

File No. 121184

Committee Item No. 4
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date 02/13/2013

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Victor Young Date February 8, 2013

Completed by: Victor Young Date _____

1 [Lease Agreement - Japan Center Garage Corporation - Japan Center Public Parking Garage
2 - \$1]

3 **Resolution approving a lease agreement between the City and County of San**
4 **Francisco and the City of San Francisco Japan Center Garage Corporation for the**
5 **Japan Center Public Parking Garage, for an annual base rent of \$1 plus surplus, with**
6 **an initial term of 10 years with two 5 year options.**

7
8 WHEREAS, The City and County of San Francisco (City), a municipal corporation,
9 owns the Japan Center Garage (Garage) located at 1610 Geary Boulevard, San Francisco,
10 California; and

11 WHEREAS, The City of San Francisco Japan Center Garage Corporation
12 (Corporation), a non-profit 501(c)3 corporation, was formed in 1998 and replace the
13 Western Addition Parking Corporation (WAPC); and

14 WHEREAS, WAPC was originally formed for the sole purpose of issuing bonds for
15 the construction of the Garage and WAPC was dissolved after full payment of its bonds; and

16 WHEREAS, The City leased the Garage to the Corporation under a lease agreement
17 dated July 1, 2002 with an initial term of 15-years expiring July 1, 2017 with an option to
18 extend the lease for an additional 15-years (Lease); and

19 WHEREAS, In July 2012, the SFMTA issued bonds to refinance any existing garage
20 debt and to perform necessary garage capital improvements throughout SFMTA's public
21 parking facility portfolio; and

22 WHEREAS, The SFMTA bond issuance did not trigger a termination of the current
23 lease with the Corporation but the SFMTA was in the process of negotiating potential new
24 leases with other non-profit garage corporations and wanted to standardize the lease form
25 and provisions; and

1 WHEREAS, The Corporation's board of directors agreed and voted to establish a
2 new lease with the City; and

3 WHEREAS, SFMTA staff negotiated new terms and conditions with the Corporation
4 that includes best practices and other required changes related to bond financing, capital
5 improvements and SFMTA operating procedures; and

6 WHEREAS, The proposed term of the lease is 10-years with two 5-year options to
7 extend; and

8 WHEREAS, On December 4, 2012, the SFMTA Board of Directors passed a
9 resolution authorizing the Director of Transportation to execute the Lease Agreement and to
10 forward to the Board of Supervisors for final approval; now, therefore, be it

11 RESOLVED, That the Board of Supervisors approves the Lease Agreement between
12 the City and County of San Francisco and the Japan Center Garage Corporation for the
13 Japan Center Garage for an initial term of 10-years with two 5-years options to extend.
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Item 4
File 12-1184
(Continued from January 16, 2012)

Departments:
 San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve a new lease agreement between the City and County of San Francisco and Japan Center Garage Corporation, a non-profit corporation, for the Japan Center Public Parking Garage, with an initial term of ten years with two five-year options to extend.

Key Points

- The San Francisco Municipal Transportation Agency (SFMTA) has an existing lease with the Japan Center Garage Corporation for the Japan Center Garage from July 1, 2002 through June 30, 2017. SFMTA proposes to terminate the existing lease and enter into a new lease in order to (a) incorporate provisions of the July 2012 SFMTA Parking Revenue Bonds, (b) standardize provisions of SFMTA's two leases with parking garage corporations (Japan Center Garage Corporation and Uptown Parking Corporation, File 12-1185), and (c) improve operational requirements.

Fiscal Impact

- The FY 2013-14 Japan Center Garage budget includes expenditures of \$2,786,684 and revenues of \$4,250,415, resulting in estimated net revenues to SFMTA of \$1,463,731. The proposed lease contains the following changes as compared to the existing lease: (a) annual expenditures of \$12,215 for the Japan Center Garage share of debt service on \$5,000,000 of the \$43,050,000 SFMTA Parking Revenue Bonds, which are allocated for the capital assessment of SFMTA public parking facilities; (b) discontinuation of the annual set aside of 25 percent of net income for capital improvements that is replaced by an annual set aside of \$450,000 for capital improvements beginning in the fourth year of the proposed lease; and (c) transfer of the \$2,000,000 balance of the Japan Center Garage Corporation's Capital Improvement Account to the SFMTA to support SFMTA operating expenditures.

Policy Consideration

- Although the Controller's June 9, 2011 finding that "leasing garages to nonprofit corporations is unnecessarily costly to the City", SFMTA is proposing to enter into new garage leases with two nonprofit corporations (Japan Center Garage Corporation and Uptown Parking Corporation, File 12-1185). According to SFMTA, the provisions in the proposed lease address specific recommendations that the Controller made in its report, including (a) the option to terminate the lease with a 90-day notice for convenience and (b) the incorporation of updated SFMTA parking facility operation and management regulations which govern all day-to-day garage operations administered by the SFMTA.
- The subject resolution was continued from the January 16, 2013 Budget and Finance Committee. Attached to Item 5, File 12-1185 of this report is a memorandum from the Director of Transportation to the Chair of the Budget and Finance Committee in response to the Budget and Finance Committee's continuation of the subject resolution.

Recommendation

- Approval of the proposed resolution is a policy decision for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

In accordance with City Charter Section 9.118(c), any lease exceeding ten years and/or having anticipated revenue of \$1,000,000 or greater is subject to the Board of Supervisors approval.

Background

The Japan Center Garage is a City-owned off-street parking facility under the jurisdiction of the San Francisco Municipal Transportation Agency (SFMTA), located at 1610 Geary Street with a Japan Center Garage Annex at 1650 Fillmore Street. The Japan Center Garage has approximately 745 parking spaces and the Japan Center Garage Annex has approximately 175 parking spaces, or a combined total of 920 parking spaces.

The Japan Center Garage Corporation is a non-profit corporation, formed in 1998 to replace the Western Addition Parking Corporation (WAPC) which was dissolved after full payment of its bonds. WAPC was formed in 1961 for the sole purpose of assisting the City by financing the costs of the Japan Center Garage through the sale of bonds. The Japan Center Garage Corporation has managed the Garage since 1998, which primarily requires oversight of a day-to-day parking operator agreement, including ensuring that the operator is providing sufficient staffing and cleanliness levels, and that all equipment is in proper working order. The Japan Center Garage Corporation currently contracts with IMPCO Parking to provide day-to-day parking garage operations at both, the Japan Center Garage and the Japan Center Garage Annex.

In July 2012, the SFMTA issued \$43,050,000 in Parking Revenue Bonds for the SFMTA public parking facility portfolio to refinance the existing garage debt and to perform necessary garage capital improvements. According to Mr. Steven Lee, Manager, SFMTA Financial Services/SFpark, \$5,000,000 of the \$43,050,000 Parking Revenue Bonds were allocated for a capital assessment of the SFMTA public parking facilities. This assessment will be used to determine the size of the next bond issuance for the actual capital improvement work anticipated to begin in FY 2013-14.

At the time of the revenue bond issuance, the Japan Center Garage did not have any outstanding debt and the SFMTA Parking Revenue Bond issuance did not activate the termination of the existing lease with the Japan Center Garage Corporation. However, SFMTA is negotiating proposed new leases with the Uptown Parking Corporation for the Sutter Stockton Garage (see File 12-1185) and the Union Square Garage¹ and wanted to standardize the leases.

The existing lease between the City and the Japan Center Garage Corporation has an initial term of 15 years from July 1, 2002 through June 30, 2017 and includes one option to extend the lease for an additional 15-year term. The existing lease requires that the Japan Center Garage Corporation pay the SFMTA \$1 in annual rent and requires an annual set aside of 25 percent of the Garage's net income for capital improvements. The Japan Center Garage Corporation historically collected all garage revenues on behalf of SFMTA and then deducted the annual

¹ The proposed lease between SFMTA and Uptown Parking Corporation for the Union Square Garage, which is located on Recreation and Park Department property, is expected to be heard by the Recreation and Park Commission, and subsequently sent to the Board of Supervisors if approved.

expenses of operating and managing the Japan Center Garage from those revenues. The remaining net income was remitted by the Japan Center Garage Corporation to SFMTA. As shown in Table 1 below, the Japan Center Garage Corporation paid the SFMTA \$1,291,555 which represents the net income (revenues less expenditures) from the Japan Center Garage in FY 2011-12.

Table 1: Japan Center Garage Actual Expenditures & Revenues for FY 2011-12

Expenditures	Actual
Operating Expense	\$1,559,418
Parking Tax	817,473
Corporation Expense	25,552
Total Expenditures	\$2,402,443
Revenue	
Parking Revenue	4,087,367
Non-Parking Revenue	37,150
Total Revenues	\$4,124,517
Net Income	\$1,722,074
25% retained by corporation for capital improvements	430,519
Total Balance Paid to SFMTA	\$1,291,555

Mr. Lee advises that the Japan Center Garage Corporation is reimbursed for its actual costs to manage the Japan Center Garage. As shown in Table 2 below, Japan Center Garage Corporation incurred management costs of \$276,782 in FY 2011-12, which are included in the \$1,559,418 in operating expenses (See Table 1).

Table 2: Japan Center Garage Corporation's FY 2011-12 Management Costs

Corporation Expenditures	Estimated Amount
Corporate Manager	\$126,000
Attorney Fees	17,000
Corporation Accounting Staff	125,000
Corporate Insurance	8,782
TOTAL	\$276,782

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new lease agreement between the City and County of San Francisco and Japan Center Garage Corporation to continue to manage the garage operations for the Japan Center Public Parking Garage, with an initial term of ten years with two five-year options to extend. The proposed lease requires that the Japan Center Garage Corporation pay the SFMTA \$1 in annual rent and requires an annual set aside of \$450,000 for capital improvements beginning in the fourth year of the initial ten-year term. The proposed lease incorporates updated SFMTA parking facility operation and management regulations which govern all day-to-day garage operations administered by the SFMTA. Additionally, under the proposed lease, both the City and the Japan Center Garage Corporation can terminate the lease with a 90-day notice.

Under the proposed lease, at the time of execution, the \$2,000,000 balance of the Japan Center Garage Corporation's Capital Improvement Account will be transferred to the SFMTA to support SFMTA operating expenditures.

Mr. Lee advises that although the existing lease does not expire until June 31, 2017, SFMTA determined that a new lease would benefit the SFMTA and the Japan Center Garage Corporation through the (a) standardization of leases with the non-profit garage corporations, (b) improvements of operational requirements, (c) inclusion in the SFMTA garage improvement plan, and (d) the transfer of capital funds to SFMTA.

FISCAL IMPACTS

Currently, the Japan Center Garage Corporation pays \$1 in annual rent to SFMTA for the Japan Center Garage and would continue to be required to pay \$1 in annual rent to SFMTA under the proposed lease. In addition, as discussed above, the Japan Center Garage Corporation currently collects all garage revenues on behalf of SFMTA and then deducts the annual expenses of operating and managing the Japan Center Garage, with the remaining balance of net income being remitted to SFMTA.

As shown in Table 3 below, the FY 2013-14 Japan Center Garage budget, which is the first full-year budget under the proposed new lease, includes expenditures of \$2,786,684 and revenues of \$4,250,415, resulting in estimated net revenues to SFMTA of \$1,463,731.² The proposed new lease contains the following changes as compared to the existing lease:

- (a) Annual expenditures of \$12,215³ for the Japan Center Garage share of debt service on \$5,000,000 of the \$43,050,000 in SFMTA Parking Revenue Bonds, which are allocated for the capital assessment of SFMTA's public parking facilities;

² The FY 2012-13 Japan Center Garage budget, which includes approximately 5 months of the proposed lease, includes expenditures of \$2,715,205 and revenues of \$4,174,555, resulting in net revenues to SFMTA of \$1,459,350.

³ Annual debt service is expected to increase to \$15,626 in Fiscal Year 2022-23, the final year of the initial term of the proposed lease.

- (b) Discontinuation of the annual set aside of 25 percent of net income for capital improvements to be replaced by an annual set aside of \$450,000 for capital improvements beginning in the fourth year of the initial ten-year term of the proposed new lease; and
- (c) Transfer of the \$2,000,000 balance of the Japan Center Garage Corporation's Capital Improvement Account to the SFMTA to support SFMTA operating expenditures.

Table 3: Budgeted Japan Center Garages Expenditures & Revenues for FY 2013-14

Expenditures	Budgeted
Operating Expense	\$1,909,930
Parking Tax	843,239
Corporation Expense	21,300
Debt Service ¹	12,215
Total Expenditures	\$2,786,684
Revenue	
Parking Revenue	\$4,216,193
Non-Parking Revenue ²	34,222
Total Revenues	\$4,250,415
Total Balance Paid to SFMTA	\$1,463,731

¹ The Japan Center Garage's share of debt service on \$5,000,000 of the \$43,050,000 SFMTA Parking Revenue Bond that was allocated for the capital assessment of SFMTA's public parking facilities.

² Non-parking revenues are from retail concessions and storage space leases located in the Japan Center Garage.

The Japan Center Garage Corporation's FY 2013-14 budgeted management costs are \$319,000, or 11.4 percent, of the expenditure budget of \$2,786,684. According to Mr. Lee, Uptown Parking Corporation's management costs allocated to the Japan Center Garage are 11.4 percent of operating expenses, compared to Uptown Parking Corporation's management costs allocated to the Sutter Stockton Garage, of 2.8 percent (File 12-1185), because the Uptown Parking Corporation's management costs are distributed between the Sutter Stockton and Union Square Garages, resulting in greater efficiencies. Also, according to Mr. Lee, the Japan Center Garage has an extensive validation program that requires higher than usual accounting oversight.

POLICY CONSIDERATIONS**The Controller's June 9, 2011 report found that "leasing garages to nonprofit corporations is unnecessarily costly to the City"**

On June 9, 2011 the Controller's Office issued a report which found that "leasing garages to nonprofit corporations is unnecessarily costly to the City". This Controller's report found that the City's practice of leasing City-owned garages to special-purpose nonprofit corporations, such as the Japan Center Garage Corporation, added a total of approximately \$551,070 in additional annual costs to the City. Specifically, the Controller found that (a) based on the results of a survey, the City is the only municipality in California which leases City-owned parking garages to nonprofit corporations who then subcontract the day-to-day operations of those City-owned garages, (b) nonprofit parking corporations do not appear to offer tangible operational advantages, and (c) the City is unlikely to need nonprofit parking corporations to help construct or expand parking garages in the future.

Mr. Lee advises that the SFMTA has addressed specific recommendations which the Controller made, including (a) the option to terminate the lease with a 90-day notice for convenience and (b) the incorporation of updated SFMTA parking facility operation and management regulations which govern all day-to-day garage operations administered by the SFMTA.

The leases of two non-profit corporations, (a) Ellis O'Farrell Parking Corporation which manages the Ellis O'Farrell Garage, and (b) Downtown Parking Corporation, which manages the Fifth & Mission Garage, whose debt was redeemed in July 2012, have been terminated as their leases required. In contrast, the SFMTA is requesting that the Japan Center Garage Corporation and the Uptown Parking Corporation be the only two nonprofit corporations that would continue to manage City-owned garages, on behalf of the SFMTA, even though these two garages have no outstanding debt. According to Mr. Lee, when considering alternatives to day-to-day management by non-profit corporations, the actual value of the corporation board oversight is difficult to quantify.

Given (a) the Controller's June 9, 2011 report findings, (b) and that the Japan Center Garage Corporation would be one of two remaining nonprofit corporation to continue in its current role of managing City-owned garages on behalf of the SFMTA, and (c) that SFMTA reports that the actual value of the corporation board oversight is difficult to quantify, approval of the proposed resolution is a policy decision for the Board of Supervisors.

The proposed resolution was continued by the Budget and Finance Committee at the January 16, 2013 meeting. The Budget and Finance Committee directed SFMTA to return to the SFMTA Board of Directors for further information to be provided to the Budget & Finance Committee on:

- (1) The costs and benefits to the City of maintaining two nonprofit parking corporations while dissolving two other nonprofit corporations;
- (2) Reasons that the nonprofit parking corporation structure is necessary to support the merchants and communities, rather than alternative structures such as advisory committees;
- (3) SFMTA's long term goals for managing the garages; and

(4) SFMTA's reasons for not implementing the Controller's audit recommendations and the lease provisions to dissolve the nonprofit corporations.

Attached to this report is a memorandum from the Director of Transportation to the Chair of the Budget and Finance Committee in response to the Budget and Finance Committee's continuation of the subject resolution.

RECOMMENDATION

Approval of the proposed resolution is a policy decision for the Board of Supervisors.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. 12-155

WHEREAS, On December 6, 2011, the SFMTA Board approved Resolution No. 11-153 approving a new parking garage lease form to coincide with an SFMTA bond issuance to fund garage capital improvements and to repay garage debt, if any, held by the corporations; and,

WHEREAS, The Sutter Stockton Garage is currently leased to the Uptown Parking Corporation originally establish to issue debt on behalf of the City; and

WHEREAS, The current Uptown Parking Corporation Lease was amended on June 18th, 2012 to continue, upon repayment of the corporation's debt by the SFMTA, on a month-to-month basis for 180-days until a new lease is approved; and,

WHEREAS, The Japan Center Garage is currently leased to the Japan Center Parking Corporation but did not issue debt on behalf of the City; and,

WHEREAS, The current Japan Center Garage Corporation Lease expires July 1, 2017 and will be included the SFMTA garage capital improvement plan; and,

WHEREAS, The SFMTA negotiated new terms and conditions with both the Uptown Parking Corporation and the Japan Center Garage Corporation that update the terms and conditions of the existing leases and includes best practices and other required changes related to bond financing, capital improvements and SFMTA operating procedures; and,

WHEREAS, The lease with the Uptown Parking Corporation and the lease with the Japan Center Garage Corporation are essentially the same except with respect to corporation identity and garage specific requirements for insurance and amounts for capital improvement set asides; and,

WHEREAS, The changes to the approved lease form are considered substantial and requires further approval by the SFMTA Board of Directors; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation to execute a new parking garage lease with the Uptown Parking Corporation for the Sutter Stockton Garage for an initial term of ten years for \$1.00 with two five-year options to extend the term of the lease and to forward to the Board of Supervisors for final approval; and, be it

FURTHER RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation to execute a new parking garage lease with the Japan Center Garage Corporation for the Japan Center Garage for an initial term of ten years for \$1.00 with two five-year options to extend the term of the lease and to forward to the Board of Supervisors for final approval.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of December 4, 2012.

R. Bowmer

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency



December 4, 2012

**The Honorable Board of Supervisors
City and County of San Francisco
1 Carlton B. Goodlett Place, Room 244
San Francisco, California 94102**

**RE: *Lease Agreement between the City and County of San Francisco and
the City of San Francisco Japan Center Garage Corporation***

Dear Members of the Board of Supervisors:

Attached for your consideration is a Resolution authorizing the lease agreement (Lease) between the City and County of San Francisco and the City of San Francisco Japan Center Garage Corporation (Corporation).

Background

The Japan Center Garage (Garage) was originally built in 1965. It provides nearly 920 parking spaces to accommodate the Japan Center Mall and surrounding communities. The facility is under the purview of the San Francisco Municipal Transportation Agency (SFMTA) and generates over \$4.1 million in annual gross revenue.

The Corporation is a non-profit 501(c)3 entity, formed in 1998 and replaced the Western Addition Parking Corporation (WAPC). WAPC was originally formed for the sole purpose of issuing bonds for the construction of the Garage and WAPC was dissolved after full payment of its bonds. The Corporation currently has a Lease with the City dated July 1, 2002 with an initial term of 15-years expiring July 1, 2017 with an option to extend for an additional 15-years. Under the Lease, the Corporation manages the day-to-day operations of the Garage with oversight and policy direction from the SFMTA.

In July 2012, the SFMTA issued bonds to refinance any existing garage debt and address necessary garage capital improvements throughout SFMTA's parking garage portfolio. The SFMTA bond issuance did not trigger a termination of the current lease because this facility had no outstanding bonds but the SFMTA was in the process of negotiating potential new leases with other non-profit garage corporations and wanted to standardize the lease form and provisions. Additionally, the Corporation no longer needs the capital improvement set aside provided in the current lease as the Japan Center Garage is part of the SFMTA garage capital improvement plan. The Corporation's board of directors agreed and voted to establish a new lease with the City.

Edwin M. Lee
Mayor

Tom Nolan
Chairman

Cheryl Brinkman
Vice-Chairman

Leona Bridges
Director

Malcolm Heinicke
Director

Jerry Lee
Director

Joél Ramos
Director

Cristina Rubke
Director

Edward D. Reiskin
*Director of
Transportation*

One South Van Ness Ave.
Seventh Floor
San Francisco, CA 94103

Tele: 415.701.4500

www.sfmta.com



SFMTA staff negotiated new terms and conditions with the Corporation that includes improved practices and other required changes related to financing requirements, capital improvements and SFMTA operating procedures. The proposed lease has an initial term of 10-years with two 5-years options to extend the term. Both the City and the Corporation can terminate the lease with a 90-day notice.

Funding Impact

The operating cost would not change other than the facility paying for its portion of the debt service related to the SFMTA bonds. The Corporation would transfer the balance of their Capital Improvement Account of \$2 million to the SFMTA upon execution of this Lease which was anticipated and budgeted in the SFMTA FY 2013 Operating Budget. The 25 percent of net income estimated at \$370,000 annually that is set aside by the Corporation for capital improvements would be eliminated and a fixed amount of \$450,000 annually would be set aside beginning at the fourth year of the initial term.

Alternatives Considered

If the proposed Lease is not approved, the current lease with the Corporation would continue with existing provisions and expire in 2017. SFMTA and the Corporation considered this alternative and determined that a new lease is required because of the transfer of capital funds to the SFMTA, provisions of the SFMTA bonds and improvements to the operational requirements.

SFMTA Board of Directors' Approval

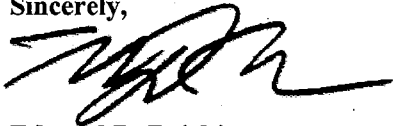
The SFMTA Board of Directors at its meeting of December 4, 2012 passed a resolution approving the Lease and authorizing the Director of Transportation to execute the Lease and to forward it to the Board of Supervisors for final approval.

Recommendation

The SFMTA recommends that the Board of Supervisors approve this Lease between the City and County of San Francisco and the City of San Francisco Japan Center Garage Corporation.

If you have any questions regarding this matter, please contact Steven Lee at 701-4592 or steven.lee@sfmta.com.

Sincerely,



Edward D. Reiskin
Director of Transportation

Attachments



December 3, 2012

**Angela Calvillo, Clerk of the Board
Board of Supervisors
City and County of San Francisco
1 Carlton B. Goodlett Place, Room 244
San Francisco, California 94102**

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 DEC - 3 PM 12:24
6

**Re: *Public Parking Garage Lease between the City and County of
San Francisco and the City of San Francisco Japan Center Garage
Corporation for the Japan Center Garage***

Dear Ms. Calvillo:

Attached please find an original and four copies of the proposed resolution for the consideration of the Board of Supervisors. The resolution requests approval of the agreement described above. We respectfully request that this item be scheduled for the first appropriate committee hearing scheduled in 2013.

Enclosed are the following:

- 1. Proposed Resolution
- 2. Lease between the City and County of San Francisco and the City of San Francisco Japan Center Garage Corporation
- 3. SFMTA Board Resolution
- 4. SFEC 126 Form

Please contact Janet Martinson of my staff at 701-4693 with any questions regarding this matter.

Sincerely,

**Edward D. Reiskin
Director of Transportation**

Enclosures

- Edwin M. Lee
Mayor
- Tom Nolan
Chairman
- Cheryl Brinkman
Vice-Chairman
- Leona Bridges
Director
- Malcolm Heinicke
Director
- Jerry Lee
Director
- Joél Ramos
Director
- Cristina Rubke
Director
- Edward D. Reiskin
Director of Transportation



12/18/12

JAPAN CENTER PUBLIC PARKING GARAGE LEASE

BY AND BETWEEN

THE CITY AND COUNTY OF SAN FRANCISCO

AND

THE CITY OF SAN FRANCISCO JAPAN CENTER GARAGE CORPOATION

Dated as of _____

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EXHIBITS

EXHIBIT A – PREMISES

EXHIBIT B – Standard Commercial Real Estate Business Terms

PARKING GARAGE LEASE AGREEMENT

JAPAN CENTER PUBLIC PARKING GARAGE LEASE

This lease ("Lease"), dated for convenience as of _____, is by and between the City and County of San Francisco, a California municipal corporation ("City") acting by and through the San Francisco Municipal Transportation Agency ("SFMTA"), as landlord, and the City of San Francisco Japan Center Garage Corporation, a California nonprofit public benefit corporation ("Tenant"), as tenant, who agree as follows:

BASIC LEASE INFORMATION

The following is a summary of basic Lease information ("Basic Lease Information"). Each item listed below shall be deemed to incorporate all of the terms 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 or any ambiguity in this Section, the more specific provision in the Lease shall control.

Lease Reference Date:	_____
City (Landlord):	City and County of San Francisco
City Designee (Director)	Unless otherwise required by City's Charter or by applicable ordinance, this Lease or other applicable law, all rights, powers and privileges of City under this Lease may be exercised, on behalf of City, by the City's Director of Transportation (the "Director"), or his or her designee, as specified in writing.
Tenant:	City of San Francisco Japan Center Garage Corporation, a California non-profit public benefit corporation
Premises (Section 1):	Japan Center Garage. See <u>Exhibit A</u> for more detailed description
Term (Section 2):	Ten (10) years, commencing on the Commencement Date and expiring on the Expiration Date, subject to any extension or early termination specifically provided by the terms of this Lease.

The Commencement Date shall be the date specified in Section 2.4 below.

Expiration Date: The date immediately preceding the tenth anniversary of the Commencement Date, or the last date of an Extended Term, as applicable.

Extension Term (Section 2.2): City has the option to extend the Term of this Lease for two periods of five (5) years each (each, an "Extended Term"), subject to Tenant's right to void the extension, as provided in Section 2.2.

Termination Right (Section 2.3): City and Tenant have the option to terminate this Lease early at any time upon ninety (90) days' written notice.

Base Rent (Section 4.1): \$1.00 for the initial Term and \$1.00 for each Extension Term, if any.

