

950 EL CAMINO REAL  
MILLBRAE, CALIFORNIA

GROUND LEASE

This GROUND LEASE is made as of this 26th day of APRIL, 1984, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting through its Public Utilities Commission (the "Commission") ("Landlord"), and GRACE RETAIL CORPORATION, a Delaware corporation having an office at c/o Orchard Supply Hardware, 1555 S. Seventh St., San Jose, California 95112 ("Tenant").

RECITALS:

This Ground Lease is made and entered on the basis of the following facts, understandings and intentions of the parties:

A. Landlord is the owner of all that certain real property ("the Premises") situated in the City of Millbrae, County of San Mateo, State of California, particularly described in Exhibit A-1 hereto and shown on the survey attached hereto as Exhibit A-3.

B. Tenant desires to lease the Premises from Landlord in "as is" condition and to have the right to erect new improvements thereon.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and promises herein contained, Landlord leases to Tenant, and Tenant does hereby lease and take from Landlord, the Premises upon the terms and conditions hereinafter set forth:

ARTICLE ONE

Definitions

1.01. Additional Rent. The rent payable by Tenant pursuant to Section 5.04 of this Ground Lease.

1.02. Annual Rent. The rent payable by Tenant pursuant to Section 5.01(b) of the Ground Lease.

1.03. Commencement Date. MAY 1, 1984.

1.04. Development Period. The period commencing with the Commencement Date and expiring on the first (1st) anniversary date thereof or the Opening Date, whichever is the earlier.

1.05. Lease Year. The period of twelve consecutive months commencing upon the Commencement Date and terminating on the last day of the month expiring immediately prior to the first anniversary of the Commencement Date, and each successive twelve month period thereafter.

1.06. Manager. The General Manager and Chief Engineer of the San Francisco Water Department.

1.07. Mortgage. A deed of trust as well as a mortgage.

1.08. Mortgagee. A beneficiary under or a holder of a recorded deed of trust as well as a mortgagee.

1.09. Mortgagor. A trustor under a recorded deed of trust as well as a mortgagor.

1.10. Opening Date. The date on which the Tenant opens for business on any portion of the Premises.

1.11. Premises. The real property particularly described in Exhibit A-1 to this Ground Lease, together with all easements and rights appurtenant thereto.

1.12. Rent. Any and all Annual Rent and Additional Rent to be paid by Tenant under this Ground Lease.

1.13. Security Deposit. The deposit Tenant is required to pay to the Landlord in accordance with the provisions of ARTICLE FOUR of this Ground Lease.

1.14. Term. The term of this Ground Lease as provided in ARTICLE THREE hereof.

## ARTICLE TWO

### Premises

2.01. Demise of Premises. Landlord leases to Tenant and Tenant does hereby lease and take from Landlord the Premises for the Term, and upon the terms and conditions, hereinafter specified.

2.02. Reservation of Easements. Landlord reserves the following easements in, on, over and along the Premises as follows:

(a) Maintenance and Repair of 54-Inch Pipeline. The right to maintain, repair, replace or reconstruct the fifty-four (54) inch pipeline and appurtenances, presently located on the Premises and to construct, maintain, repair, replace or reconstruct additional pipeline and appurtenances, all within the thirty (30) foot wide strip of land along the existing fifty-four (54) inch pipeline as shown on the Survey, Exhibit A-3, attached hereto and incorporated herein by reference thereto.

(b) Construction Within 10-Foot Strip. The right to construct, maintain, repair or reconstruct a pipeline or pipelines within a strip of land ten (10) feet in width along the southerly edge of the Premises, as shown in Exhibit A-3.

(c) Existing Easements. The rights of way and easements for existing underground water pipelines, overhead power and communication lines in, over and through the Premises, as shown on Exhibit A-3.

(d) Utility Maintenance. The right at all reasonable times, without unreasonably or unduly interfering with Tenant's use of the Premises (and subject to Tenant's reasonable right of prior approval where entry into buildings is required), to enter upon the Premises to replace, repair, maintain, operate and remove existing water pipes, and any other existing utility and communication facilities; provided, however, that the expense of any such operations shall be borne by Landlord, unless due to the negligence of Tenant, its agents or employees.

(e) Supporting Rights. The foregoing shall include such rights of ingress and egress as may reasonably be required to maintain, repair, alter and replace the foregoing easements and the improvements therein.

2.03. Condition Of Easements. The easements reserved to Landlord pursuant to Section 2.02 shall be subject to the following rights and obligations:

(a) No Improvements. Tenant shall erect no buildings within or place any structures upon the easement area or the lands affected thereby. No other improvements shall be placed or maintained within the easement areas without the prior written consent of Manager which shall not be unreasonably withheld. Without such consent, however, Tenant may utilize the easement areas for surface parking of motor vehicles and for development of open space, roadways and landscaping (other than trees or perennial shrubs).

(b) Relocation Of Easements. Tenant shall have the right to replace or relocate any of the easements; provided, however, that all costs of such relocation shall be borne by persons other than Landlord, the prospective relocation, configuration and layout of the relocated facilities shall be subject to Manager's prior written approval, and the manner and method of accomplishing the work of relocation shall be consistent with Landlord's operating requirements as Manager shall determine in its discretion reasonably exercised. All costs for repair, replacement or removal of any improvements from time to time located in any easement area shall be borne by Tenant without any right over or claim against Landlord.

(c) Protection Of Improvements. Tenant shall use reasonable efforts to protect the improvements and pipeline appurtenances located on the Premises as shown on Exhibit A-3. In addition, in order to prevent damage to Landlord's underground pipelines, Tenant's use of vehicles and construction equipment within 20 feet of Landlord's pipelines shall be subject to the following restrictions:

(i) the cover over the top of Landlord's pipelines must be at least 3 feet;

(ii) the "axle loading" of vehicles and construction equipment must not exceed that allowed under "AASHO Standard H-10 Loading". H-10 loading is defined as loading caused by a two axle truck with a gross weight of ten tons (20,000 lbs.), axles 14 feet apart, and rear axle carrying 8 tons (16,000 lbs.). It is Tenant's responsibility to provide substantiation that its equipment meets this requirement; and

(iii) the use of vibrating compaction equipment will not be allowed.

Improvements and pipeline appurtenances damaged or disturbed by Tenant shall be repaired and/or relocated by Landlord at Tenant's expense.

(d) Marking Of Underground Improvements. Tenant shall use extreme care to protect Landlord's pipelines at all times, and shall mark, at its own expense, the location of Landlord's pipelines within the Premises. Tenant shall not use any pick, plow or other sharp tool over or near said pipelines, or heavy construction equipment directly over the pipelines of Landlord.

(e) Landlord's Responsibility. Anything herein contained to the contrary notwithstanding, Landlord shall conduct the installation, maintenance and operation of any of the aforesaid easements, pipelines and other utility and communication facilities in such manner that will not unnecessarily or unreasonably obstruct, interfere with, or impede the ingress/egress of persons or vehicles to and from the Premises or any buildings constructed thereon and the public streets abutting the Premises, or the orderly flow of both pedestrian and vehicular traffic, or otherwise interfere with Tenant's use of the Premises or its business thereon. In addition, Landlord shall repair any damage which may be done to the surface of the Premises or to any pavement, landscaping, curbing or other improvements thereon or to any buildings or other improvements thereon which may result from the construction, installation, repair, maintenance or operation (or any combination thereof) of the aforesaid easements, pipelines and/or utility and communication facilities. Landlord shall be responsible for, and shall reimburse Tenant upon demand for, any loss, cost or expense paid or incurred by Tenant and attributable to any and all damage to property and injury or death to person or persons to the extent caused by any dangerous condition or any negligent act or omission of Landlord, its employees, officers, agents, licensees, invitees or contractors, in connection with the construction, installation, repair, maintenance or operation (or any combination thereof) of the aforesaid easements, pipelines and/or utility and communication facilities.

2.04. Grant Of Access Easement. Landlord grants to Tenant a non-exclusive easement for the Term of the Lease and any Extended Term of the Lease over a portion of that certain parcel of property owned by

Landlord and situated immediately adjacent to the Premises, said easement area being more particularly described on Exhibit A-2 and located within the area shown on Exhibit A-3 hereto and designated thereon as "Ingress & Egress Easement", for the purpose of ingress and egress by Tenant, its subtenants, customers, employees, invitees, licensees, agents, and contractors, in the conduct of its business, and any motor vehicles used in the conduct of business to and from the Premises onto El Camino Real at the signalized intersection. Tenant shall, at its sole cost and expense, relocate Landlord's automated entrance gate and security fence as Manager shall direct. It is understood and agreed that the Ingress & Egress Easement area may be altered or modified by mutual agreement between the parties provided, however, that throughout the Term or any Extended Term Tenant shall be granted (and Landlord, its successors and assigns shall provide and grant to Tenant) an access easement of substantially the same size and configuration and in substantially the same location as the Ingress & Egress Easement shown on Exhibit A-3 hereto. Landlord and Tenant further covenant and agree that each shall keep the Ingress & Egress Easement area free at all times from obstructions of any nature (including, without limitation, parking of trucks or other vehicles, barricades, fences and landscaping) such that the free flow of pedestrian and vehicular traffic to and from the Premises and Landlord's adjacent property and the public streets through the Ingress & Egress Easement area shall at all times be and remain unimpeded and unhampered.

