. Due to softening market conditions, the lease was amended in 2003 to provide a rent reduction to the tenant. During the term of the lease, golf market conditions have further declined. The tenant requested that SFPUC consider a further rent reduction, which would provide the tenant with incentive to invest in envisioned capital improvements at the course. SFPUC has consulted with experts in the golf course community, who

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Ann Moller Caon
Commissioner

Francesca Vietor
Commissioner

Vince Courtney
Commissioner

Harlan L. Kelly, Jr.
General Manager



concluded that the number of golfers has declined and the financial performance of Bay Area Golf Courses has remained flat since the early 2000s and that the mid- to long-term outlook for the regional golf market is highly uncertain. The lease was renewed on a month-to-month basis for a one year term while further lease terms are negotiated (Categorical Exemption 2017-002732ENV, 3/6/2017).

PROJECT DESCRIPTION

SFPUC proposes to issue a new lease for the Crystal Spring Golf Course to Crystal Springs Golf Partners, L.P. (the Tenant), for a term of 20 years. The golf course is an existing facility, located in Burlingame, California. It includes an 18-hole golf course with paved paths; a pond used for irrigation and an associated pump house and irrigation system; a driving range that includes small structures; a parking lot; a two-story building housing the golf pro shop and administrative offices; a two-story clubhouse that includes locker rooms, a restaurant, lounge and banquet space; a maintenance and golf cart storage facility; restrooms and small structures at the driving range.

The lease commits the Tenant to carry out \$1.25 million in targeted long-term capital improvements to facilities at the beginning of the new lease term. Under the terms of the proposed Lease, the City's prior written consent is required for any such proposed improvement. The lease requires that the improvements described above and any other improvements that may be proposed in the future, along with designs and specifications, be set forth in an Initial Capital Improvement Plan, which must be reviewed and approved through SFPUC's Natural Resources Land Management Division (NRLMD) Project Review process. This process includes review by SFPUC's Bureau of Environmental Management to determine if the proposed work is within the scope of a prior approval and, for proposed work not covered by an existing approval, and additional CEQA review by City of San Francisco Environmental Planning for any proposed Project not within the scope of a prior approval. SFPUC may require modifications to any of proposed improvements as may be necessary to avoid significant environmental impacts, as part of the decision to approve improvements that may be proposed in the future; or determine not to approve the proposed improvements. Subsequent CEQA review must be completed before any future improvement may be implemented. While the Tenant would continue its ongoing maintenance program (e.g. routine irrigation and mowing of the golf course), no capital improvements may be carried out under the new lease until CEQA review and approval has occurred.

Initial proposed improvements within the scope of this Categorical Exemption application include:

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General Manager



- Golf course entry refurbishment: Refurbish and paint signage at the property entrance; replace the wedding gate and golf course gate with automatic swinging gate openers to improve appearance and efficiency.
- Parking lot paving: Repair cracks and pot holes; slurry seal and paint upper and lower lots along with the road down to golf course hole #18; update the handicap areas, curbs, and spacing around the entire lot consistent with ADA code.
- Entry road: Repair cracks and pot holes; slurry seal and paint entry road; replace the entire sidewalk in the same footprint.
- Replace the existing irrigation pump inside the existing pump house while retaining the current equipment as back up.
- Install new modern signage at the property entrance for safety and aesthetics; update the driving range lights and parking lot lights with high efficiency bulbs; update the style of the "Crystal Springs" welcome sign to match the rest of the facility.
- Repair and resurface existing paved cart paths throughout the golf course.
- Replace and upgrade entire course signage including tee signs.
- Remove and structurally prune trees to improve appearance and safety; continue to structurally prune numerous cypress trees reducing canopy and crown of the trees, increasing air flow and sunlight for turf grass growth; remove several previously-planted dead trees without grinding the stumps.

As the project site is located within SFPUC's Peninsula Watershed, all work would be required by the SFPUC Natural Resources Land Management Division to comply with relevant provisions of the Peninsula Watershed Management Plan and its previously-approved EIR (SFPUC 1998).