Use (Section 6.1): Off-street public parking facility

Notice Address of City
San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 7th floor
San Francisco, CA 94102
Attention: Director of Transportation

with a copy to:
San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 3rd floor
San Francisco, CA 94102
Attention: Director of Off-Street Parking

and to:
Office of the City Attorney
1390 Market Street, 6th floor
San Francisco, CA 94102 4682
Transportation Team
Fax No.: (415) 554-4755

Key Contact for City:
Telephone No.:
Director of Off-Street Parking
Phone: (415) 701-4462
Fax No.: (415) 701-4319

Notice Address for Tenant:
Japan Center Garage Corporation
Corporation Manager
1610 Geary Boulevard
San Francisco, CA 94115

Key Contact for Tenant:
Corporation Manager
1610 Geary Boulevard
San Francisco, CA 94115
Phone: (415) 567-4573

1. PREMISES

City leases to Tenant and Tenant leases from City all buildings and improvements described in Exhibit A attached hereto (the "Premises") or (the "Site") commonly known as the Japan Center Garage.

2. TERM

2.1. **Initial Term.** The Premises are leased for a term (the "Term"), commencing on the Commencement Date (as defined in Section 2.4 below), subject to this Lease becoming effective pursuant to Section 27.1 below. The Term of this Lease shall end on the Expiration Date specified in the Basic Lease Information, unless extended or sooner terminated pursuant to the provisions of this Lease. City shall deliver the Premises to Tenant on the Commencement Date in their then existing "as-is" condition as further provided below, with no obligation of the City to make any improvements, repairs or alterations except as otherwise specifically provided herein.

2.2. **Extension Options.** The City shall have the right to extend the Term, in its sole discretion, for two successive additional terms of five (5) years each (each, an "Extended Term"), commencing upon the date immediately following expiration of the initial Term or the expiration of the initial Extension Term, as applicable, upon the following terms and conditions. The City shall exercise its right to extend the Lease, if at all, by delivering written notice of extension (the "Exercise Notice") to Tenant not less than ninety (90) days before the Expiration Date of the current Term. Notwithstanding the foregoing, Tenant shall have the right to void City's exercise of the option to extend the Term of the Lease for an Extended Term by delivering to City a written notice of rejection within thirty (30) days after receipt of City's Exercise Notice, and in such event this Lease shall expire on the Expiration Date of the then Term. All terms and conditions of this Lease shall remain the same for the Extended Term, except and to extent the parties agree to an amendment in writing, provided that City shall not have the option to extend the Term of this Lease beyond the second Extended Term. All references in this Lease to the Term shall include the Extended Term(s), if applicable.

2.3. **Early Termination Rights.** Notwithstanding anything to the contrary herein, City shall have the right to terminate this Lease at any time for the City's convenience, upon ninety (90) days' written notice to the Tenant, which said right to terminate for City's convenience shall be exercised by the SFMTA Board of Directors. Upon written notice to the Tenant, the Director of Transportation shall have the right to terminate this Lease at any time for good cause, including but not limited to Tenant's default of any provision of this Lease, as provided in Section 21.3, below. Tenant shall have the right to terminate this lease for convenience by providing ninety (90) days written notice to the Director of Transportation. The Corporation shall assign to the City all subleases and vendor agreements as directed by the City upon demand by the City.

2.4. **Termination of Existing Lease; Commencement of Lease** City and Tenant acknowledge that Tenant is now, and will be up to the commencement of the Term hereof, in possession of the Premises pursuant to a lease, dated July 1, 2002 (the "Existing Lease"), between City, as landlord, and Tenant, as tenant. City and Tenant acknowledge that SFMTA has issued revenue bonds and Tenant's existing bonds, if any, were redeemed. Notwithstanding the provisions of the Existing Lease to the contrary, the Existing Lease shall terminate and the Term of this Lease shall commence effective as of the date of final approval of this lease by the Board of Supervisors (the "Commencement Date"); provided, however, that Tenant shall not be relieved of any of its obligations under the Existing Lease accruing prior to such termination of the Existing

Lease, except as specifically provided below in this Section 2.4, and Tenant's indemnification obligations under the Existing Lease shall survive the termination of the Existing Lease with regard to events occurring prior to such termination.

2.5 Bond Financing.

Tenant represents and covenants that its only activities and operations are and will be operating the Premises as provided in this Lease and that it shall not undertake in any material respect any activities that are not contemplated by the terms of this Lease, including but not limited to contractual obligations or any obligations for borrowed money or indebtedness. Tenant shall not permit or otherwise allow any portion of the Premises that have been financed or refinanced with proceeds of the SFMTA revenue bonds to be used by or for the benefit of any purpose other than general public use (i.e., commercial purposes), including but not limited to any lease or sublease thereof without the expressed written consent of the SFMTA. Tenant shall not enter into or explore entering into bonded indebtedness (or any other similar indebtedness) using the Premises or Gross Revenues as security without the express written approval of the Director. Tenant shall not engage the services (either through a written or oral contract) of any bond counsel, disclosure counsel, financial advisors, underwriters, continuing disclosure counsel or any other professionals in contemplation of such indebtedness without the express written approval of the Director, including the City Attorney with respect to legal counsel (and the Mayor's Office of Public Finance with respect to garages located under Recreation and Park Commission property).

Notwithstanding any other provisions of this Lease, Tenant shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from federal gross income of interest on any SFMTA bonds or other indebtedness relating to the Premises, including, without limitation, the preparation and filing of any statements required to be filed by it in order to maintain such exclusion.

3. SUITABILITY; ACCEPTANCE

Tenant acknowledges and agrees that the Premises are being leased and accepted in their "as is" condition, without representation or warranty of any kind, and subject to all applicable laws, rules and ordinances governing their use, occupancy and possession. Tenant represents and covenants to City that Tenant has investigated and inspected, either independently or through agents of Tenant's own choosing, the condition of the Premises and the suitability of the Premises for Tenant's intended use. Cost associated with any inspection by the Tenant shall be paid for as a SFMTA pre-approved Operating Expense. Tenant has determined, based solely on its own investigation, that the Premises are suitable for Tenant's business and intended use. Tenant acknowledges and agrees that neither City nor any of its agents have made, and City hereby disclaims, any representations or warranties, express or implied, concerning the rentable area of the Premises the physical or environmental condition of the Premises or the Site, the present or future suitability of the Premises for Tenant's business, or any other matter whatsoever relating to the Premises, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

4. PAYMENTS BY TENANT

4.1. Rent. Within ten (10) calendar days following the Commencement Date of this Lease pursuant to Section 2, the Tenant shall pay to City One Dollar (\$1.00) in lawful money of the United States of America, as base rent under this Lease. If the

Term is extended as set forth in Section 2 above, Tenant shall pay to City, One Dollar (\$1.00) as base rent as consideration for each Extended Term. In addition to the payment of base rent, Tenant shall pay to City surplus sums from time to time in the Revenue Account in accordance with the provisions of Section 8.6.

4.2. **Recoverable Costs.** To the extent an Operating Expense (as defined below) results from the wrongful acts or omissions of an operator of the Premises engaged by Tenant or of any other third party (a "Recoverable Cost"), Tenant agrees to use reasonable efforts or to assist the City, at City's sole discretion, to recover such amounts from the responsible third party including, if applicable, from an insurer. If Tenant recoups payment of any Recoverable Cost from any operator or other third party, Tenant shall promptly provide City with written notice of such recovery, and such recouped amounts shall be deposited in the Revenue Account, or such other account as City may designate.

5. TAXES AND ASSESSMENTS

5.1. Taxes, Assessments, Licenses, Permit Fees and Liens.

(a) Tenant recognizes and understands 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.

(b) Tenant agrees to pay taxes of any kind, including possessory interest taxes, that may be lawfully assessed on the leasehold interest hereby created and to pay all other taxes, excises, licenses, permit charges and assessments based on Tenant's usage of the Premises that may be imposed upon Tenant by law, all of which shall be paid as a SFMTA pre-approved Operating Expense when the same become due and payable and before delinquency.

(c) Tenant agrees not to allow or suffer a lien for any such taxes to be imposed upon the Premises or upon any equipment or property located thereon without promptly discharging the same, provided that Tenant, if so desiring, may have reasonable opportunity to contest the validity of the same.

(d) City ordinances require City to report certain information relating to this Lease, and any renewals thereof, to the County Assessor within sixty (60) days after any such transaction, and Tenant to report certain information relating to any assignment of or sublease under this Lease to the County Assessor within sixty (60) days after such assignment or sublease transaction. Tenant agrees to provide such information as may be requested by the City to enable the City to comply with those requirements.

6. USE OF PREMISES

6.1. **Off-Street Public Parking Facility.** Tenant shall use and continuously occupy the Premises as a public off-street parking facility. The Premises shall be operated for the benefit and convenience of the public, which shall have the right to use the Premises at all times, except as provided below, subject to such rates, charges, hours of operation, regulations and restrictions as may be fixed and established from time to time in accordance with Section 15.

6.2. Subleasing. All subleases are subject to the approval of the City, subject to the requirements of City law. If Tenant from time to time reasonably determines that space in the Premises is unsuitable or unnecessary for parking purposes, and Tenant desires to use or sublease part or all of such space for commercial purposes, Tenant shall give City written notice thereof and the terms of use or sublease proposed (the "Sublease Notice"), which Sublease Notice, shall designate the space proposed to be used or sublet for commercial purposes. City shall have the right to in its sole discretion to any of the following: 1) disapprove Tenant's request, 2) to terminate this Lease as it pertains to the portion of the Premises so proposed by Tenant to be sublet and re-lease such space to third parties for such lawful purposes as City may determine, or 3) to approve Tenant's proposal to sublet conditional upon City's subsequent written approval of the specific sublease obtained by Tenant. Any such sublease shall be subject to applicable laws and the requirements of this Lease, including without limitation, Sections 7, 8, 9 and 10 and the terms and conditions set forth in Exhibit B. All subleases shall be executed on a form provided or expressly approved in writing by the Director. City reserves the right to administer the subleasing of identified space in the Premises suitable for such uses. City may at any time require Tenant to assign any or all existing subleases to City.

6.3. Limitations on Use. Tenant's use of the Premises as provided in this Lease shall be in accordance with the following:

(a) Tenant shall not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises.

(b) Tenant shall comply with all laws concerning the Premises or Tenant's use of the Premises, including, without limitation, the obligation to alter, maintain, or restore the Premises in compliance and conformity with all laws relating to the condition and pay for such Alterations as a SFMTA pre-approved Capital Expenditure, use or occupancy of the Premises during the term of this Lease.

(c) Tenant shall not use the Premises in any manner that will constitute waste, nuisance or unreasonable annoyance to owners or occupants of adjacent properties.

(d) Tenant shall not do anything on the Premises that will cause damage to the Premises.

(e) Tenant shall not allow or permit any use of the Premises (or any portion thereof) that will adversely affect the tax-exempt status of SFMTA revenue bonds issued to finance or refinance the Premises.

6.4 Vehicle Parking and Capacity/Floor Load. Tenant shall strictly enforce parking capacity limits of the Premises. Tenant shall make reasonable efforts to ensure that vehicles are parked in designated spaces only. Valet or valet assist parking operations that park vehicles in aisles, lanes or other areas other than designated as single-vehicle occupancy spaces is prohibited unless expressly authorized in writing by the Director or his/her designee.

6.5. Disabled Persons Parking. Tenant shall strictly enforce disabled parking restrictions, rules, regulations and laws. Tenant shall not cause or allow designated spaces or areas designated for disabled parking to be used for any other purpose, including but not limited to valet or special event parking, and Tenant shall ensure that

such spaces and areas are accessible to disabled persons at all times that the Premises are open to the public.

6.6 No Unlawful Uses, Nuisances or Waste. Without limiting the foregoing, Tenant shall not use, occupy or permit the use or occupancy of any of the Premises in any unlawful manner or for any illegal purpose, or permit any offensive, noisy or hazardous use or any waste on or about the Premises. Tenant shall take all precautions to eliminate any nuisances or hazards relating to its activities on or about the Premises. Tenant shall not conduct any business, place any sales display, or advertise in any manner in areas outside the Premises, or on or about the Site except identification signs in a location and size and design approved by City in its sole discretion.

6.7 Advertising.

(a) **Rental of Advertising Space.** City may direct Tenant to rent space on walls and structures on the Site and about the Premises at the rates, charges and in the locations determined appropriate for the display of commercial advertisements and public information ("Advertising"). City also reserves the right itself to rent space for Advertising on the Site and about the Premises as the City may determine to be appropriate. Whether the placement of advertising is administered by Tenant or City, the SFMTA shall receive all revenues from such rental of advertising space. The SFMTA may include the rental of advertising space in any advertising program administered on behalf of the SFMTA by a third party, and Tenant shall assist and cooperate with any vendor authorized by the SFMTA to place Advertising on the Site and about the Premises.

(b) **Prohibition of Tobacco Sales and Advertising.** Tenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes 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. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (i) communicate the health hazards of cigarettes and tobacco products, or (ii) encourage people not to smoke or to stop smoking.

(c) **Prohibition of Alcoholic Beverage Advertising.** Tenant shall not cause or allow to be displayed any general advertising of alcoholic beverages on the Premises, in accordance with San Francisco Administrative Code section 4.20, and as that code may be amended. 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, selling or distributing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product in any general advertising sign. This advertising prohibition does not apply to business signs and displays allowed under San Francisco Planning Code section 602.3, and as that code may be amended. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (i) communicate the health hazards of alcoholic beverages, (ii) encourage people not to drink alcohol or to stop drinking alcohol, or (iii) provide or publicize drug or alcohol treatment or rehabilitation services.

6.8 Litigation and Legal Expenses. Tenant shall not commence litigation concerning any matter concerning or touching this Lease, the Premises or Site, including but not limited to litigation concerning any subtenant or sublessee, without the express written authorization of the Director. Tenant shall provide City with written reports as requested by the Director concerning the status and costs of any litigation concerning or touching this Lease, the Premises or Site, including but not limited to litigation concerning any subtenant or sublessee. Tenant shall discontinue and resolve any third party litigation concerning or touching this Lease, the Premises or Site, including but not limited to litigation concerning any subtenant or sublessee, as directed by the Director.

6.9 Public Transit Information. Tenant shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Tenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Premises, and encouraging use of such facilities, all as an Operating Expense.

6.10 Signs.

(a) Tenant shall erect and maintain such signs, notice, graphics, advertisement, awning, banner, or other exterior decoration ("Signs") upon or about the Premises or Site as may be required by the Director.

(b) Tenant shall not erect or maintain or permit to be erected or maintained, any Signs upon or about the Premises or Site without City's express written consent. Any Sign that Tenant shall be permitted to place, construct and maintain shall comply with all laws, and Tenant shall obtain all permits and approvals required by such laws, including, if necessary, approval of the Art Commission of the City and County of San Francisco. City makes no representation with respect to Tenant's ability to obtain such approvals. If requested by City, Tenant, as an Operating Expense, shall remove any or all Signs placed by it on the Premises at the expiration or earlier termination of this Lease. City shall have the right to use for its Signs, or for Signs placed thereon by others with City's consent, the exterior walls of the Premises.

6.11 Waiver of Tenantability. Tenant waives the provisions of California Civil Code Sections 1941 and 1942, or of any law, statute or ordinance now or hereafter in effect, with respect to City's obligations for tenantability of the Premises and Tenant's right to make repairs and deduct the expenses of such repairs from rent.

7. MANAGEMENT OF THE PREMISES

7.1. Approval of Bylaws. Tenant represents and warrants that Tenant will provide City with a true and correct draft of Tenant's corporate bylaws for review and approval by the SFMTA within thirty (60) days after commencement of this lease. Tenant shall provide City with written request to amend Tenant's bylaws prior to any such amendment. Tenant's corporate bylaws governing the composition, term, duties and responsibilities of Tenant's Board of Directors shall be consistent with best practices for non-profit organizations. Among other matters Tenant's bylaws shall provide for a sufficient number of members to make it likely that the Board of Directors can achieve a quorum at most meetings, provide for regular meeting, provide for members with appropriate background and skills, including at least one member with financial expertise appropriate to the operation of the garage in the Premises, require replacement of member who regularly miss meetings, establish effective standards and

procedures to minimize and require disclosure of potential conflicts of interest. Tenant's corporate Board of Directors shall hold regular, effective meetings and properly document the actions of the Board of Directors.

7.2. Approval of Corporation Staff. Tenant shall follow hiring guidelines established from time to time by the SFMTA outlining a job description and compensation standards of Tenant's employees and staff. City shall provide Tenant with written notice of SFMTA's current hiring guidelines.

7.3. Operating Standards; Approval of Management Agreement. Except as otherwise specifically provided herein, Tenant shall be responsible for the management and operation of the Premises in accordance with the SFMTA Parking Facility Operation and Management Regulations. In connection with managing and operating the Premises, Tenant shall provide (or require others to provide), such services as may be necessary or appropriate to achieve and maintain first class operating standards (subject to the budget and Operating Expense limitations set forth in this Lease), including, but not limited to, (a) routine and extraordinary repair and maintenance of the improvements, (b) utility services, (c) cleaning, janitorial, extermination, and trash removal, (d) landscaping and groundskeeping, (e) security services, (f) marketing the Premises, selection of retail subtenants and negotiation of subleases, to the extent allowed by this Lease, (g) enforcement of reasonable rules and regulations for the conduct of persons present on the Premises, (h) collection of parking fees, rents and other receivables and preparation of statements, (i) use reasonable efforts to enforce, as fully as practicable, the compliance by any subtenants or licensees with the terms, covenants and conditions of their subleases or licenses, (i) securing certificates of insurance from subtenants and persons working on the Premises, and (j) establishing and maintaining books and records and systems of account covering operations of the Premises in accordance with sound accounting practices. When entering into contracts, issuing purchase orders or otherwise arranging for goods or services for the operation of the Premises, Tenant shall attempt to secure the best price reasonably obtainable. During the term of this Lease and any extension, Tenant shall engage, as a professional operator, a person, firm or corporation with a staff experienced in the management and operation of public parking facilities (the "Operator"). Tenant shall complete a competitive selection process, identify an Operator and submit a written request for consideration and approval by the SFMTA at least forty-five (45) days prior to the expiration of existing Operator agreement. Upon failure to submit request within forty-five (45) days, the SFMTA shall have the option to enter into an agreement or modify an existing agreement, and assign an Operator as deemed necessary for the continued operations of the garage. Tenant's selection of such Operator shall be subject to City's prior written approval, in accordance with the San Francisco Charter, SFMTA Parking Facility Operation and Management Regulations concerning off-street parking facilities in effect from time to time (the "Parking Facility Operation and Management Regulations"), and Chapters 17 and 21 of the San Francisco Administrative Code, of: (i) the manner in which such Operator is selected, including the bid process and bid documents, (ii) the terms of the contract engaging such Operator, (iii) the identity of the Operator, and (iv) the identity of the Operator's facility manager to be employed at the Premises (the "Facility Manager"). The City shall have the authority at any time to require Tenant to remove the Facility Manager for poor job performance. Tenant shall not amend the approved agreement with such Operator, or permit any assignment of any interest therein, without obtaining City's written consent. The SFMTA Board of Directors (the "Board"), by approving this Lease, authorizes the Director to approve or reject the above matters without the need for further Board action, so long as, based solely on the opinion of the Director, the operating agreement or any changes or modifications thereto does not adversely affect

the tax-exempt status of interest on any bonds or other indebtedness relating to the Premises. The Operator's compensation must be based on a fixed periodic fee and the term of the operating agreement, including any renewal periods, must not exceed nine (9) years. Neither the Corporation, its manager, nor any member of its Board of Directors shall have any proprietary, pecuniary or other beneficial interest in the Operator or in those persons or entities that have a controlling interest in the Operator.

7.4 Operator Must Abide by Lease Terms. Tenant shall ensure that the Operator engaged by Tenant for the operation of the Premises shall be aware of the terms and conditions of this Lease and shall abide by the terms, conditions and restriction on the use of the Premises, including but not limited to those set out in Section 6, above.

7.5 Prevailing Wages. The operation of an off-street public parking facility on the Premises is subject to the provisions of section 8A and section A, 7.204 of the San Francisco Charter, and of sections 6.22(E) of the San Francisco Administrative Code (as those sections may be amended, supplemented or replaced) relating to working conditions and payment of prevailing wages, and such sections are incorporated in this Lease by this reference and made a part of this Lease as though fully set forth herein.

8. FISCAL DUTIES AND MATTERS

8.1. Annual Budget/Marketing Plan. Tenant will prepare and submit to the Director an annual operating budget ("Annual Budget"); in such line item form as from time to time is approved by the Director. Such line item form must include specific entries for professional services to be provided to Tenant including legal and accounting fees. The Annual Budget, if requested, shall include a marketing plan, and the payment of marketing expenses shall be approved within the approval of the Annual Budget.

The Tenant will submit the Annual Budget to the Director for review, revision and written approval or disapproval by the Director in a reasonable time to be established by the Director but not later than five months (December 1) prior to the date the budget shall be in effect (May 1). The Director will approve or conditionally approve (with proposed changes) such Annual Budget no later than thirty (30) days (April 1) before the budget is scheduled to go into effect. Tenant will promptly revise the Annual Budget in accordance with the changes proposed by the Director and resubmit such revised Annual Budget for approval or disapproval by the Director.

8.2 Annual Audit and Periodic Operating Reports.

(a) City shall arrange for an annual audit of Tenant's operations in the Premises in accordance with generally accepted accounting principles and otherwise in a form required by City. Tenant shall fully cooperate with such audit. City shall provide a copy of the final audit report to the Tenant within fifteen (15) days of the completion of the audit. Tenant shall implement findings and recommendations of the audit within thirty (30) days of the receipt of the audit, or inform the SFMTA in writing of Tenant's proposed implementation timeline and reasoning behind a delayed implementation. SFMTA and Tenant shall cooperate to establish a reasonable timeline for promptly implementing such findings and recommendations, and Tenant shall use diligent, good faith efforts to implement the findings and recommendations within the agreed timeline and shall provide SFMTA with monthly written reports detailing any outstanding issues.

(b) Within twenty (20) days after the end of each calendar month during the term of this Lease or within such other period specified by the Director,

Tenant shall submit to the Director a correct, detailed and complete statement in writing, on a form approved by the Director, showing all Gross Revenues and Parking Taxes received and all Operating Expenses incurred during such month. Such statement shall be signed and verified by representatives of Tenant under oath and forwarded to the Director. Tenant agrees to keep full, true and accurate books, records and accounts at all times during the term of this Lease of the Gross Revenues and Parking Taxes received, the Operating Expenses incurred, the details of operation and of such other matters and to render such reports thereon as may be required by the Director from time to time. City and its representatives shall at all times have the right to inspect, examine and audit all such records and all accounts established and maintained under this Lease.

8.3 Operation Shall Conform to Budget. Tenant will operate the Premises within the approved Annual Budget both as to overall amount budgeted and within the maximum amount established for each budget line item, and shall use diligent, good faith efforts to inform City at the earliest possible date if Tenant anticipates that it will request approval to exceed the Annual Budget for any line item. Within parameters established by the Director, offsets between budget line items will be limited to emergencies or other exigent circumstances. Any additions or changes in line items of the Annual Budget shall be allowed only upon the written approval of the Director. Tenant's failure to manage and operate the Premises within the approved Annual Budget shall constitute a material breach of this Lease.

8.4 Creation of Accounts. Tenant shall establish and maintain special accounts designated as the Revenue Account (Revenue Account) and the Corporations Operating Account (Operating Account) and the Corporate Employee Payroll Account (Payroll Account). On the first day of the fourth (4th) year of the initial Term of this Lease, Tenant shall establish a Capital Expenditures Account (Capital Account). Such accounts shall be held by a financial institution approved by the Controller of the City. At City's request, Tenant shall respect any limit on the size of the funds held in any account(s) as shall be established from time to time by the Controller for City with the goal of ensuring that Tenant is afforded full FDIC deposit insurance coverage for the deposits in such account(s). Funds from the operation of the Premises shall not be commingled with other funds. Tenant shall cause each person who has authority to withdraw or transfer funds from any account to be bonded or otherwise insured.

8.5 Capital Account. The Capital Account, established beginning the fourth year of the initial Term, shall be used by Tenant to provide for expenditures for the cost of Alterations and Capital Improvements described in under Section 10. Periodically, but not more than monthly, based on its accounting records, Tenant shall estimate the amount of "Net Revenues" (meaning Gross Revenues less Operating Expenses) received from the operation of the Premises for the City's fiscal year to date. Subject to City's review and approval of Tenant's estimate of Net Revenues, City shall authorize transfer from the Revenue Account to the Capital Account in the amount of \$37,500 (Thirty-Seven Thousand Five Hundred Dollars) per month. In the event the monthly amount creates an excess in the Capital Account above the limit stated below, the monthly amount will be reduced by the excess amount and no credit will be provided on subsequent monthly transfers.

City shall approve expenditures from the Capital Account as part of the approval of the Annual Budget or by resolution of the SFMTA Board of Directors. All disbursements from the Capital Account shall require the joint signatures of two (2) current members of the Board of Directors of Tenant and the Corporation's Manager.

Based on City's review of Tenant's annual audit for the City's fiscal year in accordance with Section 8.2 (a), the balance in the Capital Account shall be adjusted each such fiscal year to ensure that the amount transferred to the Capital Account does not exceed \$450,000 (Four Hundred Fifty Thousand Dollars) for such fiscal year. In the event of a deficiency in the Capital Account, and subject to City's prior written approval, moneys shall be transferred from the Revenue Account to the Capital Account. In the event of a surplus in the Capital Account such excess shall be transferred from the Capital Account to the SFMTA. Notwithstanding the foregoing, in no event shall the balance in the Capital Account exceed \$1,350,000 (One Million Three Hundred Fifty Thousand Dollars).

8.6 Gross Revenues, Deposits and Transfers. All Gross Revenues collected or received by Tenant arising out of operations of the Premises shall be deposited in the Revenue Account upon receipt. Such deposits shall be made no later than the next Banking Day such amounts are collected if such day is a Banking Day or, if such day is not a Banking Day, on the next succeeding Banking Day. Tenant's failure to deposit Gross Revenues on a timely basis shall constitute a material breach of this Lease.

"Banking Day" shall mean any day which is not a Saturday or Sunday or a day on which banking institutions are authorized or required by law to be closed for commercial banking purposes in San Francisco, California, or by the Federal Reserve System.

"Gross Revenues" shall mean (a) all revenue received by Tenant from whatever source arising out of its Lease of the Premises including, without limitation, commercial rents and interest earned on investments or deposits; plus (b) all revenues from whatever source, received from and related to, parking operations on the Premises and activities incidental to parking operations including, but not limited to, the following: (1) all revenues received from the operation of the Premises for daily and monthly parking of any vehicle therein; (2) the commission paid to, or on behalf of, Tenant for revenue collected from pay telephones, automatic teller machines and the sale of merchandise in vending machines on the Premises, (3) all charges of any character made by Tenant or any operator for the rendering of any service or work of any kind conducted in, on, about, or from the Premises, (4) the gross amounts of all deposits forfeited by parking customers at the Premises and retained or received by Tenant or any operator in connection with the operation of the Premises, (5) all interest received from the Gross Revenues deposited in the Revenue Account and the Capital Expenditures Account, (6) fees collected for storage rental and (7) the value of any in-kind services received by Tenant or any operator in exchange for a benefit derived from the use of the Premises and (8) any Parking Tax collected.