2.05. Conditions Of Title. Landlord holds title to the Premises in fee simple absolute subject to no exceptions other than those specified in Exhibit C, attached hereto and incorporated herein by this reference.

2.06. Existing Improvements. Prior to the end of the Development Period, and without cost or expense to Landlord, Tenant shall remove, relocate or reconstruct onto adjacent real property of Landlord certain parking lot improvements presently located on the Premises, as shown on Exhibit B, all in accordance with written plans and specifications of Landlord and in a manner reasonably satisfactory to Landlord; provided, however, that the cost of such relocation shall not exceed Fifty Thousand Dollars (\$50,000.00) (herein the "Cap Price") and Tenant shall not be obligated to expend amounts in excess of said sum for such relocation. Such work shall not disrupt parking facilities required for employees and invitees of the Water Department, nor shall ingress to or egress from such parking facilities be obstructed. Landlord shall remove the newly installed chain link fence along the frontage of the Premises prior to the Construction Period and Landlord shall retain possession of the fencing materials. Tenant may demolish and remove all other existing improvements on the Premises (excluding the pipelines, power lines and other items shown on Exhibit A-3).

Prior to the commencement of any such relocation work by Tenant, Tenant shall submit to Landlord a written estimate of the cost of all such relocation work as set forth in the aforesaid plans and specifications together with copies of all bids received from contractors. In the event the construction price of the lowest bid for such relocation work shall be in excess of the Cap Price, then Landlord shall have the right, for a period of thirty (30) days after Tenant delivers copies of said bids to Landlord as aforesaid, to:

(i) Approve the construction price of said lowest bid and pay to Tenant the amount thereof which exceeds the Cap Price at the time and as provided hereinbelow; or

(ii) Modify the plans and specifications for such relocation work, and resubmit the same to Tenant to obtain a new construction price not exceeding the Cap Price.

If Landlord shall fail to approve the lowest bid or modify its plans as herein provided within said thirty (30) day period, then said lowest bid shall be deemed approved and Landlord shall pay to Tenant the amount, if any, by which the construction price of such relocation work shall exceed the Cap Price, as hereinafter provided. Within thirty (30) days after completion of such relocation work, Tenant shall deliver to Landlord a statement certified by an officer of Tenant's Orchard Supply Hardware division setting forth in detail the costs of completing such

relocation work in accordance with Landlord's plans and specifications, including the computation of costs in excess of the Cap Price which are to be paid by Landlord. Within thirty (30) days after the delivery of said statement to Landlord, Landlord shall reimburse Tenant for the cost of completing such relocation work in excess of the Cap Price. If Landlord shall fail to reimburse Tenant as herein provided within said thirty (30) day period, then Tenant may, at its option, deduct such amount from the next due and succeeding payments of Minimum Annual Rent and other charges payable by Tenant to Landlord under this Lease.

2.07. Maintenance of Ingress & Egress Easement Area. Throughout the term of this Lease and any extensions thereof, Tenant covenants and agrees to maintain and repair the Ingress & Egress Easement area in good order and condition including, but not limited to repaving, restriping, filling in pot holes, removing all rubbish and debris therefrom, and removing all standing water and ice therefrom, provided, however, that Tenant shall not be obligated to repair or replace any portion of the Ingress & Egress Easement area, the damage to which was caused by Landlord, its employees, agents, officers, licensees, invitees or contractors, or with respect to any repair or replacement required as a result of the faulty or defective construction of any portion of the Ingress & Egress Easement area (and Landlord agrees to repair and/or replace the same). If Tenant shall fail to make or perform any of its maintenance obligations herein provided, and if Tenant shall not cure such breach or failure within thirty (30) days after notice from Landlord specifying such breach or failure (or if such breach or failure shall reasonably take more than thirty (30) days to cure, Tenant shall not have commenced the same within said thirty (30) days and diligently prosecuted the same to completion), Landlord may, at Landlord's option, without waiving any claim for damages for breach of agreement, at any time thereafter cure such breach or failure for the account of Tenant, and any amount paid or any contractual liability incurred by Landlord in so doing shall be deemed paid or incurred for the account of Tenant and Tenant agrees to reimburse Landlord therefor. If Tenant shall fail to reimburse Landlord upon demand for any amount paid for the account of Tenant hereunder, said amount shall be added to and become due as a part of the next payment of Annual Rent due hereunder.

#### ARTICLE THREE

##### Term

3.01. Initial Term. The Term shall commence on the Commencement Date and shall expire at the hour of 12:01 A.M. on the thirtieth (30th) anniversary of the Commencement Date unless (i) the Term is extended in accordance with the provisions of Section 3.02 or (ii) earlier terminated as hereinafter provided.

3.02. Extended Term. Subject to all of the provisions of this Ground Lease including, without limitation thereto, the provisions for the adjustment and reappraisal of Rent in ARTICLE FIVE, Tenant may, at Tenant's option, extend the Term for two (2) additional ten (10) year periods (the "Extended Term"), which Extended Term shall commence at the expiration of the Initial Term (or the next preceding Extended Term) and terminate at the hour of 12:01 A.M. on the tenth (10th) anniversary of the date of commencement of each Extended Term, unless earlier terminated as hereinafter provided.

##### (a) Conditions Precedent To Options To Extend .

Tenant's right to exercise the option to extend for an Extended Term shall be subject to the following conditions precedent:

(1) No Default. Tenant shall not be in default under this Ground Lease (i) at the time notice of exercise of the option is given to Landlord, and (ii) on the last day of the Initial Term (or the next preceding Extended Term).

(2) Notice. At least one hundred eighty (180) days before the last day of the Initial Term (or next preceding Extended Term), Tenant shall give Landlord written notice that Tenant has irrevocably elected to extend the Term in accordance with the provisions

of this Section 3.02, Each party shall, at the request of the other, execute a memorandum in recordable form acknowledging that the option has been exercised and the Term extended for the applicable Extended Term.

#### ARTICLE FOUR

##### Security Deposit

4.01. (a) Amount. On or before the Commencement Date, Tenant shall pay to Landlord as initial security for the full performance and observance of each and all of the provisions hereof a sum equal to Sixty Three Thousand Dollars (\$63,000.00). In the alternative, Tenant may, at its option and in lieu of such cash deposit, establish and maintain throughout the Term of this Lease, with a national or California bank having at least one branch office within the City and County of San Francisco, a confirmed irrevocable letter of credit in favor of the City and County of San Francisco, a municipal corporation, acting by and through its Public Utilities Commission, in an amount of Sixty Three Thousand Dollars (\$63,000.00). Said letter of credit shall provide that payment of the entire face amount thereof, or any portion thereof, shall be made to the City and County of San Francisco, upon presentation of a written demand to the said bank signed by the General Manager on behalf of the City and County of San Francisco.

(b) Disposition of Security Deposit. If Tenant defaults in any covenant or agreement to be observed or performed by Tenant under this Lease beyond any applicable grace period as elsewhere provided in this Lease, Landlord may use, apply or retain the whole or any part of the Security Deposit (or make its demand under said letter of credit) for any or all of the following purposes, in such order of priority, as Landlord may elect in its sole discretion: (i) to the extent of any sum due to Landlord; (ii) to compensate Landlord for any expense or damage caused by Tenant's default; or (iii) to cure the default. If any portion of said security deposit (or said letter of credit) is so used or applied, Tenant shall within thirty (30) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore and maintain the security deposit at its original amount, and Tenant's failure to do so shall be a default under this Lease. If Landlord shall apply or retain the whole or any part of such security deposit or shall receive any payments from the aforementioned bank under said letter of credit by reason of having made a wrongful or excessive demand for payment, then Landlord shall return to Tenant the amount by which Landlord's total receipts from such security deposit or letter of credit shall exceed the amount to which Landlord is rightfully entitled, together with interest at the maximum lawful rate, but Landlord shall not otherwise be liable to Tenant for any damages or penalties. Any such letter of credit hereunder shall have an original term of one year, with automatic extensions through the Term of this Lease, and shall provide for sixty (60) days notice by said bank to Landlord in the event of nonextension. In the event of any such nonextension, Tenant shall replace said letter of credit at least ten (10) days prior to expiration, and if Tenant fails to do so, Landlord shall be entitled to present its written demand for payment of the entire face amount of said letter of credit. Any amount so received by Landlord shall be returned to Tenant upon replacement of the letter of credit.

4.02. Surety Bond. In lieu of the cash security deposit and/or letter of credit hereinabove provided, Tenant may, at its option, obtain and deliver to Landlord a valid surety bond or bonds in a sum equal to six (6) months Annual Rent, issued by a surety company or companies reasonably acceptable to the Controller of the City of San Francisco and in such form as reasonably approved by the City Attorney of the City of San Francisco, which surety bonds shall be kept, at Tenant's own expense, in full force and effect until the sixtieth (60th) day after expiration or earlier termination of the Term of this Lease, as the same may hereafter be modified, renewed or extended, to insure faithful performance by Tenant of all of the covenants and conditions to be performed or observed by Tenant hereunder according to their true intent and meaning, including but not limited to, provisions for payment of all rents, taxes, insurance and other charges, and payment of all valid claims resulting from any breach of this Lease. Said bond or bonds shall also provide that thirty (30) days' prior written notice of cancellation or material change of said bond or bonds shall be delivered to the Manager.