ENVIRONMENTAL INFORMATION

Adverse effects to environmental resources resulting from the proposed Project are not anticipated. The environmental issues requiring evaluation are discussed below.

Air Quality

Construction of the proposed improvements would be undertaken singly. Each work element would vary in duration, but would be similar in scope to other small scale maintenance activities that are ongoing around any developed facility. Generally, the proposed improvements would entail only

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minimal heavy equipment work and vehicle trips, similar to existing ongoing maintenance activities. On this basis, adverse effects to air quality are not anticipated. The closest sensitive receptors to the golf course are residents on the east side of Interstate 280. These are separated from the golf course by the freeway, which is a much more significant source of air emissions than any of the proposed activity at the golf course. Therefore, the proposed Project would not be subject to the Bay Area Quality Management District CEQA Air Quality Guidelines related to assessment of local community risk and hazard impacts for single source or cumulative effects.

Aesthetics

The proposed repairs/improvements under the golf course lease would involve only minor exterior alterations, such as updating of existing signage, repaving, and painting. Existing exterior lighting is downward directed and shielded to minimize off site light effects. The proposed improvements would replace existing bulbs with modern energy efficient bulbs, but would not increase lighting or change external appearances.

Therefore, adverse effects to aesthetics are not anticipated.

Biological Resources

The project site is not located within federally- or State-designated critical habitat. SFPUC staff reviewed the State of California Natural Diversity Database, California Native Plant Society website, and the U. S. Fish & Wildlife Service Sacramento Office San Francisco County Database. Special status wildlife and plants that may be present in or near the golf course include the Mission Blue butterfly, California Red-Legged Frog, serpentine bunchgrass and Marin western flax.

The areas of the golf course that would be affected by the proposed improvements are already fully developed and the project would not entail new development in previously-undeveloped or natural areas. The project would not entail grading, or removal of vegetation with the exception of a few dead trees. These would be cut down, if necessary for safety, and the stumps left in place. Stump removal and replanting would be subject to subsequent review, as described above. In addition, some existing trees would be trimmed to improve structure and allow more light to reach the golf course turf. As a condition of Project approval, consistent with SFPUC Standard Construction Measure No. 8, which is included in the project, the Tenant would be required to retain a biologist to conduct nesting bird surveys prior to any tree trimming proposed to take place during the nesting season (February through August) and to postpone trimming of any trees containing active nests. In addition, the biologist would inspect any dead tree slated for removal to assess for the

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Vice President

Ann Moller Caen
Commissioner

Francesca Vietor
Commissioner

Vince Courtney
Commissioner

Harlan L. Kelly, Jr.
General Manager



presence of nests. All other project activities would be consistent with ongoing operations at the course and would not result in a change in existing conditions.

Therefore, adverse effects on biological resources are not anticipated.

Cultural Resources

The proposed Project would not involve any activities with the potential to result in new ground disturbance. While a few previously-planted dead trees along the street margin of the golf course would be replaced, stump grinding and replanting would not be undertaken. All other activities would be confined to existing paved surfaces or existing paving underlayment. Therefore, no effects to archaeological resources (should they exist at the project site) are anticipated.

The Project would not entail alterations to buildings or structures.

Adverse effects to cultural resources therefore are not anticipated.

Hazards and Hazardous Materials

A review of databases maintained by the State of California Water Resources Control Board GeoTracker and the Department of Toxic Substances Control Envirostor did not identify any "Open" hazardous materials sites in the vicinity of the Project site.

Repainting at the facility has the potential to disturb lead-painted surfaces on existing structures. The painting contractor would use ground cloths to capture any flaking paint adjacent to the facilities, and would comply with applicable federal, State and local regulations related to the lead paint treatment.

Therefore, adverse effects resulting from construction worker or public exposure to hazardous materials are not anticipated.

Noise

The closest sensitive receptors to the Project site are about 400 feet distant. These are separated from the golf course by Interstate 280. Construction noise associated with the minor construction activities related to the proposed improvements would not be audible over normal traffic noise on I-280.