"Parking Taxes" shall mean the Tax on Occupancy of Parking Space in Parking Stations, as imposed by Article 9 of the San Francisco Business and Tax Regulations Code, beginning with Section 601 thereof, and any successor ordinances or amendments thereto, or another federal, state or local tax or fee imposed on the occupancy of parking spaces.

Subject to reasonable provision for the transfer of funds to the Capital Account as provided below, funds (including all interest accrued on such funds) remaining in the Revenue Account shall be transferred to the SFMTA no later than the twentieth (20th) day of each month or at such other more frequent periodic intervals as specified in writing by the Director. All interest accrued on any other account held by Tenant

relating to the Premises shall be transferred to the SFMTA no later than thirty (60) days after Corporation's fiscal year ending April 30.

8.7 Payment of Operating Expenses. Periodically, but at least once each month, City will authorize the withdrawal and transfer of funds from the Revenue Account for the purpose of paying Operating Expenses, including Tenant's employee salaries, payroll expense and Parking Taxes due included in the Annual Budget. Disbursements from the Revenue Account for the purpose of paying Operating Expenses and from the Corporate Employee Payroll Account for purpose of paying Corporation employee salaries and payroll expenses shall require the joint signatures of two (2) current members of the Board of Directors of Tenant and the employee of Tenant that is responsible for supervising the day to day operation of the Premises (the "Corporation Manager").

"Operating Expenses" shall mean all direct and indirect operating and routine maintenance and repair expenses incurred in the operation of the Premises, including, without limitation, the following: (1) reasonable salaries, payroll taxes and other payroll expenses, including Tenant's employee salaries and payroll expenses; (2) charges for utility services; (3) expenses for repair and maintenance of equipment and furnishings, including, without limitation, a full service, 24 hour elevator repair contract if the Premises contains one or more elevators; (4) expenses for routine maintenance and repair and for cleaning of the Premises, including, without limitation, expenses related to vandalism or other damage to gates, equipment, supplies or the Premises; (5) the cost of parking tickets, supplies and equipment; (6) license and permit fees not related to an Alteration; (7) the cost of insurance attributable to insuring Tenant's property used in the operation of the Premises and insuring Tenant against liability relating to the management and operation of the Premises; (8) the cost of Workers' Compensation Insurance and fidelity and surety bonds; (9) deductible amounts required under any of the insurance policies insuring Tenant; (10) sales taxes and all other taxes resulting from operation of the Premises, except Parking Taxes, (11) real property taxes and possessory interest taxes; (12) the cost of courier deposit services, and (13) all other costs and expenses approved by City in accordance with Section 8.8 (d), including administrative expenses, amounts paid as a fee or otherwise to any professional operator employed by Tenant, legal expenses, and "Tenant's Organizational Expenses," which shall mean the reasonable costs of operating the entity which is Tenant under this Lease. Tenant shall operate Tenant's corporate entity in an efficient manner that is consistent with best practices for non-profit organizations using commercially reasonable efforts to operate in a manner that is efficient and consistent with Tenant's mission, corporate purposes, applicable laws and this Lease, at all times avoiding lavish, extravagant or excessive expenditures. Operating Expenses shall not include any charges or allowances for depreciation or amortization of Tenant's interest in the Premises.

8.8. Reimbursement Process for Operating Expenses. Operating Expenses incurred in the operation of the Premises shall be processed for payment or reimbursement as follows:

(a) **Requisitions.** Tenant shall prepare and process, or shall cause to be prepared and processed, requisitions that itemize each Operating Expense for which payment or reimbursement is being requested. Each requisition for Operating Expenses, together with supporting documentation, shall be approved by at least two (2) members of the Board of Directors of Tenant, the Corporation Manager and the Operator. The requisition, approved by Tenant, then shall be submitted to the Director for the Director's review and approval. Approval by the Director shall constitute

authorization for the withdrawal of funds from the Revenue Account for payment of the Approved Operating Expense and Parking Tax. Tenant promptly will initiate the withdrawal and disbursement procedures.

(b) **Supporting Documentation.** (i) Each item of Operating Expense in a requisition submitted by Tenant will be evidenced by an original invoice accompanying the requisition. The time frame of Tenant's requisition preparation and submittal shall allow adequate review and approval time so as to avoid late payment charges. Tenant will be responsible for the payment of late fees, penalties and similar late payment charges. (ii) All requests for payments for reimbursable salary, wages and benefits will be accompanied by: a payroll record showing the employee name, social security number and work classification; straight time and overtime hours worked for each payroll period; and records which include all "calendar year to date" wages for each employee.

(c) **Operating Expense Warranty.** In preparing and submitting certified requisitions, Tenant warrants to the City that each item for which payment is being requested is an Operating Expense authorized under an existing Annual Budget line item and that the requested payment, together with all previous payments under the subject line item, will not exceed the maximum line item expenditure authorized under the Annual Budget.

(d) **Third Party Contracts.** City will not approve reimbursement of any expenditure for professional services (including legal and accounting services) or products procured by Tenant (including expenses incurred under any operating agreement) unless the expense was made pursuant to applicable sections of this lease and/or the SFMTA Parking Facility Operation and Management Regulations. With respect to legal fees, Tenant shall provide a reasonably detailed statement showing costs incurred, including names of persons performing the work, hourly rates for such person(s), the total number of hours spent by person(s), and a brief non-confidential description of the work performed.

8.9 Litigation and Legal Expenses. Unless expressly authorized by the Director in writing, Tenant shall not commence, maintain, or otherwise participate in any legal proceedings concerning the Site or the Premises, including but not limited to prosecuting actions, cross-actions or counter-actions for unlawful detainer, tort or breach of contract where the costs of said litigation, including but not limited to attorney's fees, are paid from Gross Revenues or are otherwise reimbursed from funds or revenues of the City. Without limiting the foregoing, Tenant shall not (i) engage any "collection agencies" to collect any rent or other income arising out of the use or operation of the Site, or (ii) terminate any sublease or lockout any subtenant, without, in each instance, the prior written approval of the Director. If so directed by the Director, Tenant shall seek to settle or otherwise resolve any such litigation in a manner to maximize the reduction of litigation costs where said costs are or would be paid from Gross Revenues or are or would be otherwise reimbursed from funds or revenues of the City however the Director shall retain final authority over the conduct of any such proceedings.

8.10. Parking Tax Payment. The Tenant shall pay or cause to be paid all Parking Taxes from amounts held in the Revenue Account in accordance with the requisition process outlined above.

9. EMERGENCY EXPENDITURES.

Tenant may make emergency expenditures to safeguard the Premises due to emergency or exigent circumstances, as provided in the SFMTA Parking Facility Operation and Management Regulations.

10. ALTERATIONS AND CAPITAL IMPROVEMENTS

10.1. Permitted Alterations or Capital Improvements. Tenant shall not make or permit any alterations or capital improvements to the Premises or to the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical, communications systems of the Premises ("Building Systems"), and shall not make or permit any alterations, installations, additions or capital improvements, structural or otherwise (collectively, "Alterations or Capital Improvements"), in, to or about the Premises, without City's prior written consent in each instance. All Alterations or Capital Improvements shall be done in accordance with plans and specifications approved by City, only by duly licensed and bonded contractors or mechanics approved by City, and subject to any conditions that City may impose. With respect to any Alterations or Capital Improvements that would be visible from the exterior of the Premises, Tenant shall obtain the prior written approval of City's Arts Commission to the extent the Arts Commission has jurisdiction over the design of such proposed Alterations or Capital Improvements under City's Charter Section 5.103. If the Alteration relates to an expansion, change in use, construction, Tenant shall also post a sign in accordance with the Citizen's Right to Know Act of 1998 (Chapter 79 of the City's Administrative Code).

10.2 Asbestos. Without limiting Section 25.2 (No Hazardous Materials) below, in the event that asbestos-containing materials ("ACM") are determined to exist in or about the Premises, Tenant shall ensure that all Alterations or Capital Improvements and any asbestos related work, as defined in California Health & Safety Code Section 25914.1(b), is performed in compliance with all laws relating to asbestos, including but not limited to California Occupational Safety and Health (OSHA) regulations found in Title 8 of the California Code of Regulations, Sections 1502 and 1529. Additionally, Tenant shall distribute notifications to all employees and contractors as required pursuant to California Health & Safety Code Section 25915 et seq. informing them of the existence of ACM and that moving, drilling, boring, or otherwise disturbing ACM may present a health risk and should not be attempted by an unqualified employee. No Alterations or Capital Improvements affecting ACM-containing areas or any asbestos related work shall be performed without City's prior written consent in each instance.

10.3 Tenant's Alterations or Capital Improvements that Disturb or Remove Lead Based Paint. Tenant, on behalf of itself and its Agents or Invitees (as such terms are defined in Section 16.2 below), shall comply with all requirements of the San Francisco Building Code, Section 3407, and all other applicable present or future federal, state, local and administrative laws, rules, regulations, orders and other governmental requirements, 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 (collectively, "Laws"), including, without limitation, 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 to 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: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) 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.

10.4 Ownership of Alterations or Capital Improvements. Unless otherwise provided by express written agreement, all appurtenances, fixtures, improvements, equipment, alterations, additions, and other property attached or affixed to or installed in the Premises at the Commencement Date or during the Term, including, without limitation, any tenant improvements and any Alterations or Capital Improvements, shall be and remain City's property. Alterations or Capital Improvements of the Premises, except trade fixtures of any subtenants, shall become the property of City and shall remain upon and be surrendered with the Premises. Tenant may not remove any such property at any time during or after the term of this Lease unless the City so requests as further provided under Section 29.

10.5 City's Alteration or Capital Improvements of the Premises. City reserves the right at any time to make alterations, additions, repairs, deletions or improvements to the common areas or any other part of the Premises or the Building Systems, provided that any such alterations or additions shall not materially adversely affect the functional utilization of the Premises for the uses permitted hereunder and pay for such Alterations or Capital Improvements from the Capital Account.

10.6 Non-responsibility of City. Tenant agrees that if it or any subtenant shall make any Alterations or Capital Improvements, they shall not commence until fifteen (15) days after City has received written notice from Tenant stating the commencement date of the installation of the Alterations or Capital Improvements, in order that the City may post appropriate notices of non-responsibility. Tenant will at all times permit such notices to be posted and to remain posted for the time required by law.

10.7 Construction/Acquisition of Capital Improvements. At the request of City and for Tenant proposed Capital Improvements approved by the City and subject to the availability of sufficient uncommitted funds in the Capital Account, Tenant shall acquire, install, construct and complete items of capital improvements to the Premises. Such items of capital improvement shall be provided (i) in strict accordance with plans and specifications approved in advance by City, (ii) by duly licensed and bonded contractors or mechanics approved by City, (iii) in a good and professional manner, where applicable, in accordance with Section 10. Prior to the acquisition or commencement of any work, Tenant shall procure all required permits and approvals and shall promptly deliver copies of such approvals and permits to the City upon receipt. No material change from the plans and specifications approved by City may be made

without prior consent. City shall have the right to inspect the work progress of the capital improvements at all times. Upon completion of the capital improvements, Tenant shall furnish City with a complete set of final as-built plans and specifications or specification of installed equipment. All approved costs and expenses incurred by Tenant in the performance of the obligations set forth in this Section shall be deemed to be a "Capital Improvement Expenditure" under this Lease, and such expenses will be paid from the Capital Account. All capital improvements to the Premises shall be owned by the City.

10.8 Repairs and Maintenance.

(a) **City's Repairs.** City shall repair and maintain the structural portions of the Premises, including the Building Systems, the elevators and the common areas; provided, however, Tenant shall seek reimbursement on behalf of City for any damage, excluding normal wear and tear, caused by any act or omission of Tenant's Agents or Invitees (as such terms are defined in Section 26.5 (Parties and Their Agents; Approvals) below). For the purpose of making any such repairs, City may use structures in the Premises where reasonably required by the character of the work to be performed, provided that such work shall not block the main entrance to the Premises nor unreasonably interfere with Tenant's business. Tenant waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises or any other loss occasioned thereby.

(b) **Tenant's Repairs.** Tenant shall maintain the Premises (including, without limitation, the floors, interior plumbing, electrical wiring, fixtures and equipment) in good repair and working order and in a clean, secure, safe and sanitary condition. Tenant shall promptly make all repairs and replacements: (a) by licensed contractors or qualified mechanics approved by City, (b) so that the same shall be at least equal in quality, value and utility to the original work or installation, (c) in a manner and using equipment and materials that will not interfere with or impair the operations, use or occupation of the Premises or the Building Systems, and (d) in accordance with all applicable laws, rules and regulations, including the SFMTA Parking Facility Operation and Management Regulations. Tenant hereby waives all rights to make repairs at City's expense under Sections 1941 and 1942 of the California Civil Code or under any similar law, statute or ordinance now or hereafter in effect.

11. LIENS AND ENCUMBRANCES

11.1. **Liens.** Tenant shall pay all costs for construction done by it or caused to be done by it on the Premises. Tenant shall keep the Premises and all interests therein free and clear of all mechanics' liens and claims of mechanics' liens resulting from construction done by or for Tenant. Tenant shall have the right to contest the correctness or the validity of any such lien if, immediately on demand by the City, Tenant procures and records a lien release bond issued by a corporation authorized to issue surety bonds in California in an amount equal to one and one half times the amount of the claim of lien. The surety bond shall meet the requirements of Civil Code Section 3143 and shall provide for the payment of any sum that the claimant may recover on the claim (together with costs of suit, if claimant recovers in the action).

11.2. **Encumbrances.** Tenant shall not create, permit or suffer any liens or encumbrances affecting any portion of the Premises or City's interest therein or under this Lease.

11.3 Non-Responsibility Notices. Tenant shall inform its own contractors and shall ensure that all subtenants inform their contractors that the Premises and the Site are public property and are not subject to mechanics liens or other encumbrances. City shall have the right to post on the Premises any notices that City may deem proper for the protection of City, the Premises, and the Site, from mechanics' and material supplier's liens. Tenant shall give to City at least fifteen (15) days' prior written notice of commencement of any Alteration, repair or construction on the Premises. Tenant agrees to indemnify, defend and hold City and its Agents harmless from and against any claims for mechanic's, material supplier's or other liens in connection with any Alterations or Capital Improvements, repairs or construction on the Premises, or materials furnished or obligations incurred by or for Tenant.

12. UTILITIES AND SERVICES

12.1. Utilities and Services. Tenant shall make all arrangements for and pay from the Revenue Account as an Operating Expense for all utilities and services furnished to or used by it, including, but not limited to, gas, electricity, water, telephone service and trash collection, and for all connection charges, provided, however, that City may elect to furnish some or all of the utility services required by Tenant and, in such event, Tenant shall pay to City the prevailing rates for all such utility services furnished to or used by Tenant together with reasonable charges for the connection and maintenance of such utility services.

12.2. Mandatory or Voluntary Restrictions. In the event any law, ordinance, code or governmental or regulatory guideline imposes mandatory or voluntary controls on City or the Premises or any part thereof, relating to the use or conservation of energy, water, gas, light or electricity or the reduction of automobile or other emissions, or the provision of any other utility or service provided with respect to this Lease, or in the event Tenant is required or elects to make Alterations or Capital Improvements to any part of the Premises in order to comply with such mandatory or voluntary controls or guidelines, such compliance and the making of such Alterations or Capital Improvements shall in no event entitle Tenant to any damages, relieve Tenant of the obligation to pay all amounts or to perform each of its other covenants hereunder or constitute or be construed as a constructive or other eviction of Tenant.

12.3 Interruption of Services. City's obligation to provide utilities and services for the Premises are subject to SFMTA Parking Facility Operation and Management Regulations and applicable Law (including the rules or actions of the public utility company furnishing the utility or service), and shutdowns for maintenance and repairs, for security purposes, or due to strikes, lockouts, labor disputes, fire or other casualty, acts of God, or other causes beyond the control of City. In the event of an interruption in, or failure or inability to provide any service or utility for the Premises for any reason, such interruption, failure or inability shall not constitute an eviction of Tenant, constructive or otherwise, or impose upon City any liability whatsoever, including, but not limited to, liability for consequential damages or loss of business by Tenant. Tenant hereby waives the provisions of California Civil Code Section 1932(1) or any other applicable existing or future Law permitting the termination of this Lease due to such interruption, failure or inability.

13. OPERATION AND CONDITION OF PREMISES

Tenant agrees to maintain and keep the Premises clean and in good condition and repair, to operate therein a first class public parking garage during the term of this Lease and not to vacate or abandon the Premises during the Term.

14. OPEN MEETINGS/SUNSHINE

14.1. **Open Meetings.** All meetings of the Board of Directors of Tenant during the term of this Lease shall be open and shall comply, as nearly as practical, with Chapter 67 of the Administrative Code of the City. A failure to comply with this Section 14 shall, at the option of the City, result in (i) termination of this Lease, (ii) removal of members of the Board of Directors of the Tenant, or (iii) sanctions being imposed. Tenant shall give City written notice of each meeting, including special meetings, of its Board of Directors.

14.2. **Sunshine Ordinance.** In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between City and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, Lease, agreement or other benefit until and unless that person or organization is awarded the contract, Lease, agreement or benefit. Information provided which is covered by this Section 14 will be made available to the public upon request.

15. RATES, CHARGES, RULES AND REGULATIONS

15.1. **Parking Rates and Rules.** For all vehicles parked in the Premises, Tenant is authorized and directed to charge and collect parking fees according to parking rates established by the SFMTA. From time to time, the Parking Rates charged at the Premises may be adjusted by the appropriate legislative body. In such event, the Director shall give written notice of the new Parking Rates to Tenant. Such notice shall specify the effective date of the new rates. Upon receiving such notice, Tenant shall take such measures necessary to implement the new Parking Rates on the effective date. Tenant shall not have any right to adjust the authorized Parking Rates or collect any other rates, fees or charges at the Premises without the prior written consent of City. If and to the extent required by the Director, Tenant shall assist and cooperate with SFMTA in implementing the policies of SFMTA's *SFpark* Program, including but not limited to placement of electronic signage where and as determined by the Director, and the implementation of variable pricing of rates.

15.2. Revenue Control and Parking Receipts.

(a) City shall have the right in its sole discretion to direct Tenant and Tenant shall cooperate with and implement such direction to install a Parking Access Revenue and Control System (PARCS) or PARCS equipment selected by the SFMTA.

(b) Tenant shall comply, and shall require the operator to comply, with the San Francisco Police Code Sections 4901-4916 and San Francisco Business and Tax Regulation Code Article 22 and Section 6.6-1, which require parking stations to provide receipts to occupants, and to have certain signage, all as more fully set forth therein. Any violation of these requirements shall be deemed a breach of this Lease, and City shall have all rights and remedies set forth above Codes as well as the rights and remedies set forth in this Lease, including but not limited to, the right to terminate this Lease.

16. WAIVER OF CLAIMS; INDEMNIFICATION

16.1. Limitation on City's Liability; Waiver of Claims. City shall not be responsible for or liable to Tenant, and Tenant hereby assumes the risk of, and waives and releases City and its Agents from all Claims (as defined below) for, any injury, loss or damage to any person or property in or about the Premises by or from any cause whatsoever including, without limitation, (i) any act or omission of persons occupying adjoining premises, (ii) theft, (iii) explosion, fire, steam, oil, electricity, water, gas or rain, pollution or contamination, (iv) stopped, leaking or defective Building Systems, (v) building defects, and (vi) any other acts, omissions or causes. Nothing in this Section 16 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.

16.2. Tenant's Indemnity. Tenant, on behalf of itself and its successors and assigns, shall indemnify, defend and hold harmless ("Indemnify") City including, but not limited to, all of its boards, commissions, departments, agencies and other subdivisions, including, without limitation, the SFMTA, and all of its and their Agents, and their respective heirs, legal representatives, successors and assigns (individually and collectively, the "Indemnified Parties"), and each of them, from and against any and all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses, including, without limitation, direct and vicarious liability of every kind (collectively, "Claims"), incurred in connection with or arising in whole or in part from: (a) any accident, injury to or death of a person, including, without limitation, employees of Tenant, or loss of or damage to property, howsoever or by whomsoever caused, occurring in or about 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 or occupancy or manner of use or occupancy of the Premises by Tenant, its Agents or Invitees or any person or entity claiming through or under any of them; (d) the condition of the Premises; (e) any construction or other work undertaken by Tenant on the Premises whether before or during the Term of this Lease; or (f) any acts, omissions or negligence of Tenant, its Agents or Invitees, in, on or about the Premises or the Site, 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 Claims as are caused exclusively by the willful misconduct or gross negligence 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 Claim. Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend the City 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 16 shall survive the termination of this Lease.

As used herein, the term "Agents" when used with respect to either party shall include the agents, employees, officers, contractors and representatives of such party, and the term "Invitees" when used with respect to Tenant shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of Tenant.

Any costs of an Indemnified Party incurred pursuant to any Claim not payable from insurance maintained by the Tenant shall be deemed a Tenant Cost.

17. INSURANCE

17.1. **Tenant's Insurance.** As a pre-approved Operating Expense, Tenant shall procure and keep in effect or shall cause to be procured and kept in effect at all times during the Term insurance as follows:

(a) Property insurance on an all risk form, excluding earthquake and flood, but including sprinkler leakage, in the amount of one hundred percent (100%) of the replacement value of the Premises which value is estimated at Thirty-Four million One Hundred Four Thousand dollars (\$34,104,000). Said policy shall also insure against business interruption, including coverage for the City, in an amount not less than one hundred percent (100%) of Gross Revenues for thirty six (36) months. Any deductible under such policy shall not exceed \$10,000 for each occurrence. The policy shall contain a standard replacement cost endorsement providing for full replacement and no deduction for depreciation and a stipulated amount endorsement. Such policy shall include the City as named insured. Upon request by the City, Tenant shall obtain earthquake coverage under such property insurance policy, the cost thereof to be an Operating Expense.

(b) Boiler and machinery insurance, comprehensive form, in an amount of \$1,000,000 with respect to loss of or damage to insured objects, and \$7,500 expediting expense insuring ventilating and electrical equipment and any other equipment or machinery typically insured under such a policy, with any deductible not to exceed \$10,000 for each loss. Such policy shall include the City as named insured.

(c) Commercial general liability insurance with limits not less than \$2,000,000 each occurrence and \$4,000,000 aggregate, combined single limit for bodily injury and property damage, or in such greater amount and limits as the City may reasonably require from time to time, including coverage for contractual liability, personal injury, broad form property damage, products and completed operations. Any deductible under such policy shall not exceed \$10,000 for each occurrence.

(d) Business automobile liability insurance with limits not less than \$1,000,000 for each occurrence combined single limit for bodily injury and property damage, including coverage for owned, non-owned and hired automobiles, as applicable. Any deductible under such policy shall not exceed \$10,000 for each occurrence.

(e) Garage keeper's legal liability insurance with limits not less than \$2,000,000 for each occurrence combined single limit for loss and damage to vehicles in Tenant's care, custody or control caused by fire, explosion, theft, riot, civil commotion, malicious mischief, vandalism or collision, with any deductible not to exceed \$1,000 for each occurrence, and coverage for non-automobile property customarily left in the custody of a garage with a limit of \$5,000.

(f) Worker's Compensation Insurance in amounts as required by State law, and Employers' Liability Insurance, with limits not less than \$1,000,000 for each accident, covering all employees employed in or about the Premises to provide statutory benefits as required by the laws of the State of California. Said policy/ies shall be endorsed to provide that the insurer waives all rights of subrogation against the City.

(g) Director and Officer Liability Insurance with limits not less than \$1,000,000.

17.2. Additional Requirements.

(a) 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.

(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 liability insurance policies shall be endorsed to provide the following:

(1) Name as additional insured the City and County of San Francisco, its officers, agents and employees, except as otherwise agreed to by City in writing.

(2) That such policies are primary insurance to any other insurance available to the additional insured, 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 insured which would void or otherwise reduce coverage shall not reduce or void the coverage as to any other 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.

(e) Tenant shall deliver to City certificates of insurance in form and from insurers satisfactory to City, evidencing the coverage 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, City may procure, at its option, 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 therefore as a Tenant Cost.

(f) Upon City's request, 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 for risks comparable to those associated with the Premises, then Tenant shall, at City's request, increase the amounts or coverage carried by Tenant to conform to such general commercial practice.

(g) Tenant's compliance with the provisions of this Section shall in no way relieve or decrease Tenant's liability under Section 16.2 of this Lease, or any of Tenant's other obligations under this Lease.

(h) Notwithstanding anything to the contrary in this Lease, if any of the required insurance coverage lapses, this Lease shall terminate upon three (3) days notice to Tenant, unless Tenant renews the insurance coverage within notice period.

(i) All insurance and surety companies are subject to approval as to coverage forms and financial security by the City. Insurers and sureties rated by A.M. Best Co. shall have a current rating not less than A,VIII.

17.3. Compliance with Insurance Requirements. Tenant shall not do anything, or permit anything to be done, in or about the Premises which would be prohibited by or increase the rates under a standard form fire insurance policy or subject City to potential premises liability. Tenant shall faithfully observe, at its expense, any and all requirements to City's Risk Manager with respect to Tenant's use and occupancy of the Premises, so long as such requirements do not unreasonably interfere with Tenant's use of the Premises.

17.4 Bonds. As of the effective date hereof, if requested in writing by City, Tenant shall furnish or cause to be furnished to the City, and shall maintain throughout the term of this Lease, and pay the cost thereof as part of Tenant's Operating Expenses, the following fidelity, surety and Parking Tax bonds made payable to the City and naming the City as obligee, as its interests may appear.

(a) Blanket fidelity bond covering all officers and employees of Tenant employed at the Premises, with a limit of \$400,000, and any deductible not to exceed \$5,000 for each loss; and

(b) Parking tax bond in the amount required by the San Francisco Business and Tax Regulation Code Section 6.6-1.

17.5 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 building, the Premises or otherwise.

17.6 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 the contents, or any portion thereof, for any loss or damage maintained by such other party with respect to the Premises 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 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.

17.7 Miscellaneous Insurance and Bond Matters.

(a) Two copies of each performance and fidelity bond, and two copies of, each original policy of the property insurance and the boiler and machinery insurance, shall be provided to the City upon the mutual execution of this Lease, unless such bonds or insurance are to be provided by a professional operator in which case such bonds and insurance shall be provided at the time of execution of the agreement with such professional operator. Two copies of each certificate of all other insurance shall be provided to the City upon mutual execution of this Lease, and complete copies of any insurance policies obtained pursuant to this Lease shall be provided to the City if requested at any time.