ARTICLE FIVE

Rent

5.01. Rent. During the Term, Tenant shall pay as Rent for the Premises, without abatement, deduction or offset, the following amounts:

(a) Development Period Annual Rental. For the Development Period, Tenant shall pay Landlord as Annual Rent the sum of Twelve Thousand Six Hundred Dollars (\$12,600.00).

(b) Annual Rent. Commencing with the end of the Development Period and continuing during the Term and any Extended Term, Tenant shall pay Landlord as Annual Rent the sum of One Hundred Fifty Thousand Dollars (\$150,000.00), subject to (i) periodic adjustments as provided in Section 5.01.(c) below and (ii) the optional appraisal provided in Section 5.01(d) below.

(c) Adjustment to Annual Rent.

(1) Adjusted Amount. Except as otherwise provided in Section 5.01(d) below, the Annual Rent shall be adjusted (subject to the limitations hereinafter set forth) on the fifth (5th) anniversary of the Commencement Date and each five (5) year anniversary date thereafter including, without limitation thereto, any such anniversary date occurring during the Extended Term (each such date being referred to herein as an "Adjustment Date") in accordance with Section 5.01(c)(2) below. For purposes hereof, the terms "Consumer Price Index", "CPI", or "Index", shall mean the Consumer Price Index For All Urban Consumers, San Francisco/Oakland Metropolitan Area, All Items Series A, based on the year 1967=100, published by the United States Department of Labor, Bureau of Labor Statistics.

(2) Calculation of CPI Adjustment. The periodic adjustments to Minimum Annual Rent shall be calculated as follows:

(a) The first such rental adjustment shall be made for purposes of calculating the Annual Rent for the five (5) year period commencing on the fifth (5th) anniversary of the Commencement Date. For such purpose, the Beginning Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the end of the Development Period, and the Adjustment Date Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the fifth (5th) anniversary of the Commencement Date. The Annual Rent for the five (5) year period commencing with the fifth (5th) anniversary of the Commencement Date shall be the amount equal to the sum of: (i) the Initial Annual Rent set forth in Section 5.01(b); plus (ii) the amount derived by multiplying said Initial Annual Rent by the fraction, the numerator of which is the Adjustment Date Index Figure less the Beginning Index Figure, and the denominator of which is the Beginning Index Figure, provided, however, that in no event shall the Annual Rent be adjusted downward, and provided further that if the above calculation of CPI adjustment results in an adjusted Annual Rent which exceeds the Initial Annual Rent set forth in Section 5.01(b) by 30% or more, then the Annual Rent for said five (5) year period commencing with the fifth (5th) anniversary of the Commencement Date shall be 130% of the Initial Annual Rent set forth in Section 5.01(b), and provided further that Tenant may, at its option, elect to have the Annual Rent for said five (5) year period established pursuant to the optional appraisal procedures set forth in Section 5.01(d) hereof.

(b) The second such rental adjustment shall be made for purposes of calculating the Annual Rent for the five (5) year period commencing on the tenth (10th) anniversary of the Commencement Date. For such purpose, the Beginning Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the fifth (5th) anniversary of the Commencement Date, and the Adjustment Date Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the tenth (10th) anniversary of the Commencement Date. The Annual Rent for the five (5) year period commencing with the

tenth (10th) anniversary of the Commencement Date shall be the amount equal to the sum of: (i) the Annual Rent payable during the tenth (10th) Lease Year of the Term; plus (ii) the amount derived by multiplying the Annual Rent payable during the tenth (10th) Lease Year of the Term by the fraction, the numerator of which is the Adjustment Date Index Figure less the Beginning Index Figure, and the denominator of which is the Beginning Index Figure, provided, however, that in no event shall the Annual Rent be adjusted downward, and provided further that if the above calculation of CPI adjustment results in an adjusted Annual Rent which exceeds the Annual Rent payable during the tenth (10th) Lease Year of the Term by 30% or more, then the Annual Rent for said five (5) year period commencing with the tenth (10th) anniversary of the Commencement Date shall be 130% of the Annual Rent payable during the tenth (10th) Lease Year of the Term.

(c) The third such rental adjustment shall be made for purposes of calculating the Annual Rent for the five (5) year period commencing on the fifteenth (15th) anniversary of the Commencement Date. For such purpose, the Beginning Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the tenth (10th) anniversary of the Commencement Date, and the Adjustment Date Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the fifteenth (15th) anniversary of the Commencement Date. The Annual Rent for the five (5) year period commencing with the fifteenth (15th) anniversary of the Commencement Date shall be the amount equal to the sum of: (i) the Annual Rent payable during the fifteenth (15th) Lease Year of the Term; plus (ii) the amount derived by multiplying the Annual Rent payable during the fifteenth (15th) Lease Year of the Term by the fraction, the numerator of which is the Adjustment Date Index Figure less the Beginning Index Figure, and the denominator of which is the Beginning Index Figure, provided, however, that in no event shall the Annual Rent be adjusted downward, and provided further that if the above calculation of CPI adjustment results in an adjusted Annual Rent which exceeds the Annual Rent payable during the fifteenth (15th) Lease Year of the Term by 30% or more, then the Annual Rent for said five (5) year period commencing with the fifteenth (15th) anniversary of the Commencement Date shall be 130% of the Annual Rent payable during the fifteenth (15th) Lease Year of the Term.

(d) The fourth such rental adjustment shall be made for purposes of calculating the Annual Rent for the five (5) year period commencing on the twentieth (20th) anniversary of the Commencement Date. For such purpose, the Beginning Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the fifteenth (15th) anniversary of the Commencement Date, and the Adjustment Date Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the twentieth (20th) anniversary of the Commencement Date. The Annual Rent for the five (5) year period commencing with the twentieth (20th) anniversary of the Commencement Date shall be the amount equal to the sum of: (i) the Annual Rent payable during the twentieth (20th) Lease Year of the Term; plus (ii) the amount derived by multiplying the Annual Rent payable during the twentieth (20th) Lease Year of the Term by the fraction, the numerator of which is the Adjustment Date Index Figure less the Beginning Index Figure, and the denominator of which is the Beginning Index Figure, provided, however, that in no event shall the Annual Rent be adjusted downward, and provided further that if the above calculation of CPI adjustment results in an adjusted Annual Rent which exceeds the Annual Rent payable during the twentieth (20th) Lease Year of the Term by 30% or more, then the Annual Rent for said five (5) year period commencing with the twentieth (20th) anniversary of the Commencement Date shall be 130% of the Annual Rent payable during the twentieth (20th) Lease Year of the Term and provided further that Tenant may, at its option, elect to have the Annual Rent for said five (5) year period established pursuant to the optional appraisal procedures set forth in Section 5.01(d) hereof.

(e) The fifth such rental adjustment shall be made for purposes of calculating the Annual Rent for the five (5) year period commencing on the twenty-fifth (25th) anniversary of the Commencement Date. For such purpose, the Beginning Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the twentieth (20th) anniversary of the Commencement Date, and the Adjustment Date Index Figure shall be the figure for the Consumer Price Index last



published immediately prior to the twenty-fifth (25th) anniversary of the Commencement Date. The Annual Rent for the five (5) year period commencing with the twenty-fifth (25th) anniversary of the Commencement Date shall be the amount equal to the sum of: (i) the Annual Rent payable during the twenty-fifth (25th) Lease Year of the Term; plus (ii) the amount derived by multiplying the Annual Rent payable during the twenty-fifth (25th) Lease Year of the Term by the fraction, the numerator of which is the Adjustment Date Index Figure less the Beginning Index Figure, and the denominator of which is the Beginning Index Figure, provided, however, that in no event shall the Annual Rent be adjusted downward, and provided further that if the above calculation of CPI adjustment results in an adjusted Annual Rent which exceeds the Annual Rent payable during the twenty-fifth (25th) Lease Year of the Term by 30% or more, then the Annual Rent for said five (5) year period commencing with the twenty-fifth (25th) anniversary of the Commencement Date shall be 130% of the Annual Rent payable during the twenty-fifth (25th) Lease Year of the Term.

(f) If Tenant exercises its first option to extend the term of this Lease pursuant to Section 3.02, then a sixth and a seventh rental adjustment shall be made for purposes of calculating the Annual Rent for the five (5) year period commencing on the thirtieth (30th) anniversary of the Commencement Date and for the five year period commencing on the thirty-fifth (35th) anniversary of the Commencement Date as follows:

(i) The Annual Rent for the five year period commencing on the thirtieth (30th) anniversary of the Commencement Date, shall be the fair market rental determined pursuant to the procedures set forth in Section 5.01(e) hereof with the Appraisal Date referred to therein being the twenty-ninth (29th) anniversary of the Commencement Date. This adjustment to fair market rental commencing upon the thirtieth (30th) anniversary of the Commencement Date shall be mandatory and Tenant shall not have the option of a CPI adjustment.

(ii) For purposes of calculating the Annual Rent for the five year period commencing on the thirty-fifth (35th) anniversary of the Commencement Date, the Beginning Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the thirtieth (30th) anniversary of the Commencement Date, and the Adjustment Date Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the thirty-fifth (35th) anniversary of the Commencement Date. The Annual Rent for the five (5) year period commencing with the thirty-fifth (35th) anniversary of the Commencement Date shall be the amount equal to the sum of: (i) the Annual Rent payable during the thirty-fifth (35th) Lease Year of the Term; plus (ii) the amount derived by multiplying the Annual Rent payable during the thirty-fifth (35th) Lease Year of the Term by the fraction, the numerator of which is the Adjustment Date Index Figure less the Beginning Index Figure, and the denominator of which is the Beginning Index Figure, provided, however, that in no event shall the Annual Rent be adjusted downward, and provided further that if the above calculation of CPI adjustment results in an adjusted Annual Rent which exceeds the Annual Rent payable during the thirty-fifth (35th) Lease Year of the Term by 30% or more, then the Annual Rent for said five (5) year period commencing with the thirty-fifth (35th) anniversary of the Commencement Date shall be 130% of the Annual Rent payable during the thirty-fifth (35th) Lease Year of the Term.