Therefore, adverse noise effects are not anticipated.

Transportation

The proposed Project would not entail any activities that would result in any substantial short-term or long-term increases in traffic, use of on-street parking spaces, or disruption of public transit.

Therefore, adverse effects to traffic or parking are not anticipated.

Edwin M. Lee
Mayor

Anson Moran
President

Ike Kwon
Vice President

Ann Moller Caen
Commissioner

Francesca Vietor
Commissioner

Vince Courtney
Commissioner

Harlan L. Kelly, Jr.
General Manager



Water Quality

The golf course rests on a ridge top above the east side of the Crystal Springs reservoir, within SFPUC Peninsula Watershed. The only water resource present within the golf course is a small artificial pond, which is used for irrigation. The pond would not be affected in any way by the proposed improvements. The proposed Project would involve construction activity only within the building envelope or paved areas. Ground-disturbing activities are not proposed and the Project therefore has no potential to result in erosion or flooding. Nonetheless, the Project would be required to incorporate all relevant watershed protection measures identified in SFPUC's Peninsula Watershed Management Plan (SFPUC 1998), which are focused on ensuring that activity in the watershed does not adversely affect water quality.

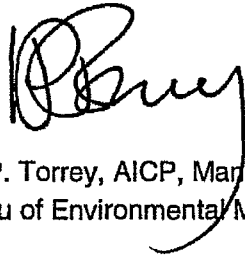
Therefore, no adverse effects to water quality are anticipated.

CEQA COMPLIANCE RECOMMENDATION

Based on the description of the proposed activity and evaluations above, the SFPUC recommends that EP determine that the proposed Crystal Springs Golf Course Lease be classified as categorically exempt under CEQA Section 15301, Class 1 (Existing Facilities).

Should you have questions regarding the proposed Project, Environmental Project Manager Sally Morgan can be reached at (415) 934-3938.

Sincerely,



Irina P. Torrey, AICP, Manager
Bureau of Environmental Management

Cc: Anthony Bardo, SFPUC Project Manager

Edwin M. Lee
Mayor

Anson Moran
President

Ike Kwon
Vice President

Ann Moller Caen
Commissioner

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Commissioner

Vince Courtney
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Harlan L. Kelly, Jr.
General Manager



PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 17-0123

WHEREAS, The City and County of San Francisco (City) owns certain real property presently under the jurisdiction of the San Francisco Public Utilities Commission (SFPUC) consisting of approximately 199 acres of SFPUC Parcel 31 in the Peninsula Watershed in Burlingame, California (Premises); and

WHEREAS, In 1996, the SFPUC awarded a 20-year lease (Original Lease) to Crystal Springs Golf Partners, LP (Tenant) as the successful bidder in a competitive bidding process, for the operation of an 18-hole regulation length municipal golf course and driving range on the Premises; and

WHEREAS, The Original Lease expired on March 31, 2017, and Tenant desires to obtain a new lease to continue operating the municipal golf course and driving range at the Premises; and

WHEREAS, Since the Original Lease's inception in 1996, the golf course market has softened due to falling customer demand and an oversupply of new golf courses both nationally and in the Bay Area, and in 2003, in response to these conditions, the SFPUC amended the Original Lease to provide a rent reduction to Tenant; and

WHEREAS, In 2011, Tenant approached SFPUC staff with a request for an additional rent reduction and a lease term extension in response to a further softening of customer demand and worsening financial performance caused by the Great Recession; and

WHEREAS, The SFPUC did not act on Tenant's 2011 request at the time, but staff agreed to consider the request after consulting with experts in the golf course industry; and

WHEREAS, To inform the SFPUC's economic decisions regarding the Premises, SFPUC staff relied on the advice of consultants including Economic & Planning Systems, Inc. (EPS), an economic consulting firm, and Pro Forma Advisors LLC (Pro Forma Advisors), a firm which specializes in market analysis, financial feasibility, economic impact studies and appraisals for large-scale real estate developments, including golf courses; and