(b) The City reserves the right to cancel any or all of the insurance required under this Lease and to replace such canceled insurance with one or more master insurance policies providing similar insurance coverage and covering any or all of the parking garages owned or leased by the City. In the event such a master insurance policy replaces a policy of insurance or a portion of a policy of insurance required to be carried by a professional operator pursuant to an operating agreement the premium for which was considered an Operating Expense, then the amount of such premium shall thereafter be deducted from the management fee payable to such professional operator under an operating agreement.

(c) Upon City's request, Tenant shall provide evidence satisfactory to the City that Tenant has adequately provided for Social Security and Unemployment Compensation benefits for Tenant's employees employed at the Premise.

(d) Tenant shall comply with the provisions of any insurance covering Tenant, Operator, or the Premises, with any notices, recommendations or directions issued by an insurer under such insurance policies so as to not to adversely affect the insurance coverage or the cost thereof.

(e) In the event that Tenant receives notice that any insurance or bonds are to be or have been cancelled or non-renewed, Tenant shall immediately notify City, in writing, of this threatened cancellation or non-renewal. If Tenant does not provide to the Director satisfactory written certification of renewed or replacement insurance or bonds within five (5) business days of the receipt (if delivered) or mailing date of the aforementioned written notice to City, then City shall have the right to (i) obtain the required insurance or bonds on behalf of Tenant and to deduct the premiums from the Revenue Account, and/or (ii) solely at the City's option, terminate this Lease.

18. DESTRUCTION

18.1 Destruction Due to Risk Covered by Insurance. If, during the term of this Lease, the Premises are totally or partially destroyed from a risk required to be covered by the insurance described in Section 17, rendering the Premises totally or partially inaccessible or unusable, Tenant shall apply the proceeds of such insurance as instructed in writing by City.

18.2 Destruction Due to Risk Not Covered by Insurance. If, during the term of this Lease, the Premises are totally or partially destroyed from a risk not required to be covered by the insurance described in Section 17, rendering the Premises totally or partially inaccessible or unusable, Tenant shall, to the extent feasible, continue to operate the Premises in substantially the same manner as they were being operated immediately before destruction. Such destruction, in and of itself, shall not terminate this

Lease; provided, City shall have the right to terminate this Lease following and damage or destruction, at City's sole discretion, by delivering to Tenant written notice of termination which shall take effect on the date set forth in the notice.

18.3 **Waiver.** City and Tenant intend that the provisions of this Section 18 govern fully in the event of any damage or destruction and accordingly, City and Tenant each hereby waives the provisions of Section 1932, subdivision 2 and Section 1933, subdivision 4, of the Civil Code of California or of any similar law, statute or ordinance now or hereafter in affect.

19. EMINENT DOMAIN

19.1 Definitions.

"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.

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

"Award" means all compensation, sums or anything of value paid, awarded or received for a Taking, whether pursuant to judgment, agreement, settlement or otherwise.

"Improvements Pertaining to the Realty" means machinery or equipment installed for use on the Site that cannot be removed without a substantial economic loss or without substantial damage to the property on which it is installed, regardless of the method of installation. In determining whether particular property can be removed "without a substantial economic loss," the value of the property in place considered as part of the realty should be compared with its value if it were removed and sold.

19.2 **General.** If during the Term or during the period between the execution of this Lease and the Commencement Date, there is any Taking of all or any part of the Premises or any interest in this Lease, the rights and obligations of the parties hereunder 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 waive any right to terminate this Lease in whole or in part under Sections 1265.110, 1265.120, 1265.130 and 1265.140 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

19.3 **Total Taking; Automatic Termination.** If there is a total Taking of the Premises, then this Lease shall terminate as of the Date of Taking.

19.4 **Partial Taking; Election to Terminate.** If there is a Taking of any portion (but less than all) of the Premises, 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; provided,

however, that this Lease shall not terminate if Tenant agrees to, and does, pay full Rent and Additional Charges, without abatement, and otherwise agrees to, and does, fully perform all of its obligations hereunder.

If there is a partial Taking of a substantial portion of the Premises but not the Site, City shall have the right to terminate this Lease in its entirety.

Either party electing to terminate under the provisions of this Section 19 shall do so by giving the other party 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.

19.5 Compensation. If, during the term of this Lease there is any taking of all or any part of the Premises or any interest in this Lease by condemnation, all funds and other compensation received from such taking shall belong to the City, and Tenant shall have no right or interest in any such funds or proceeds.

20. ASSIGNMENT AND SUBLETTING

20.1 Assignment. 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 or its leasehold estate hereunder (collectively, an "Assignment"), or permit or license any portion of the Premises to be used or occupied by anyone other than itself, or sublet any portion of the Premises (collectively, "Sublease"), without City's prior written consent in each instance, which the City may withhold in its sole discretion. No assignment shall be effective unless the assignee shall execute an assumption agreement in form, scope and substance satisfactory to City, assuming all the obligations of Tenant hereunder. No subletting shall be effective unless the subtenant shall execute an agreement which provides that the sublease is subject and subordinate to the terms of this Lease. Retail subleases shall be further governed by the provisions of Section 6.2 and Exhibit B.

20.2 Consent. Consent to any assignment, subletting, mortgage or other encumbrance, shall not be deemed to constitute consent to any other attempted assignment, subletting; mortgage or other encumbrance.

20.3 Subordination. This Lease is and shall be subordinate to any reciprocal easement agreement, ground Lease, facilities Lease or other underlying Lease and the lien of any mortgage or deed of trust or bond issue secured by the Premises (or revenues generated by the Premises), and all renewals, modifications, consolidations, replacements and extensions of any of the foregoing, that may now exist or hereafter be executed by City affecting the Premises, or any part thereof, or City's interest therein, without the necessity of executing any instrument to effectuate such subordination; provided, however, upon request, Tenant, or Tenant's successor in interest, shall execute and deliver any and all instruments desired by City evidencing such subordination in the manner requested by Landlord. Notwithstanding the foregoing, City or the holder shall, in its respective discretion, have the right to subordinate any such interests to this Lease. If any ground Lease or underlying Lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall attorn to the successor-in interest to City, at the option of such successor in interest. The provisions of this Subsection 20.3 shall be self operative and no further instrument shall be required. Tenant agrees,

however, to execute and deliver, upon demand by City and in the form requested by City, any additional documents evidencing the priority or subordination of this Lease.

21. DEFAULT

21.1 Tenant's Default. The occurrence of any of the following shall constitute a default by Tenant:

(a) Abandonment and vacation of the Premises (failure to occupy and operate the Premises for five (5) consecutive days shall be deemed an abandonment and vacation).

(b) an 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.

(c) Failure to abide by budget limits and obtain the Director's approval of expenditures that are not in the approved budget.

(d) Failure to ensure the security of revenues, failure to transmit revenues to the SFMTA or deposit revenues in accounts as required under this Lease, in failure to account accurately for revenues and expenditures, misappropriation of any funds, failure to put funds in the appropriate account, failure to adequately account for funds received or spent in any statement to the City,.

(e) Tenant's mismanagement of the Premises (as determined by City in its sole discretion), or Tenant's negligence, fraud, or misfeasance, or malfeasance (as determined by City in its sole discretion).

(f) Failure by Tenant to comply with any other covenant, condition or representation made under this Lease where such failure continues for fifteen (15) days after the date of written notice by City, provided that if such default is not capable of cure within such fifteen (15) day period, Tenant shall have a reasonable period to complete such cure if Tenant promptly undertakes action to cure such default within such fifteen (15) day period and thereafter diligently prosecutes the same to completion within sixty (60) days after the receipt of notice of default from City. City shall not be required to provide such notice more than twice in any twelve (12) month period with respect to any material non-monetary defaults and after the second notice in any calendar year, any subsequent failure by Tenant during such twelve (12) month period shall constitute an Event of Default hereunder;

(g) Failure of the Tenant to (i) qualify as a an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), or corresponding provisions of prior law, (ii) be exempt from federal income taxes under Section 501(a) of the Code, (iii) avoid qualification as a private foundation under Section 509(a) of the Code, or (iv) qualify as a nonprofit public benefit corporation pursuant to Section 5110 et seq. of the Corporation's Code of the State of California, or failure to maintain such tax-exempt status.

(h) Either: (1) the failure of Tenant to pay its debts as they become due, or the written admission of Tenant of its inability to pay its debts, or a general

assignment by Tenant for the benefit of creditors; or (2) the filing by Tenant of a petition in voluntary bankruptcy seeking reorganization, arrangement, liquidation, or other relief under any state or federal law relating to bankruptcy, insolvency, or reorganization or seeking or consenting to the appointment of a trustee, receiver, or liquidator of Tenant or of any substantial part of Tenant's assets; or (3) entry by a court of competent jurisdiction of an order, judgment or decree declaring Tenant an insolvent or adjudging Tenant a bankrupt, or appointing a trustee or receiver for Tenant or of the whole or any substantial part of the Premises, or approving a petition filed against Tenant seeking reorganization of Tenant under any applicable law or statute of the United States of America or any state thereof, if such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or (4) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, unless such seizure is discharged within ten (10) days.

21.2 Notice. Notices given by the City under this Section 21 shall specify the alleged default and the applicable Lease provisions, and shall demand that Tenant perform the provisions of this Lease or pay the rent or other amount that is in arrears, as the case may be, within the applicable period of time, or quit the Premises. No such notice shall be deemed a forfeiture or a termination of this Lease unless City so elects in the notice.

21.3 City's Remedies. If Tenant commits a default, City shall have the following remedies, in addition to all other rights and remedies allowed by law, or in equity:

(a) The right to terminate this Lease for cause, in which event Tenant shall immediately surrender possession of the Premises and pay to City all amounts held in any accounts established by this Lease, all other amounts constituting Gross Revenues, Parking Taxes, or Tenant's Costs and other amounts payable by Tenant under this Lease to the date of such termination.

(b) 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 rent and other amounts 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.

(c) The rights and remedies provided by California Civil Code Section 1951.4 (continuation of Lease after breach and abandonment), allowing City to continue this Lease in effect and to enforce all its rights and remedies under this Lease, including the right to recover rent and other amounts 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 may in its sole discretion deem advisable, with the right to make alterations and repairs to the Premises. Upon each such subletting, Tenant shall be liable for rent and other amounts due hereunder, as well as the cost of such subletting and such alterations and repairs incurred by City and the amount, if any, by which rent and other amounts 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 rent and other amounts 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 City may at any time elect to terminate this Lease for such previous default.

(d) 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.

21.4 Waivers. Tenant hereby waives, for itself and all persons claiming by and under Tenant, all rights and privileges which it might have under any present or future Law to redeem the Premises or to continue this Lease after being dispossessed or ejected from the Premises. Tenant further waives all claims for damages that may be caused by City's re-entering and taking possession of the Premises or removing and storing Tenant's personal property pursuant to this Section 21, and Tenant shall indemnify, defend and hold City harmless from and against any and all Claims resulting from any such act. No re-entry by City shall constitute or be construed as a forcible entry by City.

21.5 City's Right to Cure Tenant's Defaults. If Tenant defaults in the performance of any of its obligations under this Lease, then City may, at its sole option, remedy such default by providing Tenant with three (3) days' prior written or oral notice of City's intention to cure such default (except that no such prior notice shall be required in the event of an emergency as determined by City). Such action by City shall not be construed as a waiver of such default or any rights or remedies of City, and nothing herein shall imply any duty of City to do any act that Tenant is obligated to perform. Tenant's obligations under this Section shall survive the termination of this Lease.

22. CITY'S ENTRY ON PREMISES

(a) City and its authorized representatives shall have the right to enter the Premises at any time for any of the following purposes:

(1) To determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease.

(2) To observe the operations of the Premises.

(3) To do any necessary maintenance and to make any restoration to the Premises that City has the right or obligation to perform.

(4) To serve, post, or keep posted any notices required or allowed under the provisions of this Lease.

(5) To shore the foundations, footings, and walls of the Premises and to erect scaffolding and protective barricades around and about

the Premises, but not so as to prevent entry to the Premises, and to do any other act or thing necessary for the safety or preservation of the Premises if any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street.

(b) City may enter the Premises at any time, without notice, in the event of an emergency. City shall have the right to use any and all means which City may deem proper to open the doors in an emergency in order to obtain entry to the Premises. Any entry to the Premises by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of the Premises, or an eviction of Tenant from the Premises or any portion of them.

(c) City shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of City's entry on the Premises as provided in this Section 22, except damage to Tenant's property (if any) resulting from the gross negligence or willful misconduct of City or its authorized representatives.

(d) City shall use reasonable efforts to conduct its activities on the Premises as allowed in this Section 22 in a manner that will cause the least possible inconvenience, annoyance, or disturbance to Tenant and any approved subtenants.

(e) Tenant shall not alter any lock or install any new or additional locking devices without the prior written consent of City. City shall at all times have a key with which to unlock all locks installed in the Premises (excluding Tenant's vaults, safes or special security areas, if any, designated by Tenant in writing to City).

23. CERTIFICATES

23.1 Tenant's Estoppel Certificates. Tenant, at any time and from time to time upon not less than ten (10) days' prior notice from City, shall execute and deliver to City or to any party designated by City a certificate stating: (a) that Tenant has accepted the Premises, (b) the Commencement Date and Expiration Date of this Lease, (c) 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), (d) whether or not there are then existing any defenses against the enforcement of any of Tenant's obligations hereunder (and if so, specifying the same), (e) whether or not there are any defaults then existing under this Lease (and if so specifying the same), (f) the dates, if any, to which the Base Rent and Additional Charges have been paid, and (g) any other information that may be required.

23.2 City's Certificates. City, at any time and from time to time upon not less than ten (10) days' prior notice from Tenant, shall execute and deliver to Tenant or to any party designated by Tenant a certificate stating: (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) whether or not there are any defaults then existing under this Lease (and if so specifying the same), (d) the dates, if any, to which the Base Rent and Additional Charges have been paid, and (e) any other information that may be required.

24. COMPLIANCE WITH LAWS

24.1. Laws and Regulations.

(a) The terms and provisions of this Lease shall be governed by and be subject to the provisions of the Charter and Administrative Code of the City and County of San Francisco, as now existing or hereafter amended. Tenant, as a pre-approved Operating Expense or Capital Improvement cost, shall comply with all laws, judicial decisions, orders and regulations of federal, state, county and municipal governments and the departments, courts, commissions, boards and officers thereof pertaining to Tenant's use and occupation of the Premises in effect either at the time of execution of this Lease or at any time during the term and whether or not within the present contemplation of the parties.

(b) Tenant further understands and agrees that it is Tenant's obligation, as a pre-approved Operating Expense or Capital Improvement cost, to cause the Premises and Tenant's uses thereof to be conducted in compliance with the Americans With Disabilities Act, 42 U.S.C.A. §§ 12101 et seq. Any alteration or capital improvements made by or on behalf of Tenant pursuant to the provisions of this Section shall comply with the provisions of Section 10 of this Lease. 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 obligation under this Section 24.1 shall include, without limitation, the responsibility of Tenant to make substantial or structural repairs and Alterations or Capital Improvements 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 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.

(c) Tenant understands and agrees that City 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 regulatory 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 to be used and occupied in accordance with all laws, orders, regulations and requirements of governmental authorities as provided above.

(d) Tenant understands and agrees that Tenant's use of the Premises and construction of Alterations and Capital Improvements 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 express written consent of City under this Lease. Tenant shall bear all costs, as a Tenant Cost, associated with applying for and obtaining such regulatory approvals and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval. All costs associated with applying for and obtaining any necessary or appropriate regulatory approval shall be deemed Tenant Costs. Tenant shall Indemnify City and the other Indemnified Parties hereunder against

all losses arising in connection with Tenant's failure to obtain or comply with the terms and conditions of any regulatory approval.

24.2 Non Discrimination in City Contracts and Benefits Ordinance

(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, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, 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 mall 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 nondiscrimination 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 or in San Francisco 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) **HRC Form/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) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission. Tenant hereby represents that prior to execution of this Lease, (i) Tenant executed and submitted to the HRC Form HRC 12B 101 with supporting documentation, and (ii) the HRC 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 nondiscrimination by parties contracting for the Lease of City property are incorporated in this Section by reference and made a part of this Lease 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. Such penalty shall be a Tenant Cost.

24.3 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.

24.4 Tropical Hardwood and Virgin Redwood Ban. The City and County of San Francisco 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 tenant improvements or Alterations, or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. In the event 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.

24.5 Notification of Limitations on Contributions. Through 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 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 (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. 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 prospective party to the contract; each member of Tenant's board of directors, chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Tenant; any subcontractor listed in the contract; 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 further agrees to provide to City the name of the each person, entity or committee described above.

24.6 Pesticide Prohibition. Tenant shall comply with the provisions of Section 308 of Chapter 3 of the San Francisco Environment Code (the "Pesticide Ordinance") which (i) prohibit the use of certain pesticides on City property, (ii) require the posting of certain notices and the maintenance of certain records regarding pesticide usage and (iii) require Tenant to submit to the SFMTA an integrated pest management ("IPM") plan

that (a) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the terms of this Lease, (b) describes the steps Tenant will take to meet the City's IPM Policy described in Section 300 of the Pesticide Ordinance and (c) identifies, by name, title, address and telephone number, an individual to act as the Tenant's primary IPM contact person with the City. In addition, Tenant shall comply with the requirements of Sections 303(a) and 303(b) of the Pesticide Ordinance.

Nothing herein shall prevent Tenant, through the SFMTA, from seeking a determination from the Commission on the Environment that Tenant is exempt from complying with certain portions of the Pesticide Ordinance as provided in Section 307 thereof.

24.7 Conflicts of Interest. Through its execution of this Lease, Tenant acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California; and certifies that it does not know of any facts which would constitute a violation of said provisions, and agrees that if Tenant becomes aware of any such fact during the term of this Lease Tenant shall immediately notify the City. Willful failure by Tenant to make such disclosure, if any, shall constitute grounds for the City's termination and cancellation of this Lease.

24.8 Drug Free Workplace. Tenant acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises. Tenant agrees that any violation of this prohibition by Tenant, its Agents or assigns shall be deemed a material breach of this Lease.

24.9 First Source Hiring Plan. Tenant shall comply with the provisions of Chapter 83 of the San Francisco Administrative Code (the "First Source Hiring Program") which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry level positions. Within thirty (30) days after the SFMTA adopts a First Source Hiring Implementation and Monitoring Plan in accordance with the First Source Hiring Program, Tenant shall enter into a First Source Hiring Agreement meeting applicable requirements of Section 83.9 of the First Source Hiring Ordinance.

24.10 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, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Lease as though fully set forth. The text of the HCAO is 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 appropriate 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 the Tenant is a small business as defined 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 HCAO shall constitute a material breach of this Lease. City shall notify Tenant if such a breach has occurred. 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 period of thirty (30) days, Tenant fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue 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 Subcontract entered into by Tenant shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Tenant shall notify City's Purchasing Department when it enters into such a Subcontract and shall certify to the Purchasing Department that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Tenant shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Tenant based on the Subcontractor's failure to comply, provided that City has first provided Tenant with notice and an opportunity to obtain a cure of the violation.

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

(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 intent of the HCAO.

(g) Tenant shall keep itself informed of the current requirements of the HCAO.

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

(i) Tenant shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least five (5) business days to respond.

(j) City may conduct random audits of Tenant to ascertain its compliance with HCAO. Tenant agrees to cooperate with City when it conducts such audits.

(k) If Tenant is exempt from the HCAO when this Lease is executed because its amount is less than Twenty-Five Thousand Dollars (\$25,000) [Fifty Thousand Dollars (\$50,000) for nonprofits], but Tenant later enters into an agreement or agreements that cause Tenant's aggregate amount of all agreements with City to reach Seventy-Five Thousand Dollars (\$75,000), all the agreements shall be thereafter

subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Tenant and the Contracting Department to be equal to or greater than Seventy-Five Thousand Dollars (\$75,000) in the fiscal year.

24.11 Wages and Working Conditions. Tenant agrees that any person performing labor in the construction of the tenant improvements and any Alterations or Capital Improvements to the Premises, which Tenant provides under this Lease, shall be paid not less than the highest prevailing rate of wages as required by Section 6.22(E) of the San Francisco Administrative Code, 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. Tenant shall include in any contract for construction of such tenant improvements and Alterations or Capital Improvements 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 labor in the construction of such Tenant Improvement Work or any Alterations or Capital Improvements to the Premises.

24.12 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. Environmental Requirements and Hazardous Materials

25.1 Definitions. As used herein, the following terms shall have the meanings set forth below:

"Environmental Laws" shall mean any present or future federal, state, local or administrative law, rule, regulation, order or requirement relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal, discharge or storage), or to health and safety, industrial hygiene or the environment, including, without limitation, soil, air and groundwater conditions.

"Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is at any time now or hereafter deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health, welfare 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. Section 9601 et

seq.) or pursuant to Section 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

"Investigate and Remediate" ("Investigation" and "Remediation") shall mean the undertaking of any activities to determine the nature and extent of Hazardous Material that may be located in, on, under or about the Site or that has been, are being or threaten to be Released into the environment, and to clean up, remove, contain, treat, stabilize, monitor or otherwise control such Hazardous Material.

"Release" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside the Premises, or in, on, under or about any other part of the Site or into the environment.

25.2 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 Site, or transported to or from the Site, with the sole exception that Tenant may keep and use such substances in the Premises in such reasonably limited amounts as are customarily used for general office purposes (such as copy toner and other normal office and cleaning supplies) and may generate such substances as a result of measures taken pursuant to Article 10 of this Lease that disturb or remove lead-based or presumed lead-based paint from the exterior or interior surfaces of the Premises, so long as such generation, storage, transportation, use, and disposal are in compliance with all applicable Environmental Laws at all times. Tenant shall give immediate written notice to City of: (a) any action, proceeding or inquiry by any governmental authority (including, without limitation, the California State Department of Health Services, the State or any Regional Water Quality Control Board, the Bay Area Air Quality Management district or any local governmental entity) against Tenant with respect to the presence or Release or suspected presence or Release of Hazardous Material on the Premises, or Site or the migration thereof from or to other property; (b) all demands or claims made or threatened by any third party against Tenant or the Premises or Site relating to any loss or injury resulting from any Hazardous Materials; (c) any Release of Hazardous Material on or about the Premises or any other part of the Site has occurred that may require any Investigation or Remediation; and (d) all matters of which Tenant is required to give notice pursuant to Section 25359.7 of the California Health and Safety Code.

25.3 Tenant's Environmental Indemnity. If Tenant breaches any of its obligations contained in this Section, or, if any act or omission of Tenant, its Agents or Invitees, results in any Release of Hazardous Material in, on, under or about the Premises or any other part of the Site in violation of any applicable Environmental Laws, including but not limited to Chapter 36 of the San Francisco Building Code, then, without limiting Tenant's Indemnity contained in Section 18.2, Tenant shall, on behalf of itself and its successors and assigns, Indemnify the Indemnified Parties, and each of them, from and against all Claims (including, without limitation, damages for decrease in value of the Premises or the Site, the loss or restriction of the use of rentable or usable space or of any amenity of the Premises or the Site and sums paid in settlement of claims, attorneys' fees, consultants' fees and experts' fees and costs) arising during or after the Term of this Lease and relating to such Release. The foregoing Indemnity includes, without limitation, costs incurred in connection with activities undertaken to Investigate and Remediate Hazardous Material and to restore the Site to its prior condition, fines

and penalties assessed for the violation of any applicable Environmental Laws, including but not limited to Chapter 36 of the San Francisco Building Code, and any natural resource damages. Without limiting the foregoing, if Tenant or any of its Agents or Invitees, causes or permits the Release of any Hazardous Materials in, on, under or about the Premises or any other part of the Site, Tenant shall immediately and at no expense to City take any and all appropriate actions to return the Premises or the Site affected thereby to the condition existing prior to such Release and otherwise Investigate and Remediate the Release in accordance with all Environmental Laws. Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend the City 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 the City and continues at all times thereafter. Tenant shall afford City a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, or other compromise or proceeding involving Hazardous Material.

25.4 Survival of Obligation. Tenant's obligations under this Section 25 shall survive the Expiration Date or other termination of this Lease.

25.5 Hazardous Substance Disclosure. California law requires landlords to disclose to tenants the presence or potential presence of certain Hazardous Materials. Accordingly, Tenant is hereby advised that occupation of the Premises may lead to exposure to Hazardous Materials such as, but not limited to, gasoline, diesel and other vehicle fluids, vehicle exhaust, office maintenance fluids, tobacco smoke, methane and building materials containing chemicals, such as formaldehyde. Further, there are or are likely to be Hazardous Materials located on the Premises, including but not limited to copies of which have been delivered to or made available to Tenant. By execution of this Lease, Tenant acknowledges that the notices and warnings set forth above satisfy the requirements of California Health and Safety Code Section 25359.7 and related statutes.

25.6 Resource Efficient City Buildings and Pilot Projects. Tenant acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 707 relating to resource-efficient City buildings and resource-efficient pilot projects. Tenant hereby agrees that it shall comply with all applicable provisions of such code sections.

25.7 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 therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Lease as though fully set forth herein. 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.

26. GENERAL PROVISIONS

26.1 **Notices.** Any notice given under this Lease 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 by 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 overnight courier, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by email to the email address 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. Tenant shall promptly provide City with copies of any and all notices received regarding any alleged violation of laws or insurance requirements or any alleged unsafe condition or practice.

26.2 **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. Any consent by City hereunder shall not relieve Tenant of any obligation to secure the consent of City in any other or future instance under the terms of this Lease.

26.3 **Amendments.** Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director, or his or her designee shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Tenant, and

City's agreement may be made upon the sole approval of the Director, or his or her designee; provided, however, material amendments or modifications to this Lease (i) changing the legal description of the Premises, (ii) increasing the Term, (iii) increasing the Rent, (iv) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (v) any other amendment or modification which materially increases the City's liabilities or financial obligations under this Lease shall additionally require the approval of the SFMTA Board of Directors and, where applicable, the City's Board of Supervisors.

26.4 Tenant's Authority. If Tenant signs as a corporation or a partnership, 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.

26.5 Parties and Their Agents; Approvals. The words "City" and "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. As used herein, the term "Agents" when used with respect to either party shall include the agents, employees, officers, contractors and representatives of such party, and the term "Invitees" when used with respect to Tenant shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of Tenant. All approvals, consents or other determinations permitted or required by City hereunder shall be made by or through City's Director unless otherwise provided in this Lease, subject to applicable law.

26.6 Successors and Assigns. Subject to the provisions of this Lease relating to 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.