(g) If Tenant exercises its second option to extend the term of this Lease pursuant to Section 3.02, then an eighth and a ninth rental adjustment shall be made for purposes of calculating the Annual Rent for the five (5) year period commencing on the fortieth (40th) anniversary of the Commencement Date and for the five year period commencing on the forty-fifth (45th) anniversary of the Commencement Date as follows:

(i) The Annual Rent for the five year period commencing on the fortieth (40th) anniversary of the Commencement Date, shall be the fair market rental determined pursuant to the procedures set forth in Section 5.01(e) hereof with the Appraisal Date referred to

therein being the thirty-ninth (39th) anniversary of the Commencement Date. This adjustment to fair market rental commencing upon the fortieth (40th) anniversary of the Commencement Date shall be mandatory and Tenant shall not have the option of a CPI adjustment.

(ii) For purposes of calculating the Annual Rent for the five year period commencing on the forty-fifth (45th) anniversary of the Commencement Date, the Beginning Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the fortieth (40th) anniversary of the Commencement Date, and the Adjustment Date Index Figure shall be the figure for the Consumer Price Index last published immediately prior to the forty-fifth (45th) anniversary of the Commencement Date. The Annual Rent for the five (5) year period commencing with the forty-fifth (45th) anniversary of the Commencement Date shall be the amount equal to the sum of: (i) the Annual Rent payable during the forty-fifth (45th) Lease Year of the Term; plus (ii) the amount derived by multiplying the Annual Rent payable during the forty-fifth (45th) Lease Year of the Term by the fraction, the numerator of which is the Adjustment Date Index Figure less the Beginning Index Figure, and the denominator of which is the Beginning Index Figure, provided, however, that in no event shall the Annual Rent be adjusted downward, and provided further that if the above calculation of CPI adjustment results in an adjusted Annual Rent which exceeds the Annual Rent payable during the forty-fifth (45th) Lease Year of the Term by 30% or more, then the Annual Rent for said five (5) year period commencing with the forty-fifth (45th) anniversary of the Commencement Date shall be 130% of the Annual Rent payable during the forty-fifth (45th) Lease Year of the Term.

(3) Payment of Adjusted Annual Rent. Following each Adjustment Date, Tenant shall continue to pay Annual Rent at the rate applicable to the preceding period until such time as Landlord shall deliver to Tenant written notice of Landlord's determination of the appropriate amount of adjusted Annual Rent. Commencing upon the first day of the month next following Tenant's receipt of Landlord's notice of Landlord's determination of adjusted Annual Rent, Tenant shall pay Landlord adjusted Annual Rent at the rate determined pursuant to Section 5.01(c)(2), subject to the provisions of Section 5.01(d)(3). In addition, subject to the provisions of Section 5.01(d)(3) hereof, if the monthly installments of adjusted Annual Rent payable by Tenant as determined pursuant to Section 5.01(c)(2) shall be increased over the monthly installments payable by Tenant for the preceding period, then on the first day of the month next following Tenant's receipt of Landlord's notice of Landlord's determination of adjusted Annual Rent, Tenant shall also pay to Landlord an amount equal to the difference, if any, between the monthly installments of Annual Rent determined pursuant to Section 5.01(c)(2) and the monthly installments of Annual Rent paid by Tenant from the applicable Adjustment Date to the first day of the month next following Tenant's receipt of Landlord's notice of Landlord's determination of adjusted Annual Rent.

(d) Optional Reappraisal of Minimum Annual Rent.

(1) Option. At Tenant's option, the Annual Rent may be revised in accordance with the following procedures on the fifth (5th) and twentieth (20th) anniversaries of the Commencement Date (each being referred to as an "Appraisal Date") to an amount equal to the fair market rental of the Premises, exclusive of Improvements, as of the Appraisal Date, or the amount payable pursuant to Section 5.01(c)(2), whichever is the lesser. Tenant shall exercise such option by written notice delivered to Landlord within thirty (30) days after each Appraisal Date.

(2) Determination. Determination of fair market rental shall be based on the highest and best use of the Premises on the applicable Appraisal Date subject to the provisions of this Ground Lease. Within thirty (30) days after receipt of Tenant's notice electing its option to have the Annual Rent adjusted by appraisal pursuant to Section 5.01(d)(1) above, Landlord shall give Tenant written notice of Landlord's determination of the appropriate amount of the appraised Annual Rent. If Tenant disagrees, it may submit the question of the appropriate amount of the appraised Annual Rent to arbitration in accordance with the provisions of Section 5.02 by giving Landlord the

notice required by Section 5.02(a) within twenty (20) days after receipt of Landlord's written determination. If Tenant does not submit Landlord's determination of the appropriate amount of appraised Annual Rent to arbitration within the required period, Landlord's determination shall be final. The decision of the arbitrators shall be final; provided, however, that in no event shall the Annual Rent be less than the amount stated in Section 5.01(b).

(3) Payment. If Tenant shall exercise its option under Section 5.01(d)(1) hereof, Tenant shall continue to pay Annual Rent at the rate applicable to the preceding period until such time as Landlord shall deliver to Tenant written notice of Landlord's determination of the appropriate amount of appraised Annual Rent. Commencing upon the first day of the month next following Tenant's receipt of Landlord's notice of Landlord's determination of appraised Annual Rent, Tenant shall pay Landlord adjusted Annual Rent at the rate determined pursuant to Section 5.01(d)(2) or at the rate determined pursuant to Section 5.01(c)(2), whichever is less, but in no event less than the Annual Rent specified in Section 5.01(b). In addition, if the monthly installments of adjusted Annual Rent payable by Tenant shall be increased over the monthly installments payable by Tenant for the preceding period, then on the first day of the month next following Tenant's receipt of Landlord's notice of Landlord's determination of appraised Annual Rent, Tenant shall also pay to Landlord an amount equal to the difference, if any, between the monthly installments of Annual Rent determined pursuant to Section 5.01(d)(2) or at the rate determined pursuant to Section 5.01(c)(2), whichever is less, and the monthly installments of Annual Rent paid by Tenant from the applicable Appraisal Date to the first day of the month next following Tenant's receipt of Landlord's notice of Landlord's determination of appraised Annual Rent. Notwithstanding the foregoing, if Tenant elects to submit the question of the appropriate amount of appraised Annual Rent to arbitration pursuant to Section 5.01(d)(2), then Tenant shall continue to pay Annual Rent at the rate applicable to the preceding period until such time as the arbitrators render their written determination of appraised Annual Rent. Commencing upon the first day of the month next following the date the arbitrators shall render their written determination of appraised Annual Rent, Tenant shall pay Landlord appraised Annual Rent at the rate determined by the arbitrators or at the rate determined pursuant to Section 5.01(c)(2), whichever is less, but in no event less than the Annual Rent specified in Section 5.01(b). In addition, if the monthly installments of adjusted Annual Rent payable by Tenant shall be increased over the monthly installments payable by Tenant for the preceding period, then on the first day of the month next following the date the arbitrators shall render their written determination of appraised Annual Rent, Tenant shall also pay to Landlord an amount equal to the difference, if any, between the monthly installments of Annual Rent determined by the arbitrators or at the rate determined pursuant to Section 5.01(c)(2), whichever is less, and the monthly installments of Annual Rent paid by Tenant from the applicable Appraisal Date to the first day of the month next following the date the arbitrators shall render their written determination of appraised Annual Rent. Anything herein contained to the contrary notwithstanding, if the amount of Annual Rent determined by appraisal pursuant to Section 5.01(d)(2) or by arbitration pursuant to Section 5.02 shall be less than the amount of Annual Rent paid by Tenant for the preceding period, then commencing upon the first day of the month next following the date on which Tenant shall receive Landlord's notice of Landlord's determination of appraised Annual Rent or the date on which the arbitrators shall render their written determination of appraised Annual Rent, as the case may be, Tenant may deduct from the next and succeeding installments of Annual Rent due, an amount equal to the excess of the monthly installments of Annual Rent already paid from the applicable Appraisal Date to the date of determination as aforesaid over the amount of appraised Annual Rent as determined pursuant hereto.

(4) Independent Elections. Failure on the part of Tenant to seek adjustment of Annual Rent to fair market rent shall not restrict or preclude exercise by Tenant of its election with respect to any subsequent Appraisal Date.

(5) Base For Future Adjustments. Once Annual Rent has been determined by appraisal, the Annual Rent so determined shall then become the Annual Rent for determination of future adjustments pursuant to Section 5.01(c)(2) which shall apply thereafter until such time as Annual Rent is again subject to adjustment to fair market rents provided herein.

(e) Annual Rent for Extended Terms.