WHEREAS, The SFPUC's consultants found that after sharp declines in overall economic performance of golf courses over the past 10 to 15 years due to a 20% decline in the number of golfers, the Bay Area golf market has stabilized over the past three years. The SFPUC's consultants further found that the financial performance of Bay Area golf courses remains relatively flat, and the mid-to-long-term outlook for the regional golf market is highly uncertain; and

WHEREAS, The high fixed cost nature of the golf course business, coupled with the required capital investment and the high uncertainty of future demand for golf translates to very high risk for investors in the golf industry; and

WHEREAS, To minimize this risk, the SFPUC is seeking a lease rather than a fixed management fee arrangement with a golf course operator whereby the operator would retain all operating revenues and costs and pay a percentage of gross revenue to the SFPUC with a minimum base rent, requiring the operator to fund any operating shortfalls; and

WHEREAS, Golf course operators prefer a contract fee model, whereby property owners retain operating revenues and costs and pay the operator a fee, requiring the property owner to fund any operating shortfalls; and

WHEREAS, In 2014, SFPUC staff asked EPS to evaluate the likelihood of a successful request for proposals (RFP) process for a new golf course lease to replace the Original Lease upon expiration; and

WHEREAS, EPS's analysis of recent RFP releases confirm that golf course operators prefer a contract fee structure in order to reduce financial risk, suggesting that a RFP for a lease participation structure would not likely result in better deal terms for the SFPUC. Recent attempts by public agencies to lease courses have resulted in few or no bids, and proposed terms have included substantially reduced rent or rent credits for rapid recovery of any invested capital. For example, the County of Los Angeles received no bids on the Marshall Canyon golf course, the City of Portland received no qualified bids for the Heron Lake golf course, and the Los Angeles Department of Airports received only one bid for the Westchester golf course from its incumbent operator; and

WHEREAS, EPS concluded that given the ongoing soft economic conditions of the golf course industry, the continuing capital investment needs at the Golf Course, and the likelihood of low tenant interest in responding to an RFP by the SFPUC due to golf operators' preference for a management fee arrangement rather than a lease structure, especially a lease requiring tenant-funded capital investments, there is a substantial risk that the SFPUC's issuance of an RFP will yield disadvantageous rent terms to the SFPUC or a golf course tenant that does not suit the SFPUC's needs; and

WHEREAS, Based on the advice of the SFPUC's consultants, SFPUC staff concluded that it is impractical to competitively bid the new lease opportunity and instead negotiated with Tenant proposed terms and conditions of a new 20-year lease in the form attached to this Resolution as Exhibit A and incorporated herein (New Long-Term Lease); and

WHEREAS, The SFPUC and Tenant negotiated in good faith for over a year to finalize the terms and conditions of the proposed New Long-Term Lease, and although lease negotiations are completed, due to no fault of Tenant there was insufficient time to seek the necessary City approvals of the proposed New Long-Term Lease prior to the expiration of the Original Lease; and

WHEREAS, the SFPUC and Tenant entered into a new month-to-month lease so that Tenant can continue to operate the golf course while seeking City approval of the proposed New Long-Term Lease; and

WHEREAS, The New Long-Term Lease fair market rent structure was determined using a comprehensive financial model developed by SFPUC staff (SFPUC Model) that determined the percentage rent and base rent structure based on an expected internal rate of return (IRR) on Tenant's required investment; and

WHEREAS, The SFPUC consulted with leading industry experts to validate the proposed fair market rent structure throughout the negotiations with Tenant; and

WHEREAS, Under Professional Services Contract CS-287, Century Urban, a SFPUC sub-consultant specializing in economic and feasibility analysis and asset management, validated the SFPUC Model; and

WHEREAS, Pro Forma Advisors vetted the proposed fair market rent structure reflected in the SFPUC Model, and in its view, concluded that given the current and anticipated market conditions, and expected operating performance at Crystal Springs, the proposed rent structure is well within the range of current fair market rental terms; and

WHEREAS, Pro Forma Advisors cited the annual Financing and Investment Survey from the Society of Golf Course Appraisers, an organization dedicated to the advancement of the golf course consulting and valuation profession, that showed that the expected IRR for golf courses ranges from 10 percent to 22 percent, averaging 14 percent; and