26.7 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 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 Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

26.8 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California and the City's Charter. This Lease is

governed by and subject to the provisions of the Charter of the City and County of San Francisco and applicable City ordinances and SFMTA regulations.

26.9 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.

26.10 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.

26.11 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.

26.12 Relationship of the 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. 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.

26.13 No Recording. Tenant shall not record this Lease or any memorandum hereof in the public records.

26.14 Options Personal. Any right or option to extend the Term of this Lease or renew this Lease in favor of Tenant 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 Assignment of this Lease or Sublease of the Premises, 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. 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.

26.15 Intentionally Omitted

26.16 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.

26.17 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 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.

26.18 Exercise Of City's Rights. All rights, powers and privileges of City under this Lease, except as otherwise specified in this Lease, may be exercised, on behalf of City, by the Director, or his or her designee, without the approval or consent of the SFMTA Board Directors, or any other board, commission or officer of the City and County of San Francisco, except when such approval or consent is expressly required by the Charter or an ordinance of the City and County of San Francisco, this Lease or by other applicable law. Any designee of the Director must be specified in writing. Copies of such written designation shall be kept on file by the Director.

26.19 Successors. The terms, covenants and conditions contained in this Lease shall be binding on an inure to the benefit of the parties and their successors, except as provided in Section 20.

26.20 Status Of Parties On Termination. If a party elects to terminate this Lease as allowed herein, the parties shall be released from further liabilities and obligations on the date the Lease terminates provided, however that the Tenant may expend funds from the Capital Account to pay for the cost of any winding up or dissolution of the Tenant.

26.21 Surrender Of Premises; Quitclaim Deed. Upon the expiration date or other termination of the Term of this Lease, Tenant shall peaceably quit and surrender to City the Premises together with the Alterations or Capital Improvements approved by City in good order and condition, except for normal wear and tear after Tenant's having made the last necessary repair required on its part under this Lease, and further except for any portion of the Premises condemned and any damage and destruction for which Tenant is not responsible hereunder. The Premises shall be surrendered free and clear of all liens and encumbrances other than liens and encumbrances existing as of the date of this Lease and any other encumbrances created by City. Notwithstanding anything to the contrary in this Lease, City can elect at any time prior to the expiration date of this Lease or within five (5) days after termination of this Lease, to require Tenant to remove, at Tenant's sole expense, all or part of the Alterations or Capital Improvements, or equipment constructed or installed by or at the expense of Tenant. Tenant shall promptly remove such items and shall repair any damage to the Premises resulting from such removal. Such removal and repair shall be considered a Tenant Cost. Tenant's obligations under this Subsection 26.21 shall survive the expiration date or other termination of this Lease.

Tenant shall make an inventory of all its personal property and shall surrender to City all such personal property within the time periods stated in this Subsection 26.21.

Concurrently with the surrender of the Premises, Tenant shall, if requested by City, execute, acknowledge and deliver to City a quitclaim deed to the Premises 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 Alterations or Capital Improvements or equipment which remain part of the Premises. The terms of this Section shall survive the expiration or sooner termination of this Lease.

Upon the expiration or earlier termination of this Lease all funds in the accounts shall be transferred to City or City's designee.

27. INTERPRETATION OF LEASE

27.1 **Effective Date.** This Lease shall become effective on the later of (1) the date upon which SFMTA Board of Directors, and if applicable, the City's Board of Supervisors, in its (their) sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws (ii) the date this Lease is duly executed and delivered by the parties hereto.

27.2 **Amendments.** Neither this Lease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by both parties hereto.

27.3 **Authority.** If Tenant signs as a corporation, 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.

27.4 **Interpretation of Certain Phrases and Terms.** The words "City" and "Tenant" as used herein shall include the plural as well as the singular. 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. When required by the context of this Lease, the singular shall include the plural.

27.5 **Captions and Subheadings.** 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.

27.6 **Arm's Length Transaction.** This Lease has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Lease reviewed and revised by legal counsel. Neither party shall be considered the drafter of this Lease, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Lease.

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 the SFMTA's Board of Directors (and if required the San Francisco Board of Supervisors) shall have duly adopted a resolution approving this Lease and authorizing the transactions contemplated hereby. Therefore, any obligations or liabilities of City hereunder are contingent upon adoption of such a resolution, and this Lease shall be null and void if the SFMTA Board of Directors (or the Board of Supervisors, if required) do not approve this Lease, in its/their sole discretion. Approval of this Lease by the director shall not be deemed to imply that such resolution will be enacted, nor will any such approval create any binding obligations on City.

27.7 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.

27.8 Entire Agreement. This instrument, including the exhibits hereto, which are made apart of this Lease, contains the entire agreement between the parties and all prior written or oral negotiations, understandings and agreements are merged herein. 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 hereof and 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, the Site 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.

27.9 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.

27.10 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.

27.11 Relationship of the 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. 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.

27.12 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.

27.13 Provisions are Covenants and Conditions. All provisions, whether covenants or conditions, on the part of Tenant shall be deemed to be both covenants and conditions.

27.14 Joint and Several Obligations. The term "party" shall mean City or Tenant; and if more than one person or entity is City or Tenant, the obligations imposed on that party shall be joint and several.

27.15 Counterparts. This Lease may be executed in two or more counter parts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.
Remainder of this page intentionally left blank

IN WITNESS WHEREOF, City and Tenant have executed this Lease as of


CITY	LESSEE GARAGE CORPORATION
Recommended:	
<hr/> Amit M. Kothari Director of Off-Street Parking San Francisco Municipal Transportation Agency	<hr/> Hagen Choi President City of San Francisco Japan Center Garage Corporation
Approved:	
<hr/> Edward D. Reiskin Director of Transportation	
Authorized by:	
MUNICIPAL TRANSPORTATION AGENCY BOARD OF DIRECTORS	
Resolution No: _____	
Adopted: _____	
Attest: _____	
Approved as to form:	
Dennis J. Herrera City Attorney	
 Robert K. Stone Deputy City Attorney	

EXHIBIT A

Premises

For and in consideration of the agreements, conditions and terms of this Lease to be performed by Lessee, City hereby leases to Lessee and Lessee hereby hires and takes from City the real property or Site commonly known as the Japan Center Garage in the City and County of San Francisco, State of California, described as follows:

That certain building located in the City and County of San Francisco, commonly known as the Japan Center Garages has two locations. The Main Garage is bounded by Geary Boulevard, Webster, Post and Laguna Streets (Parcel C). The Fillmore Street Annex Garage is bounded by Fillmore, Post, Webster Streets and Geary Boulevard (Parcel C). Parcel "B" is privately owned and not in this Description of Garage Property.

The Premises includes, but is not limited to, that certain real property located in the City and County of San Francisco, more particularly described as follows:

All of that property situate in the City and County of San Francisco, State of California, and being a portion of Parcel "A" and "C" as said parcel is shown and delineated on that certain map entitled "Record of Survey Map of Japanese Cultural Center Garage" recorded September 7, 1965, in book "U" of Maps at pages 83 – 86 inclusive, in the Office of the Recorder of the City and County of San Francisco.

Parcel A - Walls:

BEGINNING at a point on the southerly line of Post Street distant thereon 45.63 feet easterly from the easterly line of Fillmore Street; running thence easterly along said southerly line of Post Street 362.50 feet; thence at a right angle southerly 175.75 feet to the northerly line of Geary Boulevard; thence at a right angle westerly along said northerly line of Geary Boulevard 354.50 feet; thence at a right angle northerly 44.38 feet; thence at a right angle easterly 0.33 feet; thence at a right angle northerly 60.52 feet; thence at a right angle westerly 45.00 feet; thence at a right angle northerly 36.47 feet; thence at a right angle easterly 36.67 feet; thence at a right angle northerly 34.38 feet to the POINT OF BEGINNING.

EXCEPTING THEREFROM the following described parcel:

BEGINNING at a point on a line parallel to and perpendicularly distant 1.50 feet southerly from the southerly line of Post Street, said point being perpendicularly distant 47.13 feet easterly from the easterly line of Fillmore Street; running thence easterly along said line drawn parallel to Post Street 359.50 feet; thence at a right angle southerly 172.75 feet; thence at a right angle westerly 351.50 feet; thence at a right angle northerly 104.90 feet; thence at a right angle westerly 45.00 feet; thence at a right angle northerly 33.47 feet; thence at a right angle easterly 36.67 feet; thence at a right angle northerly 34.38 feet to the POINT OF BEGINNING.

Parcel C - Walls:

BEGINNING at the point on the southerly line of Post Street distant thereon 9.67 feet easterly from the easterly line of Webster Street; running thence easterly along said southerly line of Post Street 683.33 feet; thence at a right angle southerly 95.875 feet; thence at a right angle easterly 1.50 feet; thence at a right angle southerly 100.875 feet to the northerly line of Geary Boulevard; thence at a right angle westerly along said northerly line of Geary Boulevard 378.83 feet; thence at a right angle northerly 8.37 feet; thence at a right angle southerly 0.67 feet; thence at a right angle westerly 108.33 feet; thence deflecting 2 degrees 58'01" to the right from the preceding course and running westerly 90.63 feet; thence deflecting 87 degrees 01'59" to the right from the preceding course and running northerly 26.785 feet; thence at a right angle westerly 89.83 feet; thence at a right angle northerly 158.074 feet to the POINT OF BEGINNING.

EXCEPTING THEREFROM the following described parcel:

BEGINNING at a point on a line drawn parallel to and perpendicularly distant 1.50 feet southerly from the southerly line of Post Street, said point being perpendicularly distant 11.17 feet easterly from the easterly line of Webster Street; running thence easterly along said parallel line 680.33 feet; thence at a right angle southerly 95.875 feet; thence at a right angle easterly 1.50 feet; thence at a right angle southerly 97.875 feet; thence at a right angle westerly 375.83 feet; thence at a right angle northerly 8.37 feet; thence at a right angle westerly 20.33 feet; thence at a right angle southerly 0.67 feet; thence at a right angle westerly 106.79 feet; thence deflecting 2 degrees 58'01" to the right from the preceding course and running westerly 89.17 feet; thence deflecting 87 degrees 01'59" to the right from the preceding course running northerly 26.36 feet; thence at a right angle westerly 89.83 feet; thence at a right angle northerly 155.074 feet to the POINT OF BEGINNING.

EXHIBIT B

Standard Commercial Real Estate Business Terms

All subleasing terms listed below shall be considered by tenant when negotiating use of commercial space within the Premises. The SFMTA reserves the right to approve, disapprove, alter or re-negotiate any and all terms or portions thereof.

1. Lessee
2. Lease Term
3. Rent (base and percentage)
4. Escalation
5. Renewal Options
6. Rent Credits and Allowances
7. Tenant Improvements (TI's)
8. Insurance
 - a) Worker's Compensation
 - b) Commercial General Liability
 - c) Business Automobile Liability
 - d) Professional Liability, if applicable
9. Utilities
10. Broker Fees
11. Appraisal Fees
12. Fair Market Value Appraisal
13. Late Charges
14. Remedies in the Event of Default

Additional business terms for cellular phone sites:

1. Interference
2. Second-tier Sublease Rent

JAPAN CENTER PUBLIC PARKING GARAGE.
LEASE

BY AND BETWEEN

THE CITY AND COUNTY OF SAN FRANCISCO

AND

THE CITY OF SAN FRANCISCO
JAPAN CENTER GARAGE CORPORATION

Dated as of *July 1, 2002*

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JAPAN CENTER PUBLIC PARKING GARAGE LEASE

This lease dated for convenience as of *July 1, 2002* ("Lease"), by and between the City and County of San Francisco, a California municipal corporation ("City"), and the City of San Francisco Japan Center Garage Corporation, a California nonprofit public benefit corporation ("Tenant"), who agree as follows:

0. 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 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:	<i>July 1, 2002</i>
City (Landlord):	City and County of San Francisco
City Designee (Section 31)	Unless otherwise required by charter or ordinance, this Lease or other applicable law, all rights, powers and privileges of City under this Lease may be exercised, on behalf of City, by the City's Executive Director of the Department of Parking and Traffic, or his or her designee as specified in writing.
Tenant:	City of San Francisco Japan Center Garage Corporation, a California non-profit public benefit corporation
Premises (Section 1):	Japan Center Garages. See Exhibit A for more detailed description
Term (Section 2):	Commencement date: <i>July 1, 2002</i> ; Expiration date: <i>July 1, 2017 + 15 year option to renew</i> , exercisable by City (the "Extension Term").
Base Rent (Section 4.1)	<i>\$1.00</i> for Term and <i>\$1.00</i> for Extension Term, if any.
Use (Section 6.1):	Public off street parking facility
Notice Address of City	San Francisco Department of

Parking and Traffic
25 Van Ness Avenue, Suite 420
San Francisco, CA 94102
Attention: Executive Director

with a copy to:

San Francisco Department of Parking and Traffic
25 Van Ness Avenue, Suite 420
San Francisco, CA 94102
Attention: Director of the Parking Authority

with copies to:

Real Estate Department
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Director of Property

and to:

Office of the Controller
City and County of San Francisco
Room 316, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4,682
Attn: Controller
Fax No.: (415) 554-7466

and to:

Office of the City Attorney
City and County of San Francisco
Room 234, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Special Projects Team
Fax No.: (415) 554-4755

Key Contact for City:
Telephone No.:

Director of Parking Authority
Phone: (415) 554-9830
Fax No.: (415) 554-9834

Notice Address for Tenant

City of San Francisco Japan Center Garage
Corporation
1610 Geary Boulevard
San Francisco, CA 94115

With a copy to:

Richard F. Dole, Esq.
221 Greenwich Street
San Francisco, CA 94133
Fax No.: (415) 392-9235

Key Contact for Tenant:

Richard Hashimoto
Corporate Manager
Phone: (415) 567-4573
Fax No. (415) 567-1004

Other Noteworthy Provisions:
(Section 2)

Lease terminable at any time by the City, with or without cause, upon 90 days' notice.

1. **PREMISES**

City leases to Tenant and Tenant leases from City all buildings and improvements described in Exhibit A attached hereto (the "Premises") located on the real property described in Exhibit B attached hereto (the "Site").

2. **TERM**

The term shall commence upon the Commencement Date set forth in the Basic Lease Information set forth above, and shall terminate on the Extension Date set forth in the Basic Lease Information, unless sooner terminated pursuant to the provisions of this Lease (the "Term"); provided, City shall have the right to extend the Term, in its sole discretion, for an additional fifteen (15) year period (the "Extended Term") by delivering written notice of extension to Tenant not less than one hundred twenty (120) days before the Expiration Date. Upon receipt of City's written notice of extension, Tenant may, within thirty (30) days, elect not to extend the Term by delivering to City a written notice of rejection. All terms and conditions of this Lease shall remain the same for the Extended Term, except and to extent the parties agree to an amendment in writing. All references in this Lease to the Term shall include the Extended Term, if applicable. Notwithstanding anything to the contrary above, City shall have the right to terminate this Lease at any time, with or without cause, upon ninety (90) days' written notice to the Tenant. On the Commencement Date, the existing lease between City and Tenant relating to the Premises shall automatically terminate without additional action by either party.

3. **SUITABILITY; ACCEPTANCE**

TENANT ACKNOWLEDGES AND AGREES THAT THE PREMISES ARE BEING LEASED AND ACCEPTED IN THEIR "AS IS" CONDITION, WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, AND SUBJECT TO ALL APPLICABLE LAWS, RULES AND ORDINANCES GOVERNING THEIR USE, OCCUPANCY AND POSSESSION. TENANT REPRESENTS AND COVENANTS TO CITY THAT TENANT HAS INVESTIGATED AND INSPECTED, EITHER INDEPENDENTLY OR THROUGH AGENTS OF TENANT'S OWN CHOOSING, THE CONDITION OF THE PREMISES AND THE SUITABILITY OF THE PREMISES FOR TENANT'S INTENDED USE. TENANT HAS DETERMINED, BASED SOLELY ON ITS OWN INVESTIGATION, THAT THE PREMISES ARE SUITABLE FOR TENANTS BUSINESS AND INTENDED USE. TENANT ACKNOWLEDGES AND AGREES THAT NEITHER CITY NOR ANY OF ITS AGENTS HAVE MADE, AND CITY HEREBY DISCLAIMS,

ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE RENTABLE AREA OF THE PREMISES THE PHYSICAL OR ENVIRONMENTAL CONDITION OF THE PREMISES OR THE PROPERTY, THE PRESENT OR FUTURE SUITABILITY OF THE PREMISES FOR TENANTS BUSINESS, OR ANY OTHER MATTER WHATSOEVER RELATING TO THE PREMISES, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

4. **PAYMENTS BY TENANT**

4.1. **Rent.** At the commencement of the term of this Lease pursuant to Section 2, the Tenant shall pay to City One Dollar (\$1.00) in lawful money of the United States of America, as base rent under this Lease. If the Term is extended as set forth in Section 2 above, Tenant shall pay to City, One Dollar (\$1.00) as base rent for the Extended Term.

4.2. **Tenant Costs.** Tenant shall pay to City any and all charges and other amounts required under this Lease as Tenant Costs (defined below). All such Tenant Costs shall be payable by Tenant to the City at the places and in the manner identified in this Lease. All Tenant Costs shall be included in the expenses and charges reviewed and approved by City. As used in this Lease, the term "rent" shall include the base rent and all additional charges characterized as Tenant Costs, whether or not any such amounts are specifically characterized as rent.

"Tenant Costs" shall include all amounts required to be paid by the Tenant under this Lease that do not qualify as Operating Expenses excluding fines, penalties, costs and charges that result from Tenant's breach or malfeasance. Tenant Costs shall be paid to the City (or any third party) solely from amounts on deposit in the Capital Account, or as otherwise directed by City. To the extent a Tenant Cost results from the acts or omissions of the operator or any other third party, Tenant agrees to use reasonable efforts, at City's request, to recover such amounts from the responsible third party and, if applicable, from an insurer. To the extent Tenant recoups payment of any Tenant Cost from any operator or other third party, such recouped amounts, upon submission of written evidence of recoupment to the City and approval by the City of such written evidence, shall be deposited in the Capital Account, or such other account as may be directed by City. If sufficient uncommitted funds are unavailable in the Capital Account to pay any Tenant Cost and (i) such Tenant Cost is due to the City, then any future deposits authorized to be made to the Capital Account shall be paid to the City until such Tenant Cost is paid, or, (ii) such Tenant Cost is due to a third party, then City may allow Tenant to pay such Tenant Cost from the Revenue Account and any future deposits authorized to be made to the Capital Account shall be paid to the Revenue Account until such Tenant Cost is paid. Nothing in the foregoing shall make City liable for any costs resulting from the acts or omissions of another person or entity, and City's agreement to allow Tenant to pay amounts from any account hereunder shall not be an admission of any liability on the part of City.

4.3. **Late Charges.** Any rent, if not paid within five (5) days following the due date, shall bear interest from the due date until paid at the rate of the prime rate of the financial institution holding the accounts required to be created pursuant to Section 8 plus three percent (3%) per year or, if a higher rate is legally permissible, at the highest rate an individual is permitted to charge under law. 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.

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 shall be paid to City together with such unpaid amount. Such late payment charge shall be considered a Tenant Cost if resulting from the payment failure of any part other than Tenant.

5. TAXES AND ASSESSMENTS

5.1. Taxes, Assessments, Licenses, Permit Fees and Liens.

(a) Tenant recognizes and understands 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.

(b) Tenant agrees to pay taxes of any kind, including possessory interest taxes, that may be lawfully assessed on the leasehold interest hereby created and to pay all other taxes, excises, licenses, permit charges and assessments based on Tenant's usage of the Premises that may be imposed upon Tenant by law, all of which shall be paid when the same become due and payable and before delinquency.

(c) Tenant agrees not to allow or suffer a lien for any such taxes to be imposed upon the Premises or upon any equipment or property located thereon without promptly discharging the same, provided that Tenant, if so desiring, may have reasonable opportunity to contest the validity of the same.

(d) San Francisco Administrative Code Sections 23.6-1 and 23.6-2 require that the City and County of San Francisco report certain information relating to this Lease, and any renewals thereof, to the County Assessor within sixty (60) days after any such transaction, and that Tenant report certain information relating to any assignment of or sublease under this lease to the County Assessor within sixty (60) days after such assignment or sublease transaction. Tenant agrees to provide such information as may be requested by the City to enable the City to comply with this requirement.

6. USE

6.1. Use of Premises; Public Use. Tenant shall use and continuously occupy the Premises as a public of street parking facility. The Premises shall be operated for the benefit and convenience of the public, which shall have the right to use said facility at all times, except as provided below, subject to such rates, charges, hours of operation, regulations and restrictions as may be fixed and established from time to time in accordance with Section 15.

6.2. Other Uses. With the express prior written consent of City, Tenant may use other space in the Premises for commercial purposes, as from time to time it is determined by Tenant that

such space be unsuitable or unnecessary for parking purposes, subject to applicable laws and the requirements of this Lease, including without limitation, Sections 7, 8, 9 and 10.

6.3. Limitations on Use. Tenant's use of the Premises as provided in this Lease shall be in accordance with the following:

(a) Tenant shall not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises.

(b) Tenant shall comply with all laws concerning the Premises or Tenant's use of the Premises, including, without limitation, the obligation to alter, maintain, or restore the Premises in compliance and conformity with all laws relating to the condition, use or occupancy of the Premises during the term of this Lease.

(c) Tenant shall not use the Premises in any manner that will constitute waste, nuisance or unreasonable annoyance to owners or occupants of adjacent properties.

(d) Tenant shall not do anything on the Premises that will cause damage to the Premises. The Premises shall not be overloaded beyond its weight-bearing capacity.

6.4. Waiver of Tenantability. Tenant waives the provisions of California Civil Code Sections 1941 and 1942, or of any law, statute or ordinance now or hereafter in effect, with respect to City's obligations for tenantability of the Premises and Tenant's right to make repairs and deduct the expenses of such repairs from rent.

7. MANAGEMENT OF THE PREMISES

7.1. Approval of Management Agreement. During the term of this Lease, Tenant shall contract, as a professional operator, a person, firm or corporation with a staff experienced in the management and operation of public parking facilities. Tenant's selection of such operator shall be subject to City's prior written approval in accordance with Chapter 17.11 of the Administrative Code of: (i) the manner in which such operator is selected, including the bid process and bid documents; (ii) the terms of the contract engaging such operator and (iii) the identity of the operator. Tenant shall not amend the approved agreement with such operator, or permit any assignment of any interest therein, without obtaining City's written consent. The Parking and Traffic Commission, by approving this Lease, authorizes the Executive Director of City's Parking and Traffic (the "Executive Director") to approve or reject the above matters without the need for further Commission action, so long as the operating agreement does not exceed five (5) years.

7.2. Prevailing Wages. The operation of a public parking facility on the Premises is subject to the provisions of the San Francisco Charter Section A, 7.204, and the San Francisco Administrative Code, Chapter 6, Sections 6.22 (E) (as the same may be amended, supplemented or replaced) relating to working conditions and payment of prevailing wages, and said sections are incorporated in this Lease by this reference and made a part of this Lease as though fully set forth herein. Any employee performing services in connection with the operation of the public parking facility, whether as now existing or as heretofore or at any time hereafter engaged and whether the employee be employed by

Tenant or by the professional operator mentioned in Section 7.1 of this Lease, shall be paid not less than the highest general 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 in private employment performed in San Francisco, California.

8. FISCAL DUTIES AND MATTERS

Any approval rights of the Controller of the City (the "Controller") pursuant to this Lease shall be exercised at the sole discretion of the Controller. Failure of the Controller to exercise such approval rights, except those specified in Section 8.8(e) of this Lease, shall be deemed to be approval by the Controller of any submittals of the Tenant required by this Lease. The Controller shall not be required to keep any item submitted by the Tenant on file.

8.1. Annual Budget/Marketing Plan. For each year or partial year of this Lease, Tenant will prepare and submit to the Parking and Traffic Commission of the City (the "Commission") and the Controller an annual operating budget ("Annual Budget"), in such line item form as from time to time is approved by the Commission and the Controller. Such line item form must include specific entries for professional services of Tenant including legal and accounting fees. The Annual Budget shall include a marketing plan and the payment of marketing expenses shall be approved within the approval of the Annual Budget.

The Tenant will submit the Annual Budget to Commission and the Controller for review, revision and written approval by the Commission and the Controller at least sixty (60) days prior to March 31 of each year. The Commission and the Controller shall approve such Annual Budget by March 31 of each year. The Tenant will revise the Annual Budget in accordance with the revisions made by the Controller and/or the Commission and such revisions will be accepted and administered in good faith by Tenant.

8.2. Submission of Annual Audit and Operating Reports.

(a) Tenant shall render an annual audit of the Garage, in accordance with generally accepted accounting principles and otherwise in a form required by City, to the Commission and the Controller as soon as reasonably possible, but no later than 90 days after April 30th of each year.

(b) Tenant shall, within ten (10) days after the end of each calendar month during the term of this Lease, submit to the Commission and the Controller a correct, detailed and complete statement in writing, on a form approved by the Commission, showing all Gross Revenues and Parking Taxes received and all Operating Expenses incurred during such month. Such statement shall be signed and verified by representatives of Tenant under oath and forwarded to the Controller and the Commission. The Tenant agrees to keep full, true and accurate books, records and accounts at all times during the term of this Lease of the Gross Revenues and Parking Taxes received, the Operating Expenses and Tenant Costs incurred, the details of operation and of such other matters and to render such reports thereon as may be required by the Controller or the Commission. City and its representatives shall at all times have the right to inspect, examine and audit all such records and all accounts established and maintained under this Lease.

8.3. Operation Shall Conform to Budget. Tenant will operate the Premises within the Annual Budget submitted and within the maximum amount established for each line item. Within parameters established by the Commission, offsets between Annual Budget line items will be limited. On an annual basis, the Tenant will not exceed the approved, total Annual Budget. Any additions or changes in line items of the Annual Budget must be approved in writing by the Executive Director and the Controller; provided, any change that increases the overall Annual Budget must also be approved by the Commission. Tenant's failure to manage and operate the Premises within the approved Annual Budget will constitute a material breach under this Lease.

8.4. Creation of Accounts. The Tenant shall establish and maintain special accounts designated as the JCGC Revenue Account for the Japan Center Garage ("Revenue Account"), the JCGC Revenue Tax Account ("Revenue Tax Account"), the JCGC Capital Expenditures Account ("Capital Account") and the Corporate Employee Payroll Account ("CEPA"). Such accounts shall be held by a financial institution approved by the Controller of the City.