(1) Determination. Determination of fair market rental shall be based on the highest and best use of the Premises on the applicable Appraisal Date subject to the provisions of this Ground Lease. Within thirty (30) days after the applicable Appraisal Date, Landlord shall give Tenant written notice of Landlord's determination of the appropriate amount of the appraised Annual Rent. If Tenant disagrees, it may submit the question of the appropriate amount of the appraised Annual Rent to arbitration in accordance with the provisions of Section 5.02 by giving Landlord the notice required by Section 5.02(a) within twenty (20) days after receipt of Landlord's written determination. If Tenant does not submit Landlord's determination of the appropriate amount of appraised Annual Rent to arbitration within the required period, Landlord's determination shall be final. The decision of the arbitrators shall be final; provided, however, that in no event shall the Annual Rent be less than the amount stated in Section 5.01(b).

(2) Extension of Term and Option Notice Period. In the event Landlord shall fail to submit its determination of appraised Annual Rent on or before the date which is sixty (60) days prior to the date upon which Tenant must deliver notice to Landlord of its election to extend the Term pursuant to Section 3.02(a)(2) hereof, or if the matter of appraised Annual Rent shall have been submitted to arbitration pursuant to Section 5.01(e)(1) hereof, and the arbitrators shall not have rendered their determination of appraised Annual Rent on or before the date which is thirty (30) days prior to the date upon which Tenant must deliver notice to Landlord of its election to extend the Term pursuant to Section 3.02(a)(2) hereof, then and in any such event, the Initial Term or the preceding Extended Term, as the case may be, and the date by which Tenant must deliver notice to Landlord of its election to extend the Term shall each be automatically extended one (1) day for each day of any such delay.

(3) Payment. Tenant shall continue to pay Annual Rent at the rate applicable to the preceding period until such time as Landlord shall deliver to Tenant written notice of Landlord's determination of the appropriate amount of appraised Annual Rent. Commencing upon the first day of the month next following Tenant's receipt of Landlord's notice of Landlord's determination of appraised Annual Rent, Tenant shall pay Landlord appraised Annual Rent at the rate determined pursuant to Section 5.01(e)(1). In addition, if the monthly installments of adjusted Annual Rent payable by Tenant shall be increased over the monthly installments payable by Tenant for the preceding period, then on the first day of the month next following Tenant's receipt of Landlord's notice of Landlord's determination of appraised Annual Rent, Tenant shall also pay to Landlord an amount equal to the difference, if any, between the monthly installments of Annual Rent determined pursuant to Section 5.01(e)(1) and the monthly installments of Annual Rent paid by Tenant from the applicable Appraisal Date to the first day of the month next following Tenant's receipt of Landlord's notice of Landlord's determination of appraised Annual Rent. Notwithstanding the foregoing, if Tenant elects to submit the question of the appropriate amount of appraised Annual Rent to arbitration pursuant to Section 5.01(e)(2), then Tenant shall continue to pay Annual Rent at the rate applicable to the preceding period until such time as the arbitrators render their written determination of appraised Annual Rent. Commencing upon the first day of the month next following the date the arbitrators shall render their written determination of appraised Annual Rent, Tenant shall pay Landlord appraised Annual Rent at the rate determined by the arbitrators. In addition, if the monthly installments of adjusted Annual Rent payable by Tenant shall be increased over the monthly installments payable by Tenant for the preceding period, then on the first day of the month next following the date the arbitrators shall render their written determination of appraised Annual Rent, Tenant shall also pay to Landlord an

amount equal to the difference, if any, between the monthly installments of Annual Rent determined by the arbitrators and the monthly installments of Annual Rent paid by Tenant from the applicable Appraisal Date to the first day of the month next following the date the arbitrators shall render their written determination of appraised Annual Rent. Anything herein contained to the contrary notwithstanding, if the amount of Annual Rent determined by appraisal pursuant to Section 5.01(e)(2) or by arbitration pursuant to Section 5.02 shall be less than the amount of Annual Rent paid by Tenant for the preceding period, then commencing upon the first day of the month next following the date on which Tenant shall receive Landlord's notice of Landlord's determination of appraised Annual Rent or the date on which the arbitrators shall render their written determination of appraised Annual Rent, as the case may be, Tenant may deduct from the next and succeeding installments of Annual Rent due, an amount equal to the excess of the monthly installments of Annual Rent already paid from the applicable Appraisal Date to the date of determination as aforesaid over the amount of appraised Annual Rent as determined pursuant hereto.

(f) Time Place and Manner of Payment of Annual Rent. Annual Rent for each year of the Term shall be paid in lawful money of the United States in equal monthly installments in advance on the first day of each calendar month at the office of the Chief Accountant, San Francisco Water Department, located at 425 Mason Street, San Francisco, California 94101 (or such other place as Landlord may designate in writing) commencing with the first day of the first full calendar month during which the Development Period ends. If the Development Period ends on any day other than the first day of a calendar month, the first installment of Annual Rent shall include, in addition to the monthly installment to be paid in advance, a pro-rated payment of Rent for the month during which the Development Period ends. In addition, if the last day of the Term occurs on any day other than the last day of a calendar month, the last installment of Annual Rent shall be appropriately pro-rated.

(g) Change in Consumer Price Index.

(1) If the Index is changed at any time during the Term so that the base year differs from that used to compute the Beginning Index Figure, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

(2) If the Index is discontinued or revised during the Term, such other government index or computation which replaces it shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised. If the parties are unable to agree upon the substitute index or computation no later than thirty (30) days prior to the next Adjustment Date, the appropriate substitute index or computation shall, on application of either party, be determined by the chief officer of the San Francisco Regional Office of the Bureau of Labor Statistics or its successor.

5.02. Determination of Fair Market Rental by Arbitration. If Tenant disagrees with any determination of fair market rental made by Landlord under Section 5.01, Tenant shall have the right to submit the issue to arbitration as follows:

(a) Within twenty (20) business days after receipt of Landlord's determination of fair market rental, Tenant shall give Landlord written notice of intention to arbitrate, such notice to specify the name and address of the person designated to act as arbitrator on Tenant's behalf. The party so designated shall be qualified as provided in Section 5.02(d). Failure to give written notice as above provided within such twenty (20) day period shall constitute an acceptance of Landlord's determination of fair market rental.

(b) If Landlord is not willing to have the issue of fair market rental determined solely by the arbitrator selected by Tenant, then Landlord shall so notify Tenant in writing within ten (10) business

days after receipt of the notice demanding arbitration given by Tenant as provided in Section 5.02(a), such notice to specify the name and address of the person designated by Landlord to act as its arbitrator and in such case both Tenant's arbitrator and Landlord's arbitrator shall jointly determine the fair market rental in accordance with this Section 5.02, subject, however, to the appointment of a third arbitrator pursuant to Section 5.02(c) hereof. The person so designated by Landlord shall have the qualifications specified in Section 5.02(d). Failure on the part of Landlord to specify its arbitrator within the time period and in the manner set forth above shall constitute agreement to have the issue of fair market rental determined by the person designated by Tenant.

(c) If the issue of fair market rental is to be determined by a single arbitrator, the determination shall be made as diligently as possible and the report of the arbitrator delivered to the parties within thirty (30) days after expiration of the period of appointment of the second arbitrator pursuant to Section 5.02(b). If two arbitrators are selected, the arbitrators shall meet within ten (10) business days after appointment of the second arbitrator and attempt to agree upon the issue of fair market rental to be determined. If the two arbitrators are unable to agree upon the question in issue within ten (10) business days after the first meeting, they shall appoint a third arbitrator who shall be a competent and impartial person qualified to act in accordance with the provisions of Section 5.02(d). In the event the two arbitrators are unable to agree upon a third arbitrator within fifteen (15) business days after the first meeting, the parties themselves shall select a third arbitrator within a further period of ten (10) business days. If the parties are unable to agree upon a third arbitrator within the required period, either party, on behalf of both, may request the Presiding Judge of the Superior Court for the County of San Mateo, acting in his private, non-judicial capacity, to appoint as the third arbitrator an impartial person qualified to act in accordance with the provisions of Section 5.02(d) and the other party shall not raise any question as to the judge's full power and jurisdiction to entertain the application and make the appointment. The three (3) arbitrators shall decide the dispute (if it has not previously been resolved) by following the procedure set forth in Section 5.02(g).

(d) All arbitrators shall be qualified M.A.I. real estate appraisers familiar with the fair market value and rental of properties similar to the Premises in the County of San Mateo who could be qualified as expert witnesses, over objection, to give opinion testimony addressed to the issue in a court of competent jurisdiction.

(e) In the event of the failure, refusal or inability of any arbitrator to act, he shall appoint his successor; provided, however, that any successor to the third arbitrator shall be appointed as hereinbefore provided. The arbitrators shall, if possible, render a written decision within ten (10) business days after the appointment of the third arbitrator. A decision in which any two arbitrators concur shall in all cases be binding and conclusive upon the parties. Each party shall pay the fee and expenses of its arbitrator and both shall share equally the fee and expenses of the third arbitrator, if any. Each party shall pay the fees and expenses of its attorneys and any witness it may call.

(f) The arbitrators shall have the right to consult experts and competent authorities skilled in the matters under arbitration, but any such consultation shall be made in the presence of both parties with full right to cross-examine. The arbitrators shall have a counterpart copy of their written decision to each party.