WHEREAS, Given the above, SFPUC staff determined that the projected IRR of 13.95 percent under the SFPUC Model for Crystal Springs is consistent with current industry investment criteria; and

WHEREAS, SFPUC staff have consulted with the Director of Property, who concurs that the proposed rent structure reflects fair market rent; and given that such proposed rent is less than \$45 per square foot, and the rent structure has been validated by an independent, qualified golf course appraiser, Administrative Code Section 23.30 does not require a formal appraisal; and

WHEREAS, Any capital improvements proposed by Tenant will be subject to prior SFPUC approval, and the New Long-Term Lease expressly acknowledges that the SFPUC may not consider the proposed improvements before completion of all environmental review required by law, and

WHEREAS, the new lease would entail minor alterations to existing facilities, no new ground disturbance, and no vegetation removal with the exception of dead, previously-planted trees; and any subsequent capital improvements would be subject to subsequent approvals by SFPUC's Natural Resources Land Management Division (NRLMD) and to the provisions of the Peninsula Watershed Management Plan (SFPUC 1998), and contingent on future reviews by the Bureau of Environmental Management and the Planning Department, and the proposed lease is exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15301, Class 1(Existing Facilities); now, therefore, be it

RESOLVED, That this Commission hereby ratifies, approves and authorizes all actions heretofore taken by any City official in connection with the proposed New Long-Term Lease; and be it

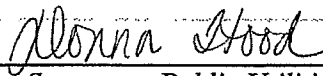
FURTHER RESOLVED, That based on the advice of the SFPUC's consultants, this Commission finds that it would be impractical to competitively bid the opportunity for a new golf course lease at the Premises; and be it

FURTHER RESOLVED, That this Commission hereby approves the terms and conditions of the New Long-Term Lease; and be it

FURTHER RESOLVED, That this Commission hereby authorizes the SFPUC General Manager and/or the City's Director of Property to seek approval by the Board of Supervisors and Mayor of the New Long-Term Lease under Charter section 9.118 and, upon such approval, to execute the New Long-Term Lease in substantially the form of attached Exhibit A; and be it

FURTHER RESOLVED, That, upon approval by the Board of Supervisors and Mayor, this Commission authorizes the SFPUC General Manager and the City's Director of Property to enter into any amendments or modifications to this New Long-Term Lease, including without limitation, the exhibits, they or the City Attorney believe are in the best interest of the City; do not materially increase the obligations or liabilities of the City or materially diminish the benefits to the City; are necessary or advisable to effectuate the purposes and intent of this resolution; and are in compliance with all applicable laws, including the City Charter.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of May 23, 2017.



Secretary, Public Utilities Commission



San Francisco Water Power Sewer

Operator of the Hetch Hetchy Regional Water System

525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
T 415.554.3155
F 415.554.3161
TTY - 415.554.3488

TO: Angela Calvillo, Clerk of the Board
FROM: John Scarpulla, Policy and Government Affairs
DATE: June 2, 2017
SUBJECT: Real Property Lease - Crystal Springs Golf Partners, L.P., a California limited partnership- 6650 Golf Course Drive, Burlingame, California - \$1 million annual base rent

Attached please find an original and one copy of a proposed resolution authorizing a new 20-year lease to Crystal Springs Golf Partners, L.P. for the use of property owned by the City and County of San Francisco on property known as SFPUC Parcel No. 31 in Burlingame, California, for rent equal to the greater of percentage rent or \$1 million annual base rent; and authorizing the Director of Property and/or the SFPUC General Manager to execute documents, make certain modifications, and take certain actions in furtherance of this Resolution.