8.5. Gross Revenues, Deposits and Transfers. All Gross Revenues collected or received by Tenant arising out of operations of the Premises shall be deposited in the Revenue Account upon receipt. Such deposits shall be made on the same day such amounts are collected if such day is a Banking Day or, if such day is not a Banking Day, on the next succeeding Banking Day. Tenant shall also deposit all collected Parking Taxes into the Revenue Tax Account on the same day such amounts are collected if such day is a Banking Day or, if such day is not a Banking Day, on the next succeeding Banking Day. Tenant shall not commingle any of the above accounts or sources of revenue. If Tenant fails to deposit Gross Revenues or Parking Taxes as specified in this Section 8.5, Tenant shall pay City interest on the amount that was not timely deposited in accordance with Section 4.3 until such time the amount is deposited in the manner prescribed in this Lease. Tenant's failure to deposit Gross Revenues or Parking Taxes on a timely basis shall constitute a material breach and Tenant's obligation to pay interest on funds not deposited shall not limit any other rights or remedies City may have under this Lease with respect to such default.

"Banking Day" shall mean any day which is not a Saturday or Sunday or a day on which banking institutions are authorized or required by law to be closed for commercial banking purposes in San Francisco, California, or by the Federal Reserve System.

"Gross Revenues" shall mean (a) all revenue received by Tenant from whatever source arising out of its lease of the Premises including, without limitation, commercial rents and interest earned on investments or deposits; plus (b) all revenues from whatever source, received from and related to parking operations on the Premises and activities incidental to parking operations including, but not limited to, the following: (1) all revenues received from the operation of the Premises for daily and monthly parking of any vehicle therein; (2) the commission paid to, or on behalf of, Tenant for revenue collected from pay telephones, automatic teller machines and the sale of merchandise in vending machines on the Premises, (3) all charges of any character made by Tenant or any operator for the rendering of any service or work of any kind conducted in, on, about, or from the Premises, (4) the gross amounts of all deposits forfeited by parking customers at the Premises and retained or received by Tenant or any operator in connection with the operation of the Premises, (5) all interest received from the Gross Revenues deposited in the Revenue Account, the Revenue Tax Account and the Capital

Account, (6) fees collected for storage rental and (7) the value of any inkind services received by Tenant or any operator in exchange for a benefit derived from the use of the Premises.

"Parking Taxes" shall mean the Tax on Occupancy of Parking Space in Parking Stations, as imposed by Article 9 of the San Francisco Municipal Code, beginning with Section 601 thereof, and any successor ordinances or amendments thereto, or an other federal, state or local tax or fee imposed on the occupancy of parking spaces.

Subject to reasonable provision for the transfer of funds to the Capital Account as provided below, funds (including all interest accrued on such funds) remaining in the Revenue Account shall be transferred to City on the first day of each month or at such other more frequent periodic intervals as specified in writing by the City. All interest accrued on any other account held by Tenant relating to the Garage shall be transferred City's accounts 30 days after each end of Tenant's fiscal year.

8.6. Payment of Operating Expenses. Periodically, but at least once each month, the City will authorize the withdrawal and transfer of funds from the Revenue Account for the purpose of paying Operating Expenses and purpose of paying the corporate employee salaries and payroll expense. Disbursements from the Revenue Account for the purpose of paying Operating Expenses and Corporate Employee Payroll Account for purpose of paying Corporate employee salaries and payroll expenses shall require the joint signatures of two (2) current members of the Board of Directors of Tenant.

"Operating Expenses" shall mean all direct and indirect operating and routine maintenance and repair expenses incurred in the operation of the Premises, including, without limitation, the following: (1) reasonable salaries, payroll taxes and other payroll expenses, including Corporate employee salaries and payroll expenses; (2) charges for utility services; (3) expenses for repair and maintenance of equipment and furnishings, including, without limitation, a full-service, 24-hour elevator repair contract if the Premises contains one or more elevators; (4) expenses for routine maintenance and repair and for cleaning of the Premises, including, without limitation, expenses related to vandalism or other damage to gates, equipment, supplies or the Premises; (5) the cost of parking tickets, supplies and equipment; (6) license and permit fees not related to an Alteration; (7) the cost of insurance attributable to insuring Tenant's property and insuring Tenant against liability relating to the management and operation of the Premises; (8) the cost of Workers' Compensation Insurance and fidelity and surety bonds; (9) deductible amounts required under any of the insurance policies insuring Tenant; (10) sales taxes and all other taxes resulting from operation of the Premises, except Parking Taxes, (11) real property taxes and possessory interest taxes; (12) the cost of courier deposit services, and (13) all other costs and expenses approved by the City in accordance with Section 8.8 (d), including administrative expenses, amounts paid as a fee or otherwise to any professional operator employed by the Tenant, legal expenses, and all overhead expenses of Tenant not related to the operation of the Premises. *Operating Expenses shall not include any amount characterized as a Tenant Cost or any charges or allowances for depreciation or amortization of Tenant's interest in the Premises.*

8.7. Capital Account. The Capital Account shall be used by Tenant to provide for expenditures for the cost of Alterations. Periodically, but not more than monthly, based on its accounting records, Tenant shall estimate the amount of "Net Revenues" (meaning Gross Revenues

less Operating Expenses) received from the operation of the Premises for the City's fiscal year to date. Subject to the City and Controller's review and approval of the Tenant's estimate, the City shall authorize transfer from the Revenue Account to the Capital Account of an amount not to exceed *twenty-five percent (25%)* of the estimated Net Revenues for the fiscal year to date less all prior transfers to the Capital Account in that fiscal year and all unpaid Tenant Costs.

The City shall approve expenditures, including Tenant Costs, from the Capital Account as part of the approval of the Annual Budget or by resolution of the Commission. All disbursements from the Capital Account shall require the joint signatures of two (2) current members of the Board of Directors of Tenant.

Based on the City's review of Tenant's annual audit for the City's fiscal year in accordance with Section 8.2 (a), the balance in the Capital Account shall be adjusted each such fiscal year to ensure that the amount transferred to the Capital Account does not exceed *twenty-five percent (25%)* of Net Revenues for such. In the event of a deficiency in the Capital Account, and subject to City's prior written approval, moneys shall be transferred from the Revenue Account to the Capital Account. In the event of a surplus in the Capital Account such excess shall be transferred from the Capital Account to the City. Notwithstanding the foregoing, in no event shall the balance in the Capital Account exceed *\$2,000,000*.

8.8. Payment Process for Operating Expenses. Operating Expenses incurred in the operation of the Premises shall be processed for payment or reimbursement as follows:

(a) **Requisitions.** Tenant shall prepare and process, or shall cause to be prepared and processed requisitions that, itemize each Operating Expense for which payment or reimbursement is being requested. Each requisition for Operating Expenses, together with supporting documentation shall be approved by at least two (2) members of the Board of Directors of Tenant and the Operator. The requisition, approved by Tenant, then shall be submitted to the Executive Director and the Controller for their review and approval. *Tenant will not submit any requisition for the payment of legal expenses until such requisition for payment of legal expenses is reviewed by the City Attorney.* Approval by the City Attorney shall constitute a recommendation to the Executive Director and the Controller. Approval by the Executive Director and the Controller shall constitute authorization for the withdrawal of funds from the Revenue Account for payment of the Approved Operating Expense. Tenant promptly will initiate the withdrawal and disbursement procedures.

(b) **Supporting Documentation.** (i) Each item of Operating Expense in a requisition submitted by Tenant will be evidenced by an original invoice accompanying the requisition. The time frame of Tenant's requisition preparation and submittal shall allow adequate review and approval time so as to avoid late payment charges. Tenant will be responsible for the payment of late fees, penalties and similar late payment charges. (ii) All requests for payments for reimbursable salary, wages and benefits will be accompanied by: a payroll record showing the employee name, social security number and work classification; straight time and overtime hours worked for each payroll period; and records which include all "calendar year to date" wages for each employee.

(c) **Operating Expense Warranty.** In preparing and submitting certified requisitions, Tenant warrants to City that each item for which payment is being requested is an Operating Expense

authorized under an existing Annual Budget line item and that the requested payment, together with all previous payments under the subject line item, will not exceed the maximum line item expenditure authorized under the Annual Budget. .

(d) **Third Party Contracts.** The cost of services (including legal and accounting services) or products provided to Tenant (including any operating agreement) exceeding \$10,000 in any fiscal year will be accepted by City for payment as an Operating Expense only if Tenant has complied with the Tenant's selection policy attached hereto as Exhibit D. Tenant shall certify for each applicable Operating Expense that it has complied with its selection policies. The Tenant will not change its selection policies, with respect to this Lease, without the express written approval of the City and the City Attorney.

(e) **Disagreement Resolution.** In the event of a disagreement over an item or an account of Operating Expense, the dispute shall be submitted to the Controller, who shall have the sole authority to determine whether or not a proposed expense is or is not an Operating Expense and the amount thereof approved for disbursement. The decision of the Controller shall be final and binding on all parties.

8.9. Revenue Tax Account. The Tenant shall pay or cause to be paid all Parking Taxes from amounts held in the Revenue Tax Account. All interest earned on amounts held in the Revenue Tax Account shall constitute Gross Revenues and shall be transferred at lease once a year to the Revenue Account.

9. SPECIAL FUNDING OF JAPANTOWN TASK FORCE, INC.

Tenant shall disburse up to \$100,000 annually from the Revenue Account to Japantown Task Force, Inc., a California nonprofit corporation, for five (5) years beginning July 1, 2002 and ending June 30, 2007 (\$500,000 total). In order to obtain any such disbursements the Japantown Task Force shall submit to Tenant on or before December 1 of each year: (i) an annual plan setting forth, in detail, the proposed uses of the funds for the upcoming year May through April fiscal year, and (ii) an annual budget which details the proposed expenditure by line item. The annual plan and the budget shall be subject to the review and approval of Tenant and Landlord's Parking and Traffic Commission or its succeeding entity and City Controller.

To obtain funds, Japantown Task Force shall enter into a Memorandum of Understanding (MOU), Exhibit G with Tenant specifying that the Japantown Task Force will adhere to all requirements of the Sunshine Ordinance.

Disbursements to the Japantown Task Force shall be on a cost reimbursement basis, and shall be conditioned upon conformance with the annual plan and budget and any additional conditions that may be imposed by the Landlord or the Tenant with respect to the use of the funds. In each instance, reimbursements shall be in the form acceptable to the Landlord and the Tenant and shall be submitted with original invoices or other appropriate backup documentation.

The Landlord and the Tenant shall have the right to terminate funding in whole or in part at any time or any reason – and all such funding shall be subject to the restrictions and limitations set forth in

the City's Charter and Administrative code. In the event the annual plan or the budget submitted are not approved for any reason, the MOU shall terminate and be of no further force or effect.

By entering into the MOU, the Japantown Task Force agrees to abide by the City's Sunshine Ordinance and any other applicable City law pertaining to not-for-profit organizations that receive City money. All meetings of the Japantown Task Force shall be open and announced to the public in accordance with the Sunshine Ordinance and the Brown Act pertinent to not-for-profit organizations that receive City money.

This special funding will assist the Japantown Task Force, Inc. to market the Japantown community, and create a long-term conceptual plan for furthering community business and interest. Funds shall also be used for community outreach, signage, urban landscape improvements and sidewalk maintenance. Tenant shall not disburse funds until the Executive Director and City Controller have approved the specific disbursement.

10. ALTERATIONS AND CAPITAL IMPROVEMENTS

10.1. Permitted Alterations. Tenant shall not make or permit any alterations to the Premises or to the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical, communications systems of the Premises ("Building Systems"), and shall not make or permit any capital acquisitions, capital improvements, alterations, installations, additions or improvements, structural or otherwise (collectively, "Alterations"), in, to or about the Premises, without City's express prior written consent in each instance. All Alterations shall be done as a Tenant Cost in accordance with plans and specifications approved by City, only by duly licensed and bonded contractors or mechanics approved by City, and subject to any conditions that City may reasonably impose. With respect to any Alterations which would be visible from the exterior of the building, City may require Tenant, at Tenant's Cost, to obtain the prior written approval of City's Art Commission.

Before the Tenant makes or permits any Alteration involving "Asbestos-Related Work" as defined in Section 25914.1 of the California Health and Safety Code, the Tenant shall post the necessary warning notices required by law. If the alteration relates to an expansion, change in use, construction, Tenant shall also post a sign in accordance with the Citizen's Right to Know Act of 1998 (Chapter 79 of the City's Administrative Code).

Unless otherwise provided by express written agreement, all Alterations of the Premises, except trade fixtures of any subtenants, shall become the property of City and shall remain upon and be surrendered with the Premises. Tenant may not remove any such property at any time during or after the term of this Lease unless the City so requests as further provided under Section 29.

10.2. City's Alteration of the Premises. City reserves the right at any time to make Alterations all or to any part of the Premises, provided that City shall be responsible for any claims of existing tenants or the operator resulting from any such Alterations

10.3. Construction/Acquisition of Capital Improvements. At the request of City and subject to the availability of sufficient uncommitted funds in the Capital Account, Tenant shall acquire,

install, construct and complete items of capital improvements to the Premises. Such items of capital improvement shall be provided (i) in strict accordance with plans and specifications approved in advance by City, (ii) by duly licensed and bonded contractors or mechanics approved by City, (iii) in a good and professional manner, where applicable, in accordance with Section 10. Prior to the acquisition or commencement of any work, Tenant shall procure all required permits and approvals and shall promptly deliver copies of such approvals and permits to the City upon receipt. No material change from the plans and specifications approved by City may be made without prior consent. City shall have the right to inspect the work progress of the capital improvements at all times. Upon completion of the capital improvements, Tenant shall furnish City with a complete set of final as-build plans and specifications or specification of installed equipment. All approved costs and expenses incurred by Tenant in the performance of the obligations set forth in this Section shall be deemed to be a "Capital Improvement Expenditure" under this Lease, and such expenses will be paid from the Capital Account. All capital improvements to the Premises shall be owned by the City.

10.4. Nonresponsibility of City. Tenant agrees that if it or any subtenant shall make any Alterations, they shall not commence until fifteen days after City has received written notice from Tenant stating the commencement date of the installation of the Alterations, in order that the City may post appropriate notices of non-responsibility. Tenant will at all times permit such notices to be posted and to remain posted for the time required by law.

10.5. Bond Financing. Tenant shall not enter into or explore entering into bonded indebtedness (or any other similar indebtedness) using the Premises or Gross Revenues as security without the approval of the City including the Mayor's Office of Public Finance. Tenant shall not engage the services (either through a written or oral contract) of any bond counsel, disclosure counsel, financial advisors, underwriters, continuing disclosure counsel or any other professionals in contemplation of such indebtedness without the express written approval of the City including the City Attorney, with respect to legal counsel, or the Mayor's Office of Public Finance, with respect to financial advisors or underwriters.

11. MECHANICS' LIENS

11.1. Liens. Tenant shall pay all costs for construction done by it or caused to be done by it on the Premises. Tenant shall keep the Premises and all interests therein free and clear of all mechanics' liens and claims of mechanics' liens resulting from construction done by or for Tenant. Tenant shall have the right to contest the correctness or the validity of any such lien if, immediately on demand by the City, Tenant procures and records a lien release bond issued by a corporation authorized to issue surety bonds in California in an amount equal to one and one-half times the amount of the claim of lien. The surety bond shall meet the requirements of Civil Code Section 3143 and shall provide for the payment of any sum that the claimant may recover on the claim (together with costs of suit, if claimant recovers in the action).

11.2. Encumbrances. Tenant shall not create, permit or suffer any liens or encumbrances affecting any portion of the Premises or City's interest therein or under this Lease.

12. UTILITIES AND SERVICES

12.1. Utilities and Services. Tenant shall make all arrangements for and pay from the Revenue Account as an Operating Expense for all utilities and services furnished to or used by it, including, but not limited to, gas, electricity, water, telephone service, janitorial service and trash collection, and for all connection charges, provided, however, that City may elect to furnish some or all of the utility services required by Tenant and, in such event, Tenant shall pay to City the prevailing rates for all such utility services furnished to or used by Tenant together with reasonable charges for the connection and maintenance of such utility services.

12.2. Mandatory or Voluntary Restrictions. In the event any law, ordinance, code or governmental or regulatory guideline imposes mandatory or voluntary controls on City or the Premises or any part thereof, relating to the use or conservation of energy, water, gas, light or electricity or the reduction of automobile or other emissions, or the provision of any other utility or service provided with respect to this Lease, or in the event Tenant is required or elects to make Alterations to any part of the Premises in order to comply with such mandatory or voluntary controls or guidelines, such compliance and the making of such Alterations shall in no event entitle Tenant to any damages, relieve Tenant of the obligation to pay all amounts or to perform each of its other covenants hereunder or constitute or be construed as a constructive or other eviction of Tenant.

13. OPERATION AND CONDITION OF PREMISES

Tenant agrees to maintain and keep the Premises clean and in good condition and repair, to operate therein a first-class public parking garage during the term of this Lease and not to vacate or abandon the Premises during said term. City shall have no responsibility to maintain, or repair, or replace all or any part of the Premises or any Improvements thereon.

14. OPEN MEETINGS/SUNSHINE

14.1. Open Meetings. All meetings of the Board of Directors of Tenant during the term of this Lease shall be open and shall comply, as nearly as practical, with Chapter 67 of the Administrative Code of the City. A failure to comply with this Section 14 shall, at the option of the City, result (i) in a termination of this Lease or (ii) in a removal of members of the Board of Directors of the Tenant or (iii) in no sanctions being imposed. Tenant shall give City written notice of each meeting, including special meetings, of its Board of Directors.

14.2. Sunshine Ordinance. Tenant understands and agrees that under the City's Sunshine Ordinance (SF Administrative Code, Chapter 67) and the State Public Records law (Gov't Code Section 6250 et seq.), this Lease and any and all records, information, and materials submitted to the City hereunder public records subject to public disclosure. Tenant hereby authorizes the City to disclose any records, information and materials submitted to the City in connection with this Lease.

15. RATES, CHARGES, RULES AND REGULATIONS

15.1. Parking Rates and Rules. For all vehicles parked in the Premises, Tenant is authorized and directed to charge and collect parking fees according to Parking Rate Schedule attached

hereto as Exhibit F (collectively "Parking Rates"). From time to time, the Parking Rates charged at this Premises may be adjusted by the appropriate legislative body. In such event, the Director shall give written notice to Tenant as to new rates. Such notice shall specify the effective date of the new rates. Upon receiving such notice, Tenant shall take such measures necessary to implement the new rates on the effective date. Tenant shall not have any right to adjust the authorized parking rates or collect any other rates or charges at the Premises.

15.2. Revenue Control and Parking Receipts. Tenant shall comply, and shall require the operator to comply, with the San Francisco Police Code Sections 4901-4916 and San Francisco Business and Tax Regulation Code Section 6.6-1, which requires parking stations to have revenue control equipment, to provide receipts to occupants, and to have certain signage, all as more fully set forth therein. Any violation of these requirements shall be deemed a breach of this Lease, and City shall have all rights and remedies set forth above Codes as well as the rights and remedies set forth in this Lease, including but not limited to, the right to terminate this Lease.

16. WAIVER OF CLAIMS; INDEMNIFICATION

16.1. Limitation on City's Liability; Waiver of Claims. City shall not be responsible for or liable to Tenant, and Tenant hereby assumes the risk of, and waives and releases City and its Agents (as defined below) from all Claims (as defined below) for, any injury, loss or damage to any person or property in or about the Premises by or from any cause whatsoever including, without limitation, (i) theft, (ii) explosion, fire, earthquake, flood, steam, oil, electricity, water, gas or rain, pollution or contamination, (iii) building defects, and (iv) any other acts, omissions or causes. Nothing herein shall relieve City from liability caused solely and directly by the gross negligence or willful misconduct of City, but City shall not be liable under any circumstances for any consequential, incidental or punitive damages.

16.2. Tenant's Indemnity. Tenant, on behalf of itself and its successors and assigns, shall indemnify, defend and hold harmless ("Indemnify") City including, but not limited to, all of its boards, commissions, departments, agencies and other subdivisions, including, without limitation, its Parking and Traffic Commission and Parking Authority, and all of its and their Agents, and their respective heirs, legal representatives, successors and assigns (individually and collectively, the "Indemnified Parties"), and each of them, from and against any and all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses, including, without limitation, direct and vicarious liability of every kind (collectively, "Claims"), incurred in connection with or arising in whole or in part from: (a) any accident, injury to or death of a person, including, without limitation, employees of Tenant, or loss of or damage to property, howsoever or by whomsoever caused, occurring in or about 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 or occupancy or manner of use or occupancy of the Premises by Tenant, its Agents or Invitees or any person or entity claiming through or under any of them; (d) the condition of the Premises; (e) any construction or other work undertaken by Tenant on the Premises whether before or during the term of this Lease; or (f) any acts, omissions or negligence of Tenant, its Agents or Invitees, in, on or about the Premises or the Property; 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 Claims as are caused exclusively by the willful misconduct or gross negligence 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 Claim. Tenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend the City 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 termination of the Lease.

As used herein, the term "Agents" when used with respect to either party shall include the agents, employees, officers, contractors and representatives of such party, and the term "Invitees" when used with respect to Tenant shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of Tenant.

Any costs of an Indemnified Party incurred pursuant to any Claim not payable from insurance maintained by the Tenant shall be deemed a Tenant Cost.

17. INSURANCE

17.1. Tenant's Insurance. Tenant shall procure and keep in effect or shall cause to be procured and kept in effect at all times during the Term insurance as follows:

(a) Property insurance on an all-risk form, excluding earthquake and flood, but including sprinkler leakage, in the amount of one hundred percent (100%) of the replacement value of the Premises which value is estimated at \$30 million (\$30,000,000). Said policy shall also insure against business interruption, including coverage for the City, in an amount not less than one hundred percent (100%) of Gross Revenues for thirty-six (36) months. Any deductible under such policy shall not exceed \$10,000 for each occurrence. The policy shall contain a standard replacement cost endorsement providing for full replacement and no deduction for depreciation and a stipulated amount endorsement. Such policy shall include the City as named insured. Upon request by the City, Tenant shall obtain earthquake coverage under such property insurance policy, the cost thereof to be an Operating Expense.

(b) Boiler and machinery insurance, comprehensive form, in an amount of \$1,000,000 with respect to loss of or damage to insured objects, and \$7,500 expediting expense insuring ventilating and electrical equipment and any other equipment or machinery typically insured under such a policy, with any deductible not to exceed \$10,000 for each loss. Such policy shall include the City as named insured.

(c) Commercial general liability insurance with limits not less than \$5,000,000 each occurrence, combined single limit for bodily injury and property damage, or in such greater amount and limits as the City may reasonably require from time to time, including coverage for contractual liability, personal injury, broadform property damage, products and completed operations. Any deductible under such policy shall not exceed \$10,000 -for each occurrence.

(d) Business automobile liability insurance with limits not less than \$1,000,000 for each occurrence combined single limit for bodily injury and property damage, including coverage for owned, non-owned and hired automobiles, as applicable. Any deductible under such policy shall not exceed \$10,000 for each occurrence.

(e) Garage-keeper's legal liability insurance with limits not less than \$1,000,000 for each occurrence combined single limit for loss and damage to vehicles in Tenant's care, custody or control caused by fire, explosion, theft, riot, civil commotion, malicious mischief, vandalism or collision, with any deductible not to exceed \$1,000 for each occurrence, and coverage for non-automobile property customarily left in the custody of a garage with a limit of \$5,000.

(f) Worker's Compensation Insurance, including Employers' Liability, with limits not less than \$1,000,000 for each accident, covering all employees employed in or about the Premises to provide statutory benefits as required by the laws of the State of California. Said policy shall be endorsed to provide that the insurer waives all rights of subrogation against the City.

17.2. Additional Requirements.

(a) 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.

(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 liability insurance policies shall be endorsed to provide the following:

(1) Name as additional insured the City and County of San Francisco, its officers, agents and employees, except as otherwise agreed to by City in writing.

(2) 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 other 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.

(e) Tenant shall deliver to City certificates of insurance in form and from insurers satisfactory to City, evidencing the coverage 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, City may procure, at its option, 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 therefore as a Tenant Cost.

(f) Upon City's request, 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 for risks comparable to those associated with the Premises, then Tenant shall, at City's request, increase the amounts or coverage carried by Tenant to conform to such general commercial practice.

(g) Tenant's compliance with the provisions of this Section shall in no way relieve or decrease Tenant's liability under Section 16.2 of this Lease, or any of Tenant's other obligations under this Lease.

(h) Notwithstanding anything to the contrary in this Lease, if any of the required insurance coverage lapses, this Lease shall terminate upon three (3) days notice to Tenant, unless Tenant renews the insurance coverage within notice period.

(i) All insurance and surety companies are subject to approval as to coverage forms and financial security by the City. Insurers and sureties rated by A.M. Best Co. shall have a current rating not less than A-, VIII.

17.3. Compliance with Insurance Requirements. Tenant shall not do anything, or permit anything to be done, in or about the Premises which would be prohibited by or increase the rates under a standard form fire insurance policy or subject City to potential premises liability. Tenant shall faithfully observe, at its expense, any and all requirements to City's Risk Manager with respect to Tenant's use and occupancy of the Premises, so long as such requirements do not unreasonably interfere with Tenant's use of the Premises.

17.4. Bonds. As of the effective date hereof, Tenant shall furnish the City, and shall maintain throughout the term of this Lease, and pay the cost thereof as part of Tenant's Operating Expenses, the following fidelity and surety bonds made payable to the City and naming the City as obligee, as its interests may appear.

(a) Blanket fidelity bond covering all officers and employees of Tenant employed at the Premises, with a limit of \$ 400,000, and any deductible not to exceed \$5,000 for each loss; and

(b) Faithful performance surety bond in the amount of \$ 100,000 in a form substantially similar to that attached as Exhibit E, guaranteeing the faithful performance by Tenant during the term of this Lease of the covenants, terms and conditions of this Lease.

17.5. 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 building, the Premises or otherwise.

17.6. 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 the contents, or any portion thereof, for any loss or damage maintained by such other party with respect to the Premises 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 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.

17.7. Miscellaneous Insurance and Bond Matters.

(a) Two copies of each performance and fidelity bond, and two copies of, each original policy of the property insurance and the boiler and machinery insurance, shall be provided to the City upon the mutual execution of this Lease, unless such bonds or insurance are to be provided by a professional operator in which case such bonds and insurance shall be provided at the time of execution of the agreement with such professional operator. Two copies of each certificate of all other insurance shall be provided to the City upon mutual execution of this Lease, and complete copies of any insurance policies obtained pursuant to this Lease shall be provided to the City if requested at any time.