(g) Where an issue cannot be resolved by agreement between any two arbitrators, or by settlement between the parties during the course of arbitration, the issue shall be resolved by the three arbitrators in accordance with the following procedure. The arbitrator selected by each of the parties shall prepare a written opinion of fair market rental and the reasons therefor and give counterpart copies to each party and each of the other arbitrators. The third arbitrator shall

arrange for a simultaneous exchange of the proposed resolutions. The third arbitrator shall select which of the two proposed resolutions most closely approximates his determination of the issue. The third arbitrator shall have no right to propose a middle ground or any modification of either of the two proposed resolutions. The resolution which the third arbitrator selects shall constitute the decision of the arbitrators and shall be final and binding upon the parties.

(h) The judgement or the award rendered in any arbitration initiated and conducted in accordance with this Section 5.02 may be entered in any court of competent jurisdiction and shall be final and binding upon the parties. The arbitration shall be conducted and determined in the City and County of San Francisco in accordance with the then prevailing commercial arbitration rules of the American Arbitration Association or its successor except as modified to conform to the foregoing.

5.03. Late Charges. Tenant recognizes that late payment of any Rent or other sum due hereunder from Tenant to Landlord will result in administrative expenses to Landlord, the extent of which additional expense is extremely difficult and economically impractical to ascertain. Tenant therefore agrees that if Rent or any other payment due hereunder from Tenant to Landlord remains unpaid ten (10) days after said amount is due, the amount of such unpaid Rent or other payment shall be increased by a late charge to be paid to Landlord by Tenant in an amount of Three Hundred Dollars (\$300.00). In addition, Tenant shall pay interest on the amount of unpaid Rent or other payment at a rate of five percent (5%) per year above the prime rate then charged by the Bank of America of San Francisco, California or a successor comparable bank or at the maximum rate permitted by law, whichever is lower, for each day the Rent or other payment is delinquent. The amount of the late charge to be paid Landlord by Tenant on any unpaid Rent or other payment plus any accrued interest shall be Additional Rent payable by Tenant with the next succeeding installment of Rent. Tenant agrees that such amount is a reasonable estimate of the loss and expense to be suffered by Landlord as a result of such late payment by Tenant and may be charged by Landlord to defray such loss and expense. The provisions of this section in no way relieve Tenant of the obligation to pay Rent or other payments on or before the date on which they are due, nor do the terms of this section in any way affect Landlord's remedies pursuant to Section 17.03 in the event said Rent or other payment is unpaid after the due date.

5.04 Additional Rent.

(a) Percentage Rental. From and after the Commencement Date and continuing during the Term, Tenant shall also pay as Additional Rent to Landlord, without abatement, deduction or offset, the amounts specified on the Percentage Rent Schedule attached hereto, marked Exhibit D and incorporated herein by this reference, as applied to "Gross Revenues" as therein defined.

(b) Quarterly Statements. Within twenty (20) days after the close of each calendar quarter, Tenant shall, without notice or demand from Landlord, deliver to Landlord a statement certified as correct by an officer of Tenant's Orchard Supply Hardware division setting forth the Gross Revenues received by Tenant in, upon or from the Premises during the preceding quarter.

(c) Annual Statement. Within sixty (60) days after the close of each Lease Year, Tenant shall furnish to Landlord a statement certified as correct by an officer of Tenant's Orchard Supply Hardware division setting forth the Gross Revenues made in, upon or from the Premises for the preceding Lease Year (hereinafter said annual statement is referred to as the "Annual Statement"). Contemporaneously with the delivery of such Annual Statement, Tenant shall pay to Landlord the Percentage Rental, if any, due for the preceding Lease Year as calculated in accordance with the Percentage Rent Schedule attached hereto as Exhibit "D". In addition to the foregoing Annual Statement, within sixty (60) days after the expiration of Tenant's fiscal year, Tenant shall furnish to Landlord a statement duly certified by a certified public

accountant approved by Manager (which approval shall not be unreasonably withheld) setting forth the Gross Revenues made in, upon or from the Premises during such fiscal year. Landlord acknowledges that Tenant's fiscal year may not coincide with the Lease Year established hereunder and that the figure for Gross Revenues set forth in the Annual Statement may not be the same as the figure for Gross Revenues set forth in the statement of Gross Revenues for Tenant's fiscal year, it being understood and agreed that the determination of Percentage Rental hereunder shall be based upon Gross Revenues as set forth in the Annual Statement and that the submission of the additional annual statement for Tenant's fiscal year is for information purposes only and shall not increase or otherwise affect Tenant's obligation to pay Percentage Rental hereunder.

(d) Audit of Gross Revenue Statements. If Tenant shall at any time cause a separate audit of Tenant's business conducted in or upon the Premises to be made by a certified public accountant, Tenant shall furnish Landlord with a copy of said audit without any cost or expense to Landlord. Tenant agrees that it will keep all source documents supporting its records of Gross Revenues applicable to each Lease Year for a period of twenty-four (24) months following the expiration of each Lease Year and thereafter will retain summary financial statements (including, but not limited to, ledgers and journals) for an additional twelve (12) months. Tenant further agrees that Landlord or the agents or representatives of Landlord may annually inspect Tenant's records of Gross Revenues, such inspection to be conducted at the accounting offices of Tenant's Orchard Supply Hardware division, wherever such offices are now or hereafter located, provided such inspection is made within thirty-six (36) months after the Annual Statement of Gross Revenues is mailed or delivered by Tenant to Landlord and such inspection shall be limited to the period covered by such Annual Statement. In addition, Landlord may, in connection with its inspection of Tenant's records, employ an independent firm of Certified Public Accountants to verify Tenant's reports of Gross Revenues for such year and if such accountants shall determine that Tenant has underpaid its obligation for Percentage Rental to the extent of three (3%) percent or more for any such Lease Year, Tenant shall, in addition to paying Landlord the deficiency, also pay the cost of the audit. Any claim by Landlord for revision of any Annual Statement of Gross Revenues or for additional rent, which claim is not made to Tenant within thirty-six (36) months after the date when such Annual Statement of Gross Revenues is mailed or delivered to Landlord, shall be deemed and hereby is waived by Landlord.

(e) Confidentiality of Sales Records. Except to the the extent that the information is required to be a matter of public record, Landlord agrees not to divulge to any person or persons, firm or corporation, the amount of sales made by Tenant in or from the Premises except such disclosures as may be absolutely required (i) to its employees or agents in the normal course of its business, (ii) to its auditors, (iii) to bona fide lending institutions and/or purchasers, (iv) in judicial or arbitration proceedings, or (v) in response to a valid subpoena.

5.05 Net Lease. The Rent payable by Tenant hereunder shall be absolutely net to Landlord. Except as otherwise expressly provided herein, Tenant shall pay and discharge without abatement, set-off, deduction or defense, all taxes, assessments, insurance premiums, construction costs, operating and maintenance charges and other amounts, liabilities and obligations which become due during the Term with respect to the Premises, the improvements thereon and the businesses and activities conducted thereon.

## ARTICLE SIX

### Taxes, Assessments and Other Expenses

6.01 Payment by Tenant. During the Term Tenant shall pay, at least ten (10) days before delinquency and before any fine, interest, penalty or other charge shall become due:

(a) All real property and possessory interest taxes, personal property taxes, general and special assessments (including,



without limitation thereto, assessments for benefits from public works or improvements, whether or not begun or completed prior to the Commencement Date and whether or not to be completed within the Term), levies, fees, rents and other charges of every description which at any time arise with respect to, or are levied on or assessed against (i) the Premises or any part thereof including personal property located on the Premises or within the improvements, (ii) the construction, possession, ownership, occupancy, operations, use, repair, restoration or reconstruction of the Premises or any part thereof, (iii) the Rent reserved or payable hereunder or under any sublease, of (iv) this Ground Lease, the leasehold estate or any subleasehold estate created hereunder, whether belonging to or chargeable against Landlord or Tenant;

(b) All other taxes, assessments, levies, fees, rents and other charges of every description which, during the Term, may be levied on or assessed against the Premises (exclusive of the easements, pipelines or utility or communication facilities reserved or installed and maintained by Landlord as set forth in Section 2.02 hereof) or any part thereof, or imposed on Landlord or Tenant (including, without limitation, reimbursement of Landlord for any such taxes paid by Landlord) as a result of a reduction in, or the abolition of, or replacement of real property taxes, assessments, levies, fees, rents or other charges levied on or assessed against the Premises as of the Commencement Date, subject, however, to the requirement that: (a) such replacement taxes have materially different applicability to real property or to the owners of real property or to rental income than they do to other kinds of property or to other kinds of income; and (b) the amount of such replacement taxes shall be determined as if the Premises were the only asset of Landlord, and as if the rent paid hereunder were the only income of Landlord. In addition, Tenant may take the benefit of any law allowing assessments to be paid in installments and in such event Tenant shall only be liable for such installments of assessments due during the term hereof;

(c) Any gross receipts or similar taxes levied on, assessed against, or measured by, the Rent paid or discharged by Tenant hereunder, subject, however, to the requirement that the amount of such taxes shall be determined as if the Premises were the only asset of Landlord, and as if the rent paid hereunder were the only income of Landlord;

(d) All sales or use taxes which may be imposed on Landlord or Tenant on account of the leasing, subleasing, assignment or use of the Premises or any part thereof by Tenant;

(e) All other costs, charges, amounts, liabilities, expenses and obligations incurred or payable from time to time during the Term by reason of, or in any manner connected with, or arising out of (i) Tenant's estate or interest in the Premises or any part hereof, (ii) any right or interest of Tenant in or under this Ground Lease or the leasehold estate created hereunder, or (iii) the construction, possession, ownership, occupancy, operations, use, management, maintenance, repair, restoration, reconstruction or replacement of the Premises or any part thereof.