The following is a list of accompanying documents (2 sets):

1. Board of Supervisors Resolution
2. Economic and Planning Systems, Inc. – Memo
3. Original Crystal Springs Golf Course Lease
4. Current Month-to-Month Crystal Springs Golf Course Lease
5. New Long-Term Lease for Crystal Springs Golf Course
6. Pro Forma Advisors, LLC – Report
7. CEQA Categorical Exemption
8. SFPUC Resolution No. 17-0123
9. Form 126

Please contact John Scarpulla at (415) 934-5782 if you need additional information on these items.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2017 JUN -2 AM 8:59

BY

Edwin M. Lee
Mayor

Anson Moran
President

Ike Kwon
Vice President

Ann Moller Caen
Commissioner

Francesca Vietor
Commissioner

Vince Courtney
Commissioner

Harlan L. Kelly, Jr.
General Manager



FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Crystal Springs Golf Partners, LP	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
Montgomery Street Golf Partners, Inc – General Partner of Crystal Springs Golf Partners, LP Tom Isaak, Director, President and CEO of General Partner John C. Telischak, Director, Secretary and CFO of General Partner	
CourseCo, Inc. - Subcontractor	
Contractor address: 1670 Corporate Circle, Suite 201, Petaluma, CA 94954	
Date that contract was approved: Pending	Amount of contract: Approximately \$26 Million
Describe the nature of the contract that was approved: Golf Course Ground Lease	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

SAN FRANCISCO
PUBLIC GOLF ALLIANCE



1370 Masonic Ave., San Francisco, CA 94117 • 415-290-5718 • info@sfpUBLICgolf.org

July 10, 2017

San Francisco Board of Supervisors
Budget and Finance Sub-committee
Supervisor Malia Cohen
Supervisor Norman Yee,
Supervisor Katy Tang
City Hall, Room 244
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA. 94102

Re: Budget and Finance Subcommittee
July 13, 2017 Meeting, Item. No. 170695
San Francisco Public Golf Alliance Supports
New Lease of Crystal Springs Golf Course
To Crystal Springs Golf Partners LP

Dear Supervisors,

San Francisco Public Golf Alliance supports, and urges the Board of Supervisors and its Budget & Finance Committee and Budget & Finance subcommittee to approve, the proposed lease of the city-owned Crystal Springs Golf Course property to Crystal Springs Golf Partners, LP...

Since the mid-1990's, Crystal Springs Golf Partners has operated the golf course under a long-term lease from the city and its Public Utilities Commission. During that time, the public course and its related golf shop, driving range, and bar and restaurant, have been maintained and improved to a high standard, and at reasonable public rates. Significantly, Crystal Springs Golf Partners has also maintained the property in such a way as to protect and enhance the sensitive environment of the surrounding Crystal Springs watershed lands and lakes. This successful operation merits a new lease for Crystal Springs Golf Partners.

San Francisco Public Golf Alliance is a non-profit public benefit entity, with 6,500-plus public golf members, dedicated to advocating and fostering public golf and the public golf courses of San Francisco and its Peninsula. Under the operation of Crystal Springs Golf Partners, the golf course has been well-operated and maintained over the past 20-plus years, and giving all evidence

that with the proposed new 20-year lease to the same entity, the property will continue to be well operated and to well serve the recreational needs of the area.

Respectfully submitted,

San Francisco Public Golf Alliance

Richard Harris

Richard Harris, President

cc: Mayor Edwin M. Lee
Supervisor London Breed, President of the Board
Supervisor Sandra Lee Fewer
Supervisor Mark Farrell
Supervisor Aaron Peskin
Supervisor Jane Kim
Supervisor Hillary Ronen
Supervisor Jeff Sheehy
Supervisor Ahsha Safai
Clerk of the Board Angela Calvillo
Clerk of the Budget & Finance Committee Linda Wong



San Francisco
Water
Power
Sewer

Services of the San Francisco Public Utilities Commission

File # 170695
Received in Committee
7/13/17
JW

SFPUC – Water Enterprise Crystal Springs Golf Partners, LP

Approve a New 20-Year Lease

July 2017
Tony Bardo, Assistant Real Estate Director



San Francisco
Water
Power
Sewer

Peninsula Watershed





Background & Timeline

- **1997:** Crystal Springs Golf Partners is the successful bidder in a competitive process. The golf industry was doing well.
- **2003:** SFPUC provides a rent reduction in response to softening golf market conditions.
- **2011:** Crystal Springs Golf Partners requests a rent reduction and term extension in the wake of the Great Recession and worsening economic conditions. SFPUC sought consulting advice to better understand the issues facing the golf industry before acting on this request.