(b) The City reserves the right to cancel any or all of the insurance required under this Lease and to replace such canceled insurance with one or more master insurance policies providing similar insurance coverage and covering any or all of the parking garages owned or leased by the City. In such event, Tenant shall no longer be required to place and maintain the canceled insurance but may, at its expense, obtain any other insurance it may wish to have. In the event such a master insurance policy replaces a policy of insurance or a portion of a policy of insurance required to be carried by a professional operator pursuant to an operating agreement the premium for which was considered an Operating Expense, then the amount of such premium shall thereafter be deducted from the management fee payable to such professional operator under an operating agreement.

(c) Upon City's request, Tenant shall provide evidence satisfactory to the City that Tenant has adequately provided for Social Security and Unemployment Compensation benefits for Tenant's employees employed at the Premise.

(d) Tenant shall comply with the provisions of any insurance covering Tenant, operator, or the Garage, with any notices, recommendations or directions issued by an insurer under such insurance policies so as to not to adversely affect the insurance coverage or the cost thereof.

(e) In the event that Tenant receives notice that any insurance or bonds are to be or have been cancelled or non-renewed, Tenant shall immediately notify City, in writing, of this threatened cancellation or non-renewal. If Tenant does not provide to the Executive Director satisfactory written certification of renewed or replacement insurance or bonds within five (5) business days of the receipt (if delivered) or mailing date of the aforementioned written notice to City, then City shall have the right to (i) obtain the required insurance or bonds on behalf of Tenant and to deduct the premiums from the Revenue Account, and/or (ii) solely at the City's option, terminate this Lease.

18. DESTRUCTION

18.1. Destruction Due to Risk Covered by Insurance. If, during the term of this Lease, the Premises are totally or partially destroyed from a risk required to be covered by the insurance described in Section 16, rendering the Premises totally or partially inaccessible or unusable, Tenant shall apply the proceeds of such insurance as instructed in writing by City.

18.2. Destruction Due to Risk Not Covered by Insurance. If, during the term of this Lease, the Premises are totally or partially destroyed from a risk not required to be covered by the insurance described in Section 17, rendering the Premises totally or partially inaccessible or unusable, Tenant shall, to the extent feasible, continue to operate the Premises in substantially the same manner as they were being operated immediately before destruction. Such destruction, in and of itself, shall not terminate this Lease; provided, City shall have the right to terminate this Lease following and damage or destruction, at City's Sole discretion, by delivering to Tenant written notice of termination which shall take effect on the date set forth in the notice.

18.3. Waiver. City and Tenant intend that the provisions of this Section 18 govern fully in the event of any damage or destruction and accordingly, City and Tenant each hereby waives the provisions of Section 1932, subdivision 2 and Section 1933, subdivision 4, of the Civil Code of California or of any similar law, statute or ordinance now or hereafter in affect.

19. EMINENT DOMAIN

If, during the term of this Lease there is any taking of all or any part of the Premises or any interest in this Lease by condemnation, all funds received from such taking shall belong to the City, and Tenant shall have no right or interest in any such funds or proceeds.

20. ASSIGNMENT AND SUBLETTING

20.1. Assignment. This Lease may not be assigned, sublet, transferred or hypothecated, in whole or in part, by Tenant without the express written consent of City, which City may withhold in its sole discretion. No assignment shall be effective unless the assignee shall execute an assumption agreement in form, scope and substance satisfactory to City, assuming all the obligations of Tenant hereunder. No subletting shall be effective unless the subtenant shall execute an agreement which provides that the sublease is subject and subordinate to the terms of this Lease.

20.2. Consent. Consent to any assignment, subletting, mortgage or other encumbrance, shall not be deemed to constitute consent to any other attempted assignment, subletting; mortgage or other encumbrance.

20.3. Subordination. This Lease is and shall be subordinate to any reciprocal easement agreement, ground lease, facilities lease or other underlying lease and the lien of any mortgage or deed of trust and all renewals, modifications, consolidations, replacements and extensions of any of the foregoing, that may now exist or hereafter be executed by City affecting the Premises, or any part thereof, or City's interest therein, without the necessity of executing any instrument to effectuate such subordination; provided, however, upon request, Tenant, or Tenant's successor-in-interest, shall execute and deliver any and all instruments desired by City evidencing such subordination in the manner requested by Landlord. Notwithstanding the foregoing, City or the holder shall, in its respective discretion, have the right to subordinate any such interests to this Lease. If any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall attorn to the successor-in-interest to City, at the option of such successor-in-interest. The provisions of this Section 20.3 shall be self-operative and no further instrument shall be required. Tenant agrees, however, to execute and deliver, upon demand by City and in the form requested by City, any additional documents evidencing the priority or subordination of this Lease.

21. DEFAULT

21.1. Tenant's Default. The occurrence of any of the following shall constitute a default by Tenant:

- (a) Abandonment and vacation of the Premises (failure to occupy and operate the Premises for five consecutive days shall be deemed an abandonment and vacation).
- (b) Tenant's misappropriation of any funds, failure to put funds in the appropriate account, failure to adequately account for funds received or spent in any statement to the City, Tenants mismanagement of the Garage (as determined by City in its sole discretion), or Tenant's negligence, fraud, or malfeasance (as determined by City in its sole discretion).
- (c) Failure to perform any other provision of this Lease if the failure to perform is not cured within 30 days after notice has been given to Tenant. If the default cannot reasonably be cured within 30 days but can be cured within 90 days, Tenant shall not be in default of this Lease if Tenant commences to cure the default within the 30 day period, diligently in good faith continues to cure the default, and actually cures default within 90 days.
- (d) Failure of the Tenant to qualify as a public charity 501(c)(3) tax-exempt corporation or a failure to qualify as a nonprofit public benefit corporation pursuant to Section 5110 et seq. of the Corporation's Code of the State of California, or failure to maintain such tax-exempt status.
- (e) Either: (1) the failure of Tenant to pay its debts as they become due, or the written admission of Tenant of its inability to pay its debts, or a general assignment by Tenant for the benefit of creditors; or (2) the filing by Tenant of a petition in voluntary bankruptcy seeking reorganization,

arrangement, liquidation, or other relief under any state or federal law relating to bankruptcy, insolvency, or reorganization or seeking or consenting to the appointment of a trustee, receiver, or liquidator of Tenant or of any substantial part of Tenant's assets; or (3) entry by a court of competent jurisdiction of an order, judgment or decree declaring Tenant an insolvent or adjudging Tenant a bankrupt, or appointing a trustee or receiver for Tenant or of the whole or any substantial part of the Premises, or approving a petition filed against Tenant seeking reorganization of Tenant under any applicable law or statute of the United States of America or any state thereof, if such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or (4) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, unless such seizure is discharged within ten days.

Notices given by the City under this Section 21 shall specify the alleged default and the applicable Lease provisions, and shall demand that Tenant perform the provisions of this Lease or pay the rent or other amount that is in arrears, as the case may be, within the applicable period of time, or quit the Premises. No such notice shall be deemed a forfeiture or a termination of this Lease unless City so elects in the notice.

21.2. City's Remedies. If Tenant commits a default, City shall have the following remedies, in addition to all other rights and remedies allowed by law, or in equity:

(a) The right to terminate this Lease, in which event Tenant shall immediately surrender possession of the Premises and pay to City all amounts held in any accounts established by this Lease, all other amounts constituting Gross Revenues, Parking Taxes, or Tenants Costs and other amounts payable by Tenant under this Lease to the date of such termination.

(b) 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 rent and other amounts 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.

(c) The rights and remedies provided by California Civil Code Section 1951.4 (continuation of lease after breach and abandonment), allowing City to continue this Lease in effect and to enforce all its rights and remedies under this Lease, including the right to recover rent and other amounts 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 may in its sole discretion deem advisable, with the right to make alterations and repairs to the Premises. Upon each such subletting, Tenant shall be liable for rent and other amounts due hereunder, as well as the cost of such subletting and such alterations and repairs incurred by City and the amount, if any, by which rent and other amounts 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 rent and other amounts 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 City may at any time elect to terminate this Lease for such previous default.

(d) 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.

22. SIGNS

Tenants shall not have the right to place, construct, or maintain any sign, advertisement, awning, banner, or other exterior decoration without City's express written consent. Any sign that Tenant shall be permitted to place, construct and maintain shall comply with all laws, and Tenant shall obtain all permits and approvals required by such laws, including, if necessary, approval of the Art Commission of the City and County of San Francisco. City makes no representation with respect to Tenant's ability to obtain such approvals. If requested by City, Tenant, as a Tenant Cost shall remove all signs placed by it on the Premises at the expiration or earlier termination of this Lease. City shall have the right to use for its signs, or for signs placed thereon by others with City's consent, the exterior walls of the Premises.

23. CITY'S ENTRY ON PREMISES

(a) City and its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the following purposes:

(1) To determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease.

(2) To do any necessary maintenance and to make any restoration to the Premises that City has the right or obligation to perform.

(3) To serve, post, or keep posted any notices required or allowed under the provisions of this Lease.

(4) To shore the foundations, footings, and walls of the Premises and to erect scaffolding and protective barricades around and about the Premises, but not so as to prevent entry to the Premises, and to do any other act or thing necessary for the safety or preservation of the Premises if any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street.

(b) City may enter the Premises at any time, without notice, in the event of an emergency. City shall have the right to use any and all means which City may deem proper to open the doors in an emergency in order to obtain entry to the Premises. Any entry to the Premises by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of the Premises, or an eviction of Tenant from the Premises or any portion of them.

(c) City shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of City's entry on the Premises as provided in this Section 23, except damage to Tenant's property (if any) resulting from the gross negligence or willful misconduct of City or its authorized representatives.

(d) City shall use reasonable efforts to conduct its activities on the Premises as allowed in this Section 23 in a manner that will cause the least possible inconvenience, annoyance, or disturbance to Tenant and any approved subtenants.

(e) Tenant shall not alter any lock or install any new or additional locking devices without the prior written consent of City. City shall at all times have a key with which to unlock all locks installed in the Premises (excluding Tenant's vaults, safes or special security areas, if any, designated by Tenant in writing to City).

24. COMPLIANCE WITH CHARTER

The terms and provisions of this Lease shall be governed by and be subject to the provisions of the Charter and Administrative Code of the City and County of San Francisco, as now existing or hereafter amended.

25. COMPLIANCE WITH LAWS

25.1. Laws and Regulations

(a) Tenant, as a Tenant Cost, shall comply with all laws, judicial decisions, orders and regulations of federal, state, county and municipal governments and the departments, courts, commissions, boards and officers thereof pertaining to Tenant's use and occupation of the Premises in effect either at the time of execution of this Lease or at any time during the term and whether or not within the present contemplation of the parties.

(b) Tenant further understands and agrees that it is Tenant's obligation, at its sole cost, to cause the Premises and Tenant's uses thereof to be conducted in compliance with the Americans With Disabilities Act, 42 U.S.C.A. §§ 12101 et seq. Any alteration or capital improvements made by or on behalf of Tenant pursuant to the provisions of this Section shall comply with the provisions of Section 10 of this Lease. 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 obligation under this Section 25.1 shall include, without limitation, the responsibility of Tenant 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 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.

(c) Tenant understands and agrees that City 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 regulatory 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 to be used and occupied in accordance with all laws, orders, regulations and requirements of governmental authorities as provided above.

(d) Tenant understands and agrees that Tenant's use of the Premises and construction of Alterations and capital improvements 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 express written consent of City under this Lease. Tenant shall bear all costs, as a Tenant Cost, associated with applying for and obtaining such regulatory approvals and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval. All costs associated with applying for and obtaining any necessary or appropriate regulatory approval shall be deemed Tenant Costs. Tenant shall Indemnify City and the other Indemnified Parties hereunder against all losses arising in connection with Tenant's failure to obtain or comply with the terms and conditions of any regulatory approval.

25.2. Hazardous Material

(a) As used herein, the following terms shall have the meanings set forth below:

(1) "Environmental Laws" shall mean any present or future federal, state, local or administrative law, rule, regulation, order or requirement relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal, discharge or storage), or to health and safety, industrial hygiene or the environment, including, without limitation, soil, air and groundwater conditions.

(2) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is at any time now or hereafter deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health, welfare 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 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

(3) "Investigate and Remediate" ("Investigation" and "Remediation") shall mean the undertaking of any activities to determine the nature and extent of Hazardous Material that may be located in, on, under or about the environment, Property Premises or the Site or that has been, are being or threaten to be Released or into the environment, and to clean up, remove, contain, treat, stabilize, monitor or otherwise control such Hazardous Material.

(4) "Release" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside the Premises, or in, on, under or about any other part of the Site or into the environment.

(b) 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 Site, or transported to or from the Premises, with the sole exception that Tenant may keep and use such substances in the Premises in such reasonably limited amounts as are customarily used for general office purposes (such as copy toner and other normal office and cleaning supplies) so long as such storage and use are in compliance with all applicable Environmental Laws at all times. Tenant shall immediately notify City if and when Tenant learns or has reason to believe a Release of Hazardous Material on or about the Premises or any other part of the Site has occurred that may require any Investigation or Remediation.

(c) If Tenant breaches any of its obligations contained in this Article, or, if any act or omission of Tenant, its Agents or Invitees, results in any Release of Hazardous Material in, on, under or about the Premises or any other part of the Site, then, without limiting Tenant's Indemnity contained in Section 16, Tenant shall, on behalf of itself and its successors and assigns, Indemnify the Indemnified Parties, and each of them, from and against all Claims (including, without limitation, damages for decrease in value of the Premises or the Site, the loss or restriction of the use of rentable or usable space or of any amenity of the Premises or the Site and sums paid in settlement of claims, attorneys' fees, consultants' fees and experts' fees and costs) arising during or after the Term of this Lease and relating to such Release. The foregoing Indemnity includes, without limitation, costs incurred in connection with activities undertaken to Investigate and Remediate Hazardous Material and to restore the Premises and the Site to their prior condition, fines and penalties imposed by regulatory agencies, and any natural resource damages. Without limiting the foregoing, if Tenant or any of its Agents or Invitees, causes or permits the Release of any Hazardous Materials in, on, under or about the Premises or any other part of the Site, Tenant shall immediately and at no expense to City take any and all appropriate actions to return the Premises or the Site 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 afford City a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, or other compromise or proceeding involving Hazardous Material.

25.3. Public Transit Information. Tenant shall establish and carry on during the term of this Lease a program to encourage maximum use of public transportation by personnel of Tenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Premises and encouraging use of such

facilities.

25.4. Non-Discrimination in City Contracts and Benefits Ordinance

(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, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, 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 mall 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 or in San Francisco 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 with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission. Tenant hereby represents that prior to execution of this Lease, (i) Tenant executed and submitted to the HRC Form HRC-12B-101 with supporting documentation, and (ii) the HRC 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 nondiscrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Lease 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. Such penalty shall be a Tenant Cost.

25.5. 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.

25.6. Tropical Hardwood and Virgin Redwood Ban. The City and County of San Francisco 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 12I.3.b and 12I.4.b of the San Francisco Administrative Code, Tenant shall not provide any items to the construction of Alterations, or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. In the event Tenant fails to comply in good faith with any of the provisions of Section 12I of the San Francisco Administrative 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. Such liquidated damages shall be deemed to be a Tenant Cost.

25.7. Notification of Limitations on Contributions.

(a) San Francisco Campaign and Governmental Conduct Code (the "Conduct Code") Section 3.700 *et. seq.*, and San Francisco Ethics Commission Regulation 3.710(a)-1 – 3.730-1, prohibit the public officials who approved this contract from receiving 1) gifts, honoraria, emoluments or pecuniary benefits of a value in excess of \$50; 2) any employment for compensation; or 3) any campaign contributions for any elective office for a period of up to six years from individuals and entities who are "public benefit recipients" of the contract. Public benefit recipients of the contract are 1) individual, corporation, firm, partnership, association, or other person or entity that is a party to the contract; 2) an individual or entity that has a direct 10% equity, or direct 10% participation, or direct 10% revenue interest in that party at the time the public benefit is awarded; or 3) an individual who is a trustee, director, partner or officer of the contracting party at the time the public benefit is awarded.

(b) Tenant understands that any public official who approved this contract may not accept campaign contributions, gifts, or future employment from Tenant except as provided under the Conduct Code. Tenant agrees to notify any other individuals or entities that may be deemed "public benefit recipients" under the Conduct Code because of this contract. Upon request, Tenant agrees to furnish, before this contract is entered into, such information as any public official approving this contract may require in order to endure such official's compliance with the Conduct Code. Upon request, the City agrees to provide, before this contract is entered into, Tenant with a list of public officials who, under the Conduct Code, approved this contract. Failure of any public official who approved this contract to abide by the Conduct Code shall not constitute a breach by either the City or Tenant of this contract. Notwithstanding anything to the contrary in this contract, neither party shall

have the right to terminate the contract due to any failure by the other party to provide the information described in this paragraph.

25.8. Pesticide Prohibition. Tenant shall comply with the provisions of Chapter 39 of the San Francisco Administrative Code (the "Pesticide Ordinance") which (i) prohibit the use of certain pesticides on City property, (ii) require the posting of certain notices and the maintenance of certain records regarding pesticide usage and (iii) require Tenant to submit to of the City department an integrated pest management ("IPM") plan that (a) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the terms of this Lease, (b) describes the steps Tenant will take to meet the City's IPM Policy described in section 39.1 of the Pesticide Ordinance and (c) identifies, by name, title, address and telephone number, an individual to act as the Tenant's primary IPM contact person with the City.

Nothing herein shall prevent City, on behalf of Tenant, from seeking a determination from the Commission on the Environment that it is exempt from complying with certain portions of the Pesticide Ordinance as provided in Section 39.8 thereof.

25.9. Conflicts of Interest. Tenant states that it is familiar with the provisions of Section C8.105 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 City of all facts-bearing on any possible interests, direct or indirect, which Tenant believes any officer or employee of the City presently has or will have in this Lease or in the performance thereof or in any portion of the profits thereof. Willful failure by Tenant to make such disclosure, if any, shall constitute grounds for the City's termination and cancellation of this Lease.

25.10. Drug-Free Workplace. Tenant acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises. Tenant agrees that any violation of this prohibition by Tenant, its Agents or assigns shall be deemed a material breach of this Lease.

25.11. Prohibition of Tobacco Advertising. Tenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the City, including the Premises and the Site. This prohibition includes 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. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communication the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

25.12. First Source Hiring Plan. Tenant shall comply with the provisions of Chapter 38 of the San Francisco Administrative Code (the "First Source Hiring Program") which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry level positions. Within 30 days after the Commission adopts a First Source Hiring Implementation and Monitoring Plan in accordance with the First Source Hiring Program, Tenant shall enter into a First Source Hiring Agreement meeting applicable requirements of

the First Source Hiring Program. Tenant acknowledges receiving and reviewing the First Source Hiring Program.

25.13. Requiring Minimum Compensation for Employees. Tenant agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12 P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at www.ci.sf.ca.us/MCO. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, Tenant agrees to all of the following:

(a) For each hour worked by a Covered Employee during a Pay Period on work funded under the City contract during the term of this Agreement, Tenant shall provide to the covered Employee no less than the Minimum Compensation, which includes a minimum hourly wage and compensated and uncompensated time off consistent with the requirements of the MCO. For the hourly gross compensation portion of the MCO, the Tenant shall pay \$9.00 an hour through December 31, 2001. On January 1, 2002, Tenant shall increase the hourly gross compensation to \$10.00 and hour; provided, however, that if Tenant is a Nonprofit Corporation or a public entity, it shall be required to pay the increased amount only if the City makes the finding required by Section 12P.3(a)(ii) of the San Francisco Administrative Code. If Tenant is required to increase the gross hourly compensation to \$10.00 an hour, it shall provide the 2.5% annual increase required by the MCO for each of the next three years.

(b) Tenant shall not discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to Tenant's compliance or anticipated compliance with the requirements of the MCO, for opposing any practice proscribed by the MCO, for participation in proceedings related to the MCO, or for seeking to assert or enforce any rights under the MCO by any lawful means.

(c) Tenant understands and agrees that the failure to comply with the requirements of the MCO shall constitute a material breach by Tenant of the terms of this Agreement. The City, acting through the Contracting Department, shall determine whether such a breach has occurred.

(d) If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, Tenant fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Tenant fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City, acting through the Contracting Department, shall have the right to pursue the following rights or remedies and any rights or remedies available under applicable law:

(1) The right to charge Tenant an amount equal to the difference between the Minimum Compensation and any compensation actually provided to a Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law;

(2) The right to set off all or any portion of the amount described in Subsection (d)(1) of this Section against amounts due to Tenant under this Agreement;

(3) The right to terminate this Agreement in whole or in part;

(4) In the event of a breach by Tenant of the covenant referred to in Subsection (b) of this Section, the right to seek reinstatement of the employee or to obtain other appropriate equitable relief; and

(5) The right to bar Tenant from entering into future contracts with the City for three (3) years.

Each of the rights provided in this Subsection (d) shall be exercisable individually or in combination with any other rights or remedies available to the City. Any amounts realized by the City pursuant to this subsection shall be paid to the Covered Employee who failed to receive the required Minimum Compensation.

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

(f) Tenant shall keep itself informed of the current requirements of the MCO, including increases to the hourly gross compensation due Covered Employees under the MCO, and shall provide prompt written notice to all Covered Employees of any increases in compensation, as well as any written communications received by the Tenant from the City, which communications are marked to indicate that they are to be distributed to Covered Employees.

(g) Tenant shall provide reports to the City in accordance with any reporting standards promulgated by the City under the MCO, including reports on subcontractors.

(h) The Tenant shall provide the City with access to pertinent records after receiving a written request from the City to do so and being provided at least five (5) business days to respond.

(i) The City may conduct random audits of Tenant. Random audits shall be (i) noticed in advance in writing; (ii) limited to ascertaining whether Covered Employees are paid at least the minimum compensation required by the MCO; (iii) accomplished through an examination of pertinent records at a mutually agreed upon time and location within ten (10) days of the written notice; and (iv) limited to one audit of Tenant every two years for the duration of this Agreement. Nothing in this Agreement is intended to preclude the City from investigating any report of an alleged violation of the MCO.

(j) Any subcontract entered into by Tenant shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. A subcontract means an agreement between the Tenant and a third party which requires the third party to perform all or a portion of the services covered by this Agreement. Tenant shall notify the Department of Administrative Services when it enters into such a subcontract and shall certify to the Department of Administrative Services that it has notified the subcontractor of

the obligations under the MCO and has imposed the requirements of the MCO on the subcontractor through the provisions of the subcontract. It is Tenant's obligation to ensure that any subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any subcontractor under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Tenant.

(k) Each Covered Employee is a third-party beneficiary with respect to the requirements of subsection (a) and (b) of this Section, and may pursue the following remedies in the event of a breach by Tenant of subsections (a) and (b), but only after the Covered Employee has provided the notice, participated in the administrative review hearing, and waited the 21-day period required by the MCO. Tenant understands and agrees that if the Covered Employee prevails in such action, the Covered Employee may be awarded: (1) an amount equal to the difference between the Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law; (2) in the event of a breach by Tenant of subsection (a) or (b), the right to seek reinstatement or to obtain other appropriate equitable relief; and (3) in the event that the Covered Employee is the prevailing party in any legal action or proceeding against Tenant arising from this Agreement, the right to obtain all costs and expenses, including reasonable attorney's fees and disbursements, incurred by the Covered Employee. Tenant also understands that the MCO provides that if Tenant prevails in any such action, Tenant may be awarded costs and expenses, including reasonable attorney's fee and disbursements, from the Covered Employee if the court determines that the Covered Employee's action was frivolous, vexatious or otherwise an act of bad faith.

(l) If Tenant is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000 (\$50,000 for nonprofits), but Tenant later enters into an agreement or agreements that cause contractor to exceed that amount in a fiscal year, Tenant shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Tenant and this department to exceed \$25,000 (\$50,000 for nonprofits) in the fiscal year.

25.14. 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 herein by reference and made a part of this Lease as though fully set forth herein. The text of the HCAO is currently available on the web at www.ci.sf.ca.us/HACO. 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 part (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 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 reasonable be cured within such 30-day period, Tenant fails to commence efforts to cure within such period, or thereafter fails diligently to 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 of 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 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 request by City, 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 of this Lease. Tenant agrees to cooperate with City in connection with any such audit.

26. NOTICE

Any notice given under this Lease 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 by 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 overnight courier, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by facsimile to the facsimile 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.

27. 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 rent or Tenant Costs 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. Any consent by City hereunder shall not relieve Tenant of any obligation to secure the consent of City in any other or future instance under the terms of this Lease. Any waiver by City of any default must be in writing and shall not be a waiver of any other default concerning the same or any other. provision of this Lease.

28. RECORDATION

This Lease shall not be recorded.

29. SURRENDER OF PREMISES; QUITCLAIM DEED

Upon the expiration date or other termination of the Term of this Lease, Tenant shall peaceably quit and surrender to City the Premises together with the Alterations approved by City in good order and condition, except for normal wear and tear after Tenant's having made the last necessary repair required on its part under this Lease, and further except for any portion of the Premises condemned and any damage and destruction for which Tenant is not responsible hereunder. The Premises shall be surrendered free and clear of all liens and encumbrances other than liens and encumbrances existing as of the date of this Lease and any other encumbrances created by City. Notwithstanding anything to the contrary in this Lease, City can elect at any time prior to the expiration date of this Lease or within five (5) days after termination of this Lease, to require Tenant to remove, at Tenant's sole expense, all or part of the Alterations or other improvements, or equipment constructed or installed by or at the expense of Tenant. Tenant shall promptly remove such items and shall repair any damage to the Premises resulting from such removal. Such removal and repair shall be considered a Tenant Cost.

Tenant's obligations under this Section 29 shall survive the expiration date or other termination of this Lease.

Tenant shall make an inventory of all its personal property and shall surrender to City all such personal property within the time periods stated in this Section 29.

Concurrently with the surrender of the Premises, Tenant shall, if requested by City, execute, acknowledge and deliver to City a quitclaim deed to the Premises 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 Alterations or equipment which remain part of the Premises.

30. TIME OF ESSENCE

Time is of the essence of each provision of this Lease.

31. EXERCISE OF CITY'S RIGHTS

All rights, powers and privileges of City under this Lease, except as otherwise specified in this Lease, may be exercised, on behalf of City, by the Executive Director, or his or her designee, without the approval or consent of the Board of Supervisors, or any other board, commission or officer of the City and County of San Francisco, except when such approval or consent is expressly required by charter or ordinance of the City and County of San Francisco, this Lease or by other applicable law. Any designee of the Executive Director must be specified in writing. Copies of such written designation shall be kept on file by the Executive Director.

32. SUCCESSORS

The terms, covenants and conditions contained in this Lease shall be binding on an inure to the benefit of the parties and their successors, except as provided in Section 16.