Tenant acknowledges and understands that this Ground Lease will create in Tenant a possessory interest subject to property taxes. Landlord will use its best efforts to cause the Premises, as of the Commencement Date of this Ground Lease, to be assessed separately for real estate and possessory interest tax purposes from any and all other parcels of property owned or leased by Landlord or other parties. Landlord represents, warrants, covenants and agrees that subject to the provisions hereof, Tenant shall only be responsible for the payment of those real property taxes, assessments, possessory interest taxes and other taxes and impositions assessed or levied solely against the Premises as herein described (and exclusive of all other premises or parcels of property).

6.02 Exclusion of Net Income Taxes and Related Taxes. Nothing herein contained shall impose upon Tenant the obligation to pay any

franchise, corporate, estate, inheritance, succession, capital levy, transfer or other tax imposed upon Landlord and measured by Landlord's net income or revenue, or a formula derived therefrom, other than taxes levied on, assessed against or measured solely by "gross receipts" consisting of the Rent, subject to the provisions of Section 6.01(c) above.

6.03 Proration of Rents. All taxes, assessments, levies, fees and other charges levied on, or assessed against, the Premises shall be prorated and apportioned between Landlord and Tenant for the tax year in which the Term commences and for the tax year in which the Term expires or terminates.

6.04. Contest of Tax Levied. Tenant shall have the right to contest the validity or amount of any tax, assessment, levy, fee or other charge payable in whole or in part by Tenant hereunder, or to seek a reduction in the assessed value of the Premises, or any part thereof, by appropriate proceeding diligently conducted in good faith; provided, however, that Tenant shall indemnify and defend Landlord against, and save Landlord harmless from and shall protect the Premises from, any lien, claim, demand, loss, cost, liability or expense arising therefrom. In the event Tenant undertakes any such contest, Tenant may withhold or defer payment or pay under protest; provided, however, the prior to delinquency Tenant shall deliver to landlord a bond in an amount equal to one hundred fifty percent (150%) of the contested charge together with the estimated amount of fines, interest, penalties and other charges which may become due thereon, issued by a corporate surety acceptable to Landlord, and a protecting Landlord and the Premises from any line, claim, demand, loss, cost, liability or expense which Landlord or the Premises might suffer or incur as a consequent of the withheld or protested payment. Upon termination of any such contest, Tenant shall pay the amount finally determined to be payable, together with all fines, interest, penalties or other charges incurred or payable as a result thereof.

#### ARTICLE SEVEN

##### Improvement of the Premises

7.01 Right to Improve. At its sole cost and expense, Tenant shall have the right to construct on the Premises such new improvements as Tenant may desire and to alter, modify, remove and replace the same at Tenant's discretion, subject to the other provisions herein contained.

7.02 Condition of the Premises and Right to Use. Tenant has relied, and hereafter shall rely, entirely on its own investigation with respect to all matters pertaining to the Premises, the physical condition thereof, the right to use the Premises and governmental actions or approvals applicable to or potentially affecting the condition or use of the premises. Landlord makes no covenant or warranty with respect to the condition of, or the right to use, the Premises including, without limitation thereto, the condition of the soil or subsoil, the condition of the existing improvements, compliance of the existing improvements with building, health, safety and similar laws, codes or regulations, the right of Tenant to use the Premises for any purpose under zoning, environmental and other land use laws, codes and regulations, or any governmental actions or approvals applicable to the condition or use of the Premises or potentially affecting the condition or use of the Premises. Any representation or warranty of Landlord as to any matter affecting the conditions or use of the Premises, whether express or implied, is negated and no such representation or warranty shall be implied in fact or in law from any provision of this Ground Lease or any other circumstance whatever. Tenant may enter the Premises before the Commencement Date to make soil, structural engineering and such other tests as Tenant considers necessary. Anything herein contained to the contrary notwithstanding, if Tenant is unable to obtain building permits for construction of its intended buildings and improvements within 180 days after the date of execution hereof, or if Tenant is unable to obtain a certificate of occupancy for the operation of a home improvement center

retail store with an outside sales area, nursery and pick-up area, then Tenant, at any time thereafter, may, at Tenant's option, terminate this Lease by written notice to Landlord, provided, however, that in such event, Landlord shall be entitled to retain the \$12,600 deposit heretofore paid to Landlord pursuant to that certain Invitation to Bid for development and operation of the Premises and submitted to Landlord on or about October 5, 1983.

7.03 Permit Applications. In connection with Tenant's application for permit or permits to the City of Millbrae and other appropriate agencies pursuant to Section 7.02(d), Landlord agrees to cooperate and join with Tenant in applying for such permit or permits, wherever such action is necessary and required by law; provided, however, that Tenant shall indemnify and hold Landlord harmless from any costs or expenses in connection therewith. Notwithstanding anything to the contrary herein, Landlord shall not be obligated to grant or to join in conduct which would result in a dedication of easements or rights of way for any purpose, including the dedication of open space.

7.04 Protection of Landlord Against Cost or Claim.

(a) Payment; Contest of Lien; Indemnity. Tenant shall pay or cause to be paid the total cost and expense of all "works of improvement," as that phrase is defined in California Civil Code Section 3106 or any comparable statute in effect when the work begins, undertaken upon the Premises. Tenant shall not suffer or permit to be enforced against the Premises, or any part thereof, any mechanic's, materialman's, contractor's or subcontractor's lien arising from any such work of improvement. However, Tenant may in good faith and at Tenant's sole cost and expense contest the validity of any asserted lien, claim or demand, provided Tenant has furnished the bond required in California Civil Code Section 3143 or any comparable statute then in effect. Tenant shall defend and indemnify Landlord against, and hold Landlord harmless from, all liability and loss of any kind arising out of work performed on the Premises by or on behalf of Tenant, together with reasonable attorneys' fees and all costs and expenses incurred by Landlord in negotiating, settling, defending, or otherwise protecting against such claims.

(b) Landlord's Right to Discharge Lien. If Tenant has not recorded the bond described in California Civil Code Section 3143 or otherwise acted to protect the Premises under any alternative or successor statute, and if a final judgment has been rendered against Tenant by a court of competent jurisdiction for the foreclosure of a mechanic's materialman's, contractor's or subcontractor's lien claim, and if Tenant has failed to stay the execution of the judgment by lawful means or to pay the judgment, Landlord shall have the right, but not the duty, to pay or otherwise discharge, stay, or prevent the execution of any such judgment or lien; and all sums so paid, and/or any costs incurred by Landlord in connection therewith, plus interest thereon at a rate of five percent (5%) per year above the prime rate then charged by the Bank of America at San Francisco, California or a successor or comparable bank, or at the maximum rate permitted by law, whichever is lower, shall be deemed to be Additional Rent payable by Tenant with the next succeeding installment of Rent. No such payment or act of discharge shall constitute a waiver of default, or of any right or remedy for default, by Landlord, or render Landlord liable for any loss or damage arising therefrom.

ARTICLE EIGHT

Use of Demised Premises

8.01. Purposes. The Premises may be used for any lawful purpose.

8.02. Compliance with Laws. At its sole cost and expense Tenant shall comply, and shall cause the Premises to comply, with the laws, statutes, ordinances, orders, rules, regulations and requirements of the federal, state and City governments, and all appropriate departments,

commission, boards and officers thereof, which affect the Premises, the improvements thereon, or any part thereof, whether ordinary or extraordinary, including those which require the making of any structural, unforeseen or extraordinary changes, whether presently within the contemplation of the parties or constituting a change of governmental policy, and irrespective of cost.

8.03. Contest of Laws. Tenant shall have the right at its sole cost and expense to contest the validity of any law, statute, ordinance, order, rule, regulation or requirement affecting the Premises, the improvements thereon, or any part thereof, by appropriate proceeding diligently conducted in good faith; provided, however, that Tenant shall defend and indemnify Landlord against, and hold Landlord harmless from, any and all liability, loss, cost, damage, injury or expense (including, without limitation thereto, attorneys' fees and litigation costs) which Landlord may sustain or suffer by reason of Tenant's failure or delay in complying with, or Tenant's contest of, any such law, statute, ordinance, order, rule, regulation or requirement. Landlord shall have the right, but not the obligation, to contest by appropriate proceeding, at Landlord's expense, any such law, statute, ordinance, rule, regulation or requirement.

8.04. No Abatement of Rent. Tenant shall not be entitled to any abatement, diminution, reduction or postponement of Rent as a consequence of loss caused by any present or future laws, statutes, rules, requirements, order, directions, ordinances or regulations of the federal, state or city governments, or of any other causes beyond the control of Landlord, except as expressly otherwise provided herein.