What's Happening to the Golf Industry?

SFPUC consulted with leading experts.

Economic & Planning Systems, Inc.

An economic consulting firm that is the primary consultant under the SFPUC's Professional Services Contract CS-287

Pro Forma Advisors LLC.

Tenant's consultant, a firm that specializes in market analysis, financial feasibility, economic impact studies and appraisals for large-scale real estate developments, including golf courses



Research Findings

- National golf market declined by 20% over the last 10-15 years (9% decline for Crystal Springs).
- Largest declining bracket: 18-34 year age group
- Since 2007, about 150 golf courses per year have closed.
- Six Bay Area golf courses have closed in the past year including Sunol Valley Golf Course.
- Bay Area golf market has stabilized over past three years, though the outlook for the industry is highly uncertain.



Golf Industry Risk

Golf industry risk informed SFPUC's decisions regarding this golf course property.

Risk Factors

- High fixed-cost nature of golf course business
- Future uncertainty due to soft market conditions

Mitigation of Risk

- Lease vs. fixed management fee contract
- Tenant funded capital improvements:
 - Improve golf experience
 - Incentive to perform



To Bid or Not to Bid?

EPS was asked to evaluate the likelihood of a successful RFP to re-lease the golf course.

- EPS found that “there is substantial risk that the SFPUC’s issuance of a RFP will yield disadvantageous rent terms to the SFPUC or a golf course tenant that does not suit the SFPUC’s needs.”
- After consideration of a number of factors, including EPS’s analysis, the SFPUC elected to negotiate a new lease with the current operator rather than conduct a bidding process.



Key Ground Lease Provisions

Proposed New Lease	
Term:	20 years, with no renewal option
Base Rent:	\$1 million in years 1-3, then equal to 80% of the average preceding three years' actual percentage rent
Percentage Rent:	Food & Beverage (7%) Merchandise (5%, then 6% of sales over \$400,000) Other Revenue Sources (25%, then 30% of sales over \$4,000,000)
Capital Improvements:	Tenant's lump-sum contribution of \$1.25 million in year 1, and an additional \$1 million in year 11 Capital Contribution Fund – Tenant and SFPUC each contribute 2% of gross revenues during the lease term
Utilities and Services:	Tenant pays 100%