33. REAL ESTATE BROKERS; FINDERS

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. In the event that any 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 Claims incurred by the Indemnified Party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

34. STATUS OF PARTIES ON TERMINATION

Except as provided in Section 16 and Section 29, if a party elects to terminate this Lease as allowed herein, the parties shall be released from further liabilities and obligations on the date the Lease terminates provided, however that the Tenant may expend funds from the Capital Account to pay for the cost of any winding up or dissolution of the Tenant.

35. INTERPRETATION OF LEASE

35.1. Effective Date. This Lease shall become effective on the later of (1) the date upon which City's Board of Supervisors and the Mayor, in their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws (ii) the date this Lease is duly executed and delivered by the parties hereto.

35.2. Amendments. Neither this Lease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by both parties hereto.

35.3. Authority. If Tenant signs as a corporation, 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.

35.4. Interpretation of Certain Phrases and Terms. The words "City" and "Tenant" as used herein shall include the plural as well as the singular. 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 day other than a Banking Day, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding Banking 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.

35.5. Captions and Subheadings. 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.

35.6. Arms Length Transaction. 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.

35.7. 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.

35.8. Entire Agreement. This instrument, including the exhibits hereto, which are made apart of this Lease, contains the entire agreement between the parties and all prior written or oral negotiations, understandings and agreements are merged herein. 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 hereof and 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, the Site 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.

35.9. 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.

35.10. 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.

35.11. 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.

35.12. Relationship of the 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. 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.

35.13. 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.

35.14. California Law. This lease shall be construed and interpreted in accordance with the laws of the State of California.

35.15. Provisions are Covenants and Conditions. All provisions, whether covenants or conditions, on the part of Tenant shall be deemed to be both covenants and conditions.

35.16. Singular and Plural. When required by the context of this lease, the singular shall include the plural.

35.17. Joint and Several Obligations. The term "party" shall mean City or Tenant; and if more than one person or entity is City or Tenant, the obligations imposed on that party shall be joint and several.

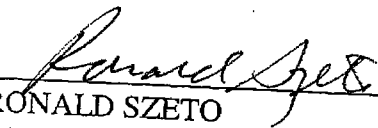
35.18. Counterparts. This Lease may be executed in two or more counter parts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

Board Resolution No. 396-02
File No.020634
Adopted June 10, 2002

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

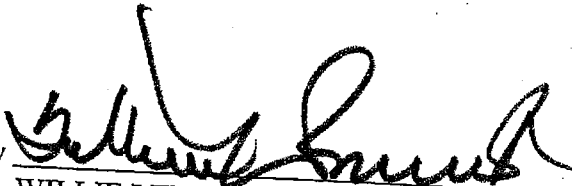
RECOMMENDED:

DEPARTMENT OF PARKING AND TRAFFIC
OF THE CITY AND COUNTY OF
SAN FRANCISCO

By 
RONALD SZETO
Director, Parking Authority
Department of Parking and Traffic

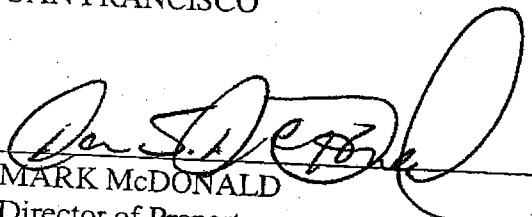
CITY:

CITY AND COUNTY OF
SAN FRANCISCO

By 
WILLIE LEWIS BROWN
Mayor

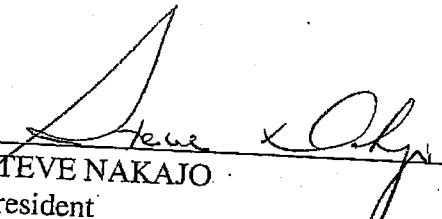
RECOMMENDED:

REAL ESTATE DEPARTMENT
CITY AND COUNTY OF
SAN FRANCISCO


MARK McDONALD
Director of Property

TENANT:

CITY OF SAN FRANCISCO
JAPAN CENTER GARAGE CORPORATION

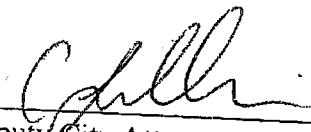

STEVE NAKAJO
President

APPROVED AS TO FORM:

DENNIS HERRERA
City Attorney

ATTEST:

CITY OF SAN FRANCISCO
JAPAN CENTER GARAGE CORPORATION

By: 
Deputy City Attorney

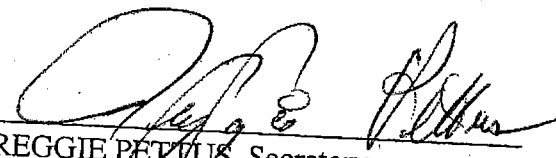
By: 
REGGIE PETTUS, Secretary

EXHIBIT A

PREMISES

Japan Center Garages
Description of Garage Property

That certain building located in the City and County of San Francisco, commonly known as the Japan Center Garages has two locations. The Main Garage is bounded by Geary Boulevard, Webster, Post and Laguna Streets (Parcel C). The Fillmore Street Annex Garage is bounded by Fillmore, Post, Webster Streets and Geary Boulevard (Parcel C). Parcel "B" is privately owned and not in this Description of Garage Property.

The Premises includes, but is not limited to, that certain real property located in the City and County of San Francisco, more particularly described as follows:

All of that property situate in the City and County of San Francisco, State of California, and being a portion of Parcel "A" and "C" as said parcel is shown and delineated on that certain map entitled "Record of Survey Map of Japanese Cultural Center Garage" recorded September 7, 1965, in book "U" of Maps at pages 83 – 86 inclusive, in the Office of the Recorder of the City and County of San Francisco.

Parcel A - Walls:

BEGINNING at a point on the southerly line of Post Street distant thereon 45.63 feet easterly from the easterly line of Fillmore Street; running thence easterly along said southerly line of Post Street 362.50 feet; thence at a right angle southerly 175.75 feet to the northerly line of Geary Boulevard; thence at a right angle westerly along said northerly line of Geary Boulevard 354.50 feet; thence at a right angle northerly 44.38 feet; thence at a right angle easterly 0.33 feet; thence at a right angle northerly 60.52 feet; thence at a right angle westerly 45.00 feet; thence at a right angle northerly 36.47 feet; thence at a right angle easterly 36.67 feet; thence at a right angle northerly 34.38 feet to the POINT OF BEGINNING.

EXCEPTING THEREFROM the following described parcel:

BEGINNING at a point on a line parallel to and perpendicularly distant 1.50 feet southerly from the southerly line of Post Street, said point being perpendicularly distant 47.13 feet easterly from the easterly line of Fillmore Street; running thence easterly along said line drawn parallel to Post Street 359.50 feet; thence at a right angle southerly 172.75 feet; thence at a right angle westerly 351.50 feet; thence at a right angle northerly 104.90 feet; thence at a right angle westerly 45.00 feet; thence at a right angle northerly 33.47 feet; thence at a right angle easterly 36.67 feet; thence at a right angle northerly 34.38 feet to the POINT OF BEGINNING.

Parcel C - Walls:

BEGINNING at the point on the southerly line of Post Street distant thereon 9.67 feet easterly from the easterly line of Webster Street; running thence easterly along said southerly line of Post Street 683.33 feet; thence at a right angle southerly 95.875 feet; thence at a right angle easterly 1.50 feet; thence at a right angle southerly 100.875 feet to the northerly line of Geary Boulevard; thence at a right angle westerly along said northerly line of Geary Boulevard 378.83 feet; thence at a right angle northerly 8.37 feet; thence at a right angle southerly 0.67 feet; thence at a right angle westerly 108.33 feet; thence deflecting 2 degrees 58'01" to the right from the preceding course and running westerly 90.63 feet; thence deflecting 87 degrees 01'59" to the right from the preceding course and running northerly 26.785 feet; thence at a right angle westerly 89.83 feet; thence at a right angle northerly 158.074 feet to the POINT OF BEGINNING.

EXCEPTING THEREFROM the following described parcel:

BEGINNING at a point on a line drawn parallel to and perpendicularly distant 1.50 feet southerly from the southerly line of Post Street, said point being perpendicularly distant 11.17 feet easterly from the easterly line of Webster Street; running thence easterly along said parallel line 680.33 feet; thence at a right angle southerly 95.875 feet; thence at a right angle easterly 1.50 feet; thence at a right angle southerly 97.875 feet; thence at a right angle westerly 375.83 feet; thence at a right angle northerly 8.37 feet; thence at a right angle westerly 20.33 feet; thence at a right angle southerly 0.67 feet; thence at a right angle westerly 106.79 feet; thence deflecting 2 degrees 58'01" to the right from the preceding course and running westerly 89.17 feet; thence deflecting 87 degrees 01'59" to the right from the preceding course running northerly 26.36 feet; thence at a right angle westerly 89.83 feet; thence at a right angle northerly 155.074 feet to the POINT OF BEGINNING.

Exhibit B

REAL PROPERTY

PARKING EQUIPMENT

QUANTITY	DESCRIPTION (INCLUDE MANUFACTURER, MODEL NO, ETC.)
7	AMANO AGP-1712 GATES W/ FOLDING ARM ASSEMBLIES
3	AMANO TF-2590 TICKET DISPENSERS
3	AMANO TF-7550 AUTOMATIC PAY STATIONS WITH BILL CHANGER
4	AMANO TF-6500 LAG TIME READERS
10	TALK-A-PHONE INTERCOM SUB STATIONS
2	TALK-A-PHONE MASTER STATIONS
7	"FULL" SIGNS
8	SINGLE CHANNEL LOOP DETECTORS
8	DUAL CHANNEL LOOP DETECTORS
6	DATA CONVERTERS - TC-CONV
2	UPS - OMNIPRO 450 - BATTERY BACK UP
6	AVR 500 BATTERY BACK-UP
7	UPS - POWER GUARD PX10-17 - BATTERY BACK UP
6	EAGLE SIGNAL LIGHTS
2	MULTIPLEXORS (TDM-8)
53	AMANO HR-200 HAND VALIDATORS
4	AMANO ANR-4 SPARE NOTE ACCEPTOR
1	AMANO CE-950000 SPARE PAY MACHINE PRINTER UNIT
1	AMANO MF-390000 SPARE VALIDATOR PRINT ASSEMBLY
1	AMANO MT-010090 SPARE TICKET DISPENSER PRINT ASSEMBLY
4	AMANO FA-010102 SPARE CASH DRAWER TRAYS
2	AMANO FA-010300 SPARE CASH DRAWER ASSEMBLIES
4	VIEW MAGIC 9" MONITORS
4	FEE COMPUTER PRINTERS
4	PREH COMMANDER KEYBOARDS
4	CASH DRAWERS
1	DATAPARK PAYSTATION
4	TICKET VALIDATORS
6	HID CARD READERS

CASHIER'S OFFICE

QUANTITY	DESCRIPTION
1	MOSLER DROP SAFE
1	REPLACEMENT SAFE FOR CHANGE
1	HON METAL DESK W/ RETURN
1	WORKSTATION DESK
1	STEEL STORAGE CABINET
1	CUMMINS JET SCAN CURRENCY COUNTER
1	ERGONOMIC TASK CHAIR
1	ACRO PRINT ATTENDANCE TIME CLOCK

1 LOT	OPERATIONAL CONSUMABLES (TICKETS, PAPER, INK RIBBONS, PENS, ETC.)
-------	-------------------------------------------------------------------

OFFICE EQUIPMENT

QUANTITY	DESCRIPTION
1	DELL DIMENSION 4100 SERIES COMPUTER SERIAL NO. JO2PVO1
1	DELL DIMENSION 4100 SERIES COMPUTER SERIAL NO. CO2PVO1
1	COMPAQ PRESARIO 7000T-733 COMPUTER - DEL. DATE 10/20/00
1	COMPAQ PRESARIO 4504 COMPUTER
1	LMA COMPUTER
5	15" COLOR MONITORS VARIOUS MANUFACTURES
1	OKIDATA OL-600E LASER PRINTER
1	HEWLETT PACKARD DESKJET 5L PRINTER
1	HP DESKJET 722C COLOR PRINTER
1	IOMEGA EXTERNAL ZIP DRIVE
3	60" WORK STATION DESKS
3	DRAWER UNITS ON CASTERS
1	HUTCH UNIT FOR DESK
1	MANAGER'S DESK WITH RIGHT HAND RETURN
1	SHARP AR200S DIGITAL COPIER W/ADD'L PAPER TRAY
1	TOSHIBA DK 40 TELEPHONE SYSTEM WITH VOICE MAIL
1	72 X 36 CONFERENCE TABLE
6	GUEST CHAIRS
3	ERGONOMIC TASK CHAIRS WITH ADJUSTABLE ARM RESTS
1	POSTURE TECH CHAIR
2	2 DRAWER HON LATERAL FILE CABINETS
3	DESK TOP ADDING MACHINES
1	PANASONIC KX-FP250 PLAIN PAPER FAX
1	8' FOLDING TABLE
2	WALL CLOCKS
1	POLAROID 600 INSTANT CAMERAS
1	KODAK DIGITAL CAMERA SERIAL NO. EKS01001373
1	EUREKA UPRIGHT VACUUM CLEANER
1 LOT	MISC.OFFICE EQUIPMENT (STAPLERS, LAMPS, HOLE PUNCHERS, ETC.)
1 LOT	MISCELLANEOUS OFFICE CONSUMABLES (PAPER GOODS, ETC.)

MISCELLANEOUS EQUIPMENT

QUANTITY	DESCRIPTION
1	TENNANT 7400 RIDER SCRUBBER
1	TENNANT 6500 RIDER SWEEPER
1	TENNANT 5700 WALK BEHIND SCRUBBER
1	SONY SVT-L200 TIME LAPSE TAPE RECORDER
1 LOT	CONVERSION OF B&W CAMERAS TO COLOR CONSISTS OF:
19	COLOR CAMERAS
1	19" COLOR MONITOR

1	17" COLOR MONITOR
2	13" COLOR MONITORS
1	16 CAMERA MULTI VISION PROCESSOR
2	QUAD CAMERA PROCESSOR
1 LOT	VARIOUS FREE STANDING SIGNAGE
1	1987 CUSHMAN PATROL VEHICLE
1	PANASONIC MICROWAVE OVEN
3	LADDERS
2	BICYCLE RACK
2	HAND TRUCKS
5	TWO-WAY RADIOS WITH CHARGING UNIT

EXHIBIT C

DEFINITIONS

The term "Agents" shall have the meaning ascribed to such term in Section 16.2 of the Lease.

The term "Alterations" shall have the meaning ascribed to such term in Section 10 of the Lease.

The term "Annual Budget" shall have the meaning ascribed to such term in Section 8.1 of the Lease.

The term "Asbestos Related Work" shall have the meaning ascribed to such term in Section 10.1 of the Lease.

The term "Banking Day" shall have the meaning ascribed to such term in Section 8.5 of the Lease.

The term "Basic Lease Information" shall have the meaning ascribed to such term on page five of the Lease.

The term "Building Systems" shall have the meaning ascribed to such term in Section 10.1 of the Lease.

The term "Capital Account" shall have the meaning ascribed to such term in Section 8.7 of the Lease.

The term "Capital Improvement Expenditure" shall have the meaning ascribed to such term in Section 10.3 of the Lease.

The term "City" shall have the meaning ascribed to such term on page five of the Lease.

The term "Claims" shall have the meaning ascribed to such term in Section 16.2 of the Lease.

The term "Commission" shall have the meaning ascribed to such term in Section 8.1 of the Lease.

The term "Controller" shall have the meaning ascribed to such term in Section 8 of the Lease.

The term "Executive Director" shall have the meaning ascribed to such term in Section 7.1 of the Lease.

The term "Gross Revenue" shall have the meaning ascribed to such term in Section 8.5 of the Lease.

The term "Indemnify" shall have the meaning ascribed to such term in Section 16.2 of the Lease.

The term "Indemnified Party" shall have the meaning ascribed to such term in Section 16.2 of the Lease.

The term "Invitees" shall have the meaning ascribed to such term in Section 16.2 of the Lease.

The term "Lease" shall have the meaning ascribed to such term on page five of the Lease.

The term "Net Revenues" shall have the meaning ascribed to such term in Section 8.7 of the Lease.

The term "Operating Expenses" shall have the meaning ascribed to such term in Section 8.6 of the Lease.

The term "Parking Taxes" shall have the meaning ascribed to such term in Section 8.5 of the Lease.

The term "Party" shall have the meaning ascribed to such term in Section 35.17 of the Lease.

The term "Premises" shall have the meaning ascribed to such term in Section 1 of the Lease.

The term "Rent" shall have the meaning ascribed to such term in Section 4.1 of the Lease.

The term "Revenue Account" shall have the meaning ascribed to such term in Section 8.4 of the Lease.

The term "Revenue Account" shall have the meaning ascribed to such term in Section 8.5 of the Lease.

The term "Revenue Tax Account" shall have the meaning ascribed to such term in Section 8.5 of the Lease.

The term "Site" shall have the meaning ascribed to such term in Section 1 of the Lease. The term "Tenant's Cost" shall have the meaning ascribed to such term in Section 4.2 of the Lease.

The term "Tenant" shall have the meaning ascribed to such term on page five of the Lease.

EXHIBIT D

TENANT THIRD PARTY CONTRACT SELECTION POLICY

In the process for payment or reimbursement of Operating Expenses involving the acquisition of materials, supplies, equipment and contractual services and for acquisitions from its Capital Account, Tenant shall observe the following procedures where applicable: (i) Tenant shall comply with the requirements of Sections 21.5, 21.6, 21.7, 21.8, 21.9, 21.13, and 21.18 of the San Francisco Administrative Code. Provided, that references to "Purchaser" in said Sections (other than 21.18) shall mean Tenant, "Director of Administrative Services" shall mean Executive Director and all other references to City officers, Code or Charter provisions shall not apply; (ii) CCSF Purchasing Department Section 21.18 Regulations, paragraphs I-VI, VIIA, VIIB, IX, X, MA, XIB and XIC shall apply to Tenant's acquisitions under Administrative Code Section 21.18. Provided, that references of delegation to "departments" shall include Tenant and references to "City" shall mean Tenant; (iii) Where the Administrative Code or Regulations require competitive bid or request for proposed procedures, Tenant shall include in its solicitation process at least three suppliers from a list of suppliers approved by the Human Rights Commission; and (iv) The guidelines set forth in the "Controller Budget & Financial Guidelines-for City & County of San Francisco Non-Profit Garages" shall apply to Tenant's performance of its budget, requisition and reporting requirements under this Lease.

Any of the procedures or requirements outlined above for the acquisition of materials, supplies, equipment or contractual services by Tenant may be modified or waived with authorization in writing from the Executive Director.

EXHIBIT E

FORM OF SURETY BOND

(Surety)

KNOW ALL MEN BY THESE PRESENTS:

That we [Name of Tenant], as Principal, and [Surety Company], a _____, as Surety, are held and firmly bound unto the City and County of San Francisco, as Obligee, in the sum of _____ (\$ _____) lawful money of the United States of America, to be paid to the City and County of San Francisco for which payment, well and truly to be made, we bind ourselves, our heirs, executors and successors, jointly and severally, firmly by these presents.

THE CONDITION OF THE FOREGOING OBLIGATION is such that

WHEREAS, said Principal has entered into a Lease, effective _____, 200__, with the City and County of San Francisco, for the operation of a certain parking facility owned by the City located at _____, San Francisco, California, and is required to give this bond in connection therein.

NOW, THEREFORE, the condition of this obligation is such that if the Principal shall faithfully perform all of the covenants, terms and conditions of said Lease (which by reference is made a part hereof), then this obligation shall be null and void, otherwise to remain in full force and effect; and shall be effective _____, 200__; provided that the Surety hereby agrees to give at least thirty (30) days written notice by certified mail to the City at the following address prior to the expiration or any termination of this bond for any reason:

Director
Parking Authority of the City and County of San Francisco
c/o San Francisco Department of Parking and Traffic
25 Van Ness Avenue, Suite 420
San Francisco, CA 94102

and

The Controller
City and County of San Francisco
Office of the Controller
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Signed, sealed and dated this _____ day of _____, 200__

Principal:

Surety:

Exhibit F

PARKING RATES
Effective October 1, 2000

1. HOURLY RATES

0-1 Hour	\$ 1.25
1-2 Hours	\$ 2.50
2-3 Hours	\$ 3.75
3-4 Hours	\$ 5.00
4-5 Hours	\$ 6.50
5-6 Hours	\$ 8.00
6-7 Hours	\$ 10.00
7-24 Hours	\$ 12.00

Motorcycle (per day) \$ 3.00

2. EARLY BIRD SPECIAL \$ 8.00

ENTER between 6:00 a.m. and 9:30 a.m.

EXIT before 7:00 p.m.

Mondays through Fridays

3. MONTHLY PARKING

Unrestricted (7 days, 24 hours) \$ 125.00 month

Restricted Monthlies (Mon. to Fri., 5 a.m. to 9 p.m.) \$ 100.00 month

Carpool (7 days, 3 or more per vehicle) \$ 75.00 month

4. LOST TICKET CHARGE \$ 12.00 day

5. FIRST HOUR FREE VALIDATION Merchant pays \$ 0.75 per use.
Patron pays appropriate parking charges thereafter.

6. THREE HOURS FREE VALIDATION Merchant pays \$ 2.50 per use
Patron pays appropriate parking charges thereafter.

7. AMC KABUKI 8 THEATRE 3 HOUR VALIDATION \$ 2.50
Patron pays entire validation amount and appropriate parking charges thereafter.

OTHER CHARGES

8. LOST ACCESS CARD \$ 25.00

9. LATE CHARGE \$ 25.00

EXHIBIT G

MEMORANDUM OF UNDERSTANDING
RELATING TO JAPAN CENTER PARKING GARAGE

This Memorandum of Understanding (this "MOU") is entered into this 1st day of July 2002, by and between the City of San Francisco Japan Center Garage Corporation, a nonprofit public benefit corporation (the "Garage Corporation"), and the Japantown Task Force, Inc., a California nonprofit corporation (the "Task Force").

The Garage Corporation is the tenant of that certain property commonly referred to as the Japan Center Parking Garage (the "Garage") pursuant to that certain lease (the "Lease") entered into by and between the Garage Corporation and the City and County of San Francisco, a municipal corporation, acting by and through its Department of Parking and Traffic (the "City"), and dated as of July 1, 2002.

Subject to the City's consent as part of the annual budgetary process for the Garage, the Garage Corporation may disburse pre-approved operating funds from the Garage to the Task Force in an amount up to One Hundred Thousand Dollars (\$100,000) per year for the five years beginning July 1, 2002 and ending June 30, 2007.

In order to obtain any such disbursements the Task Force shall submit to the Garage Corporation on or before December 1 of each year: (i) an annual plan setting forth, in detail, the proposed uses of the funds for the upcoming year May through April fiscal year, and (ii) an annual budget which details the proposed expenditures by line item. The annual plan and budget shall be subject to the review and approval of the Garage Corporation, as well as the Parking and Traffic Commission, or its succeeding entity and the City's Controller.

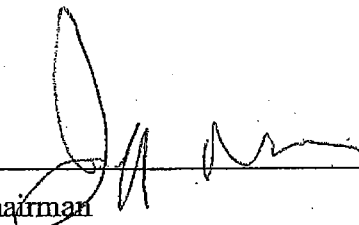
Disbursements to the Task Force shall be on a cost reimbursement basis, and shall be conditioned upon conformance with the annual plan and budget and any additional conditions that may be imposed by the City or the Garage Corporation with respect to the use of the funds. In each instance, reimbursements shall be in the form acceptable to the City and the Garage Corporation and shall be submitted with original invoices or other appropriate backup documentation.

The City and the Garage Corporation shall have the right to terminate funding in whole or in part at any time or any reason – and all such funding shall be subject to the restrictions and limitations set forth in the City's Charter and Administrative code. In the event the annual plan or the budget submitted are not approved for any reason, this MOU shall terminate and be of no further force or effect.

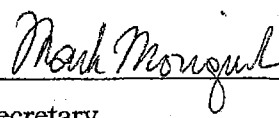
By entering into this MOU, the Task Force agrees to abide with the City's Sunshine Ordinance and any other applicable City law pertaining to not-for-profit organizations that receive City money. All meetings of the Task Force shall be open and announced to the public in accordance

with the Sunshine Ordinance and the Brown Act pertinent to not-for-profit organizations that receive City money.

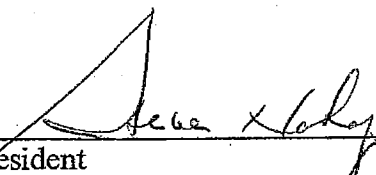
By signing this MOU in the space provided below, each person represents that he or she is authorized to sign on the behalf of the named entity, and that all required actions have been taken to authorize the execution, delivery and performance of this MOU.



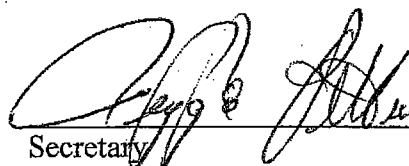
Chairman
Japantown Task Force, Inc. 9/3/02 Date



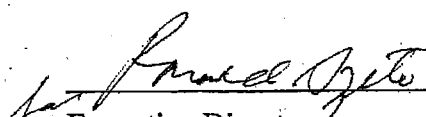
Secretary
Japantown Task Force, Inc. 9/3/02 Date



President
City of SF Japan Center Garage Corp. 8/30/02 Date



Secretary
City of SF Japan Center Garage Corp. 9/3/02 Date



Executive Director
Department of Parking and Traffic 9/17/02 Date

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: City of San Francisco Japan Center Garage Corporation	
<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>	
See attached.	
Contractor address: 1610 Geary Boulevard, San Francisco, CA 94115	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: \$1
Describe the nature of the contract that was approved: Lease for the Japan Center Public Parking Garage	
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

(1) Members of the contractor's board of directors

- | | |
|---------------------|------------------------------|
| 1) Hagen Choi | President and Director |
| 2) John Noguchi | Vice-President and Treasurer |
| 3) Ryan Kimura | Director and Secretary |
| 4) Robert Hamaguchi | Director |
| 5) John Henry | Director |
| 6) Emily Mitra | Director |
| 7) Kathryn Nelsen | Director |
| 8) Jerry Ono | Director |
| 9) Floyd Trammell | Director |
| 10) Monetta White | Director |
| 11) Nancy Gribler | Director |

(2) Contractor's chief executive officer, chief financial officer and chief operating officer

Richard Hashimoto Corporate Manager

Claudine Cheng Corporate Counsel

(3) Any person who has an ownership of 20 percent or more in the contractor:

None

(4) Any subcontractor listed in the bid or contract:

None

(5) Any political committee sponsored or controlled by the contractor:

None