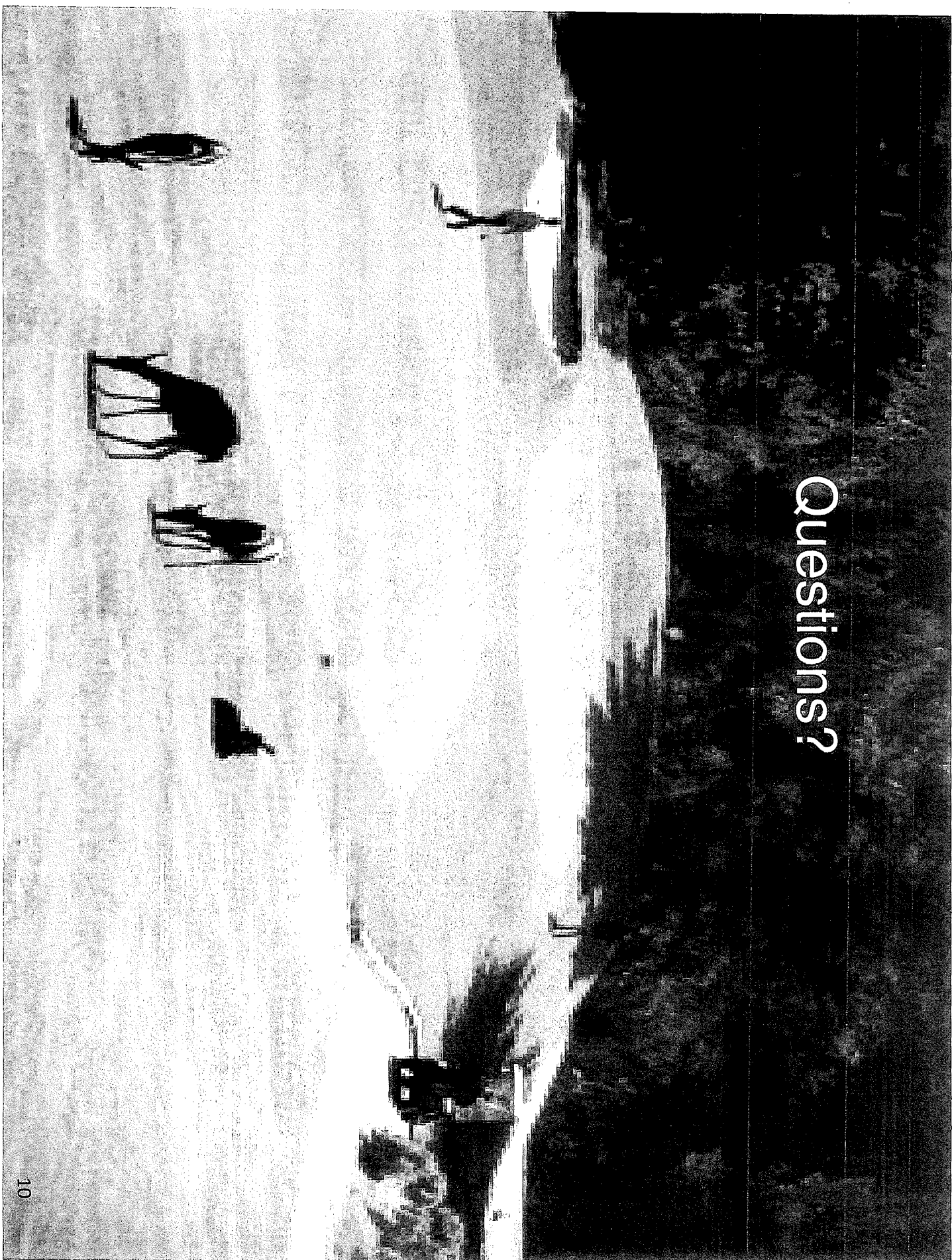
Evaluation of Rent Structure

Conclusion: Proforma Advisors evaluated the proposed rent structure and concluded it provides a market rate of return for the Tenant (13.95%) and a fair market rent for the SFPUC.

Other Factors:

- The Tenant has performed well in a challenging golf market, and the SFPUC has been satisfied with this performance.
- The Tenant has demonstrated environmental leadership in its maintenance and operating practices.

Questions?



Member, Board of Supervisors
District 10



City and County of San Francisco

*COPIES
Leg Rep
Dist Clerk*

MALIA COHEN
馬莉亞郭嫻

DATE: July 13, 2017

TO: Angela Calvillo
Clerk of the Board of Supervisors

FROM: Supervisor Malia Cohen *MC*

RE: Budget and Finance Committee
COMMITTEE REPORT

Pursuant to Board Rule 4.20, as Chair of the Budget and Finance Committee, I have deemed the following matters are of an urgent nature and request they be considered by the full Board on Tuesday, July 18, 2017, as Committee Reports:

- **170703 [Business and Tax Regulations Code - Administration of Real Property Transfer Tax]**
- **170509 [Contract Agreement Amendment - NextBus, Inc. - Automatic Vehicle Location System - Not to Exceed \$12,968,676]**
- **170510 [Agreement - Intercare Holdings Insurance Services, Inc. - Workers' Compensation Third Party Administrator - Not to Exceed \$26,179,119]**
- **170695 [Real Property Lease - Crystal Springs Golf Partners, L.P. - 6650 Golf Course Drive, Burlingame, California - \$1,000,000 Annual Base Rent]**

12
10:17 AM
7/13/17
Board of Supervisors