#### ARTICLE NINE

##### Assignment

9.01. Definitions. As used in this ARTICLE NINE, the following terms shall have the following meanings:

(a) "Assignment" shall include, without limitation thereto, any sale, assignment, transfer or other disposition of all or any portion of Tenant's estate under this Ground Lease or of Tenant's interest in the improvements thereon, whether voluntary or involuntary, and whether by operation of law or otherwise. The term "assignment" shall also include any transfer, or the aggregate transfer, during the Term, of the ownership interests in Tenant as follows:

(1) if Tenant is a corporation, (i) any dissolution, merger, consolidation, or other reorganization of Tenant, or (ii) a sale of more than fifty percent (50%) of the value of the assets of Tenant, or (iii) if Tenant is a corporation with fewer than five hundred (500) shareholders, the sale or other transfer of a controlling percentage of the capital stock of Tenant. "Controlling percentage" means the ownership of, and the right to vote, stock possessing at least fifty percent (50%) of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and permitted to vote for the election of directors;

(2) if Tenant is a trust, the transfer of more than fifty percent (50%) of the beneficial interest of Tenant, or the dissolution of the trust;

(3) if Tenant is a partnership or joint venture, the withdrawal, of the transfer of the interest, of any general partner or joint venturer, or the dissolution of the partnership or joint venture;

(4) if Tenant is composed of tenants-in-common, the transfer of the interest of any co-tenant, or the partition or dissolution of the co-tenancy.

(b) "Permitted Assignment" shall mean:

(1) An Assignment to any partnership or joint venture of which Tenant is a general partner or joint venturer and retains,

pursuant to the terms of the partnership or joint venture agreement, active and controlling management of an operational responsibility for the Premises; or

(2) The acquisition of Tenant's estate under this Ground Lease by a Mortgagee or purchaser at a foreclosure sale pursuant to the provisions of Sections 11.02(3) through (7); or

(3) An assignment to: (a) Tenant's parent corporation; or (b) to another subsidiary of Tenant's parent corporation; or (c) to an affiliated corporation; or (d) to a corporation under common control with Tenant's parent corporation or another subsidiary of Tenant's parent corporation; or (e) any corporation into which Tenant may merge or which may result in the consolidation of Tenant with any other corporation; or (f) any corporation or entity to which Tenant sells or assigns all or substantially all of its assets. The provisions of this paragraph shall apply to any assignment by operation of law as well as to any transfer or assignment resulting from the transfer of the corporate stock of Tenant.

9.02. Qualified Right of Assignment. Subject to the provisions of Sections 9.03 and 9.04, Tenant shall have the right, without the prior written consent of Landlord, to assign its interest in this Ground Lease to a Permitted Assignee. Tenant shall not assign its interest in this Ground Lease to any assignee other than a Permitted Assignee without the prior written consent of Landlord. The consent of Landlord shall not be unreasonably withheld; provided, however, that, in Landlord's reasonable judgment, the proposed assignee is financially and otherwise able and qualified to perform and discharge all of the obligations of Tenant under, and otherwise comply with the terms, covenants, and conditions of, this Ground Lease.

9.03. Conditions Precedent to Assignment. Any assignment by Tenant of its interest in this Ground Lease including, without limitation thereto, any Permitted Assignment other than an acquisition of Tenant's estate under this Ground Lease by Mortgagee or purchaser at a foreclosure sale pursuant to the provisions of Sections 11.02(3) through (7), shall be subject to each and all of the following conditions precedent:

(a) Notice. Tenant shall give Landlord at least ninety (90) days written notice of the proposed assignment which shall include the name, address and legal description of the proposed assignee, Tenant's full and complete computation of excess consideration pursuant to Section 9.03(f) and such other information as may be necessary or appropriate to establish to the satisfaction of Landlord that the proposed assignee is either a Permitted Assignee or financially and otherwise able and qualified to perform and discharge the obligations of Tenant under, and otherwise comply with the terms, covenants and conditions of, this Ground Lease.

(b) No Default. Tenant shall not be in default under this Ground Lease either at the time the foregoing notice is given or at the time the assignment is consummated.

(c) Written Assignment. The proposed assignment shall be in a writing duly executed and acknowledged by Tenant and the proposed assignee and otherwise in recordable form.

(d) Assumption of Tenant's Obligations. The written assignment shall provide that the proposed assignee assumes the obligations to be performed or discharged by Tenant and agrees to comply with all of the terms, covenants and conditions hereof.

(e) Delivery of Executed Original. The proposed assignment shall not become effective until such time as Tenant has delivered to Landlord a duly executed and acknowledged original of the written assignment.

(f) Participation in Excess Consideration. As a condition to approval of any proposed assignment pursuant to Section 9.02, fifty percent (50%) of the "excess consideration" therefor shall be paid over

to Landlord. For purposes hereof, the term "excess consideration" shall mean the amount by which the total consideration received by Tenant for the assignment (whether paid directly or indirectly, in cash or in kind, in installments or lump sum) exceeds (i) the amounts required to be paid hereunder, and (ii) brokerage commissions in customary amounts incurred in connection with the assignment. Consideration paid for improvements to the portion of the Premises subject to an assignment shall be retained by Tenant. Any dispute between the parties concerning computation of excess consideration, including, but without limitation, the question of allocating consideration paid for an assignment between amounts paid for improvements and amounts paid for assignment of this Ground Lease, in whole or in part, shall be determined fair market rental set forth in Section 5.02, with Landlord to be the party to initiate the proceeding by demanding arbitration of Tenant's proposed allocation.

9.04. No Waiver. Landlord's failure to object, or to refuse to consent, or Landlord's written consent, to an assignment shall not be deemed to be a consent, or a waiver of Landlord's right to object or refuse to consent, to any further assignment.

9.05. Other Assignment Void. Any purported assignment which does not comply with the provisions of this ARTICLE NINE shall be void and shall constitute an event of default. Landlord may, after default by Tenant, collect any Rent to be paid or discharged hereunder from the purported assignee and apply the net amount collected to the Rent herein reserved; but no such collection shall be deemed a waiver of the covenants of this ARTICLE NINE, or the acceptance of the purported assignee as Tenant, or a release of Tenant from the further performance by Tenant of the terms, covenants and conditions of this Ground Lease.

#### ARTICLE TEN

##### Subleases

10.01. Qualified Right to Sublease. Subject to the provisions of this ARTICLE TEN, Tenant may sublet all or any part of the Premises; provided, however, that:

(a) Term. The term of each sublease shall expire prior to expiration of the Term;

(b) Attornment. Subject to the rights of any Mortgagee under ARTICLE ELEVEN, each sublease shall contain a provision satisfactory to Landlord requiring the sublessee, in the event of default by Tenant, to attorn to Landlord and, upon notice, to make sublessee's rental payments directly to Landlord.

(c) Prepaid Rent. Tenant shall not accept, directly or indirectly, more than three (3) months' prepaid rent from any sublessee.

(d) Notice. Tenant shall, within ten (10) days after the execution of each sublease, notify Landlord of the name and mailing address of the sublessee and deliver to Landlord a true and correct copy of the sublease; and

(e) Compliance With This Ground Lease. Each sublease shall require the sublessee to comply with all of the terms, covenants and conditions of this Ground Lease.

#### ARTICLE ELEVEN

##### Encumbrances

11.01. Of Landlord's Fee Estate By Tenant. Upon not less than twenty (20) business days prior written notice to Landlord, Tenant shall have the right to encumber Landlord's fee estate in the Premises in whole or in part without the prior written consent of Landlord upon the following terms, covenants and conditions:

(1) The instrument of encumbrance shall apply solely to Landlord's interest in the Premises and all easements and appurtenances

thereto and Landlord shall not be required to execute any instrument which would obligate Landlord for payment in whole or in part of any such loan or any part thereof.

(2) Tenant shall not be in default in performance of any obligation on its part to be performed pursuant to the terms of this Lease;

(3) The encumbrance shall be imposed for purposes of securing a loan provided by an institutional lender for the purpose of development and construction of improvements upon the portion of the Premises to be so encumbered;

(4) The proceeds of the loan shall be disbursed as development and construction progresses with customary and usual constraints and controls concerning disbursement of funds to assure that the funds are applied properly for development and construction of improvements upon the portion of the Premises so encumbered;

(5) The principal of the loan secured by the encumbrance shall not exceed the lender's estimated value of the interest to be encumbered as of completion of the improvements or the cost of construction and development thereof, whichever is the less;

(6) The loan secured by such encumbrance shall be payable in full not later than two (2) years after the date of the encumbrance;

(7) Interest on the unpaid principal amount of the loan secured by the encumbrance shall not exceed three percent (3%) per annum in excess of the "prime rate" (constituting the rate charged by the lender to its best corporate customers) charged by any major national bank with headquarters in San Francisco, California;

(8) The fees, charges and other compensation payable to the lender with respect to such loan shall not exceed three percent (3%) of the principal amount thereof;

(9) Under the terms of the loan agreement, Landlord shall have the right (a) to assume Tenant's interest under this Lease in the event of Tenant's default, (b) to cure the default, and (c) to take whatever other steps are necessary to protect its interest in the Premises;

The purpose of the foregoing shall be to provide a mechanism for "subordination" of Landlord's fee estate to so-called "construction" or "interim" loans from time to time made by institutional lenders for purposes of construction or development of improvements upon the Premises but not to provide for encumbrances of Landlord's fee estate to long-term or "permanent" loans.

Default of Tenant under any such loan shall constitute a default hereunder. Any sums paid by Landlord to cure a default and all cost incurred by Landlord in connection therewith shall constitute Additional Rent payable by Tenant with the next monthly installment of Annual Rent hereunder. No such payment or other act of cure shall constitute a waiver of any other right may have by reason of any such default.

11.02. Leasehold Encumbrances by Tenant. Tenant, may, without the consent of Landlord, mortgage or otherwise encumber all or a portion of Tenant's leasehold estate in the Premises provided that (i) the Mortgage or encumbrance shall not affect or become a lien upon Landlord's fee estate in the Premises, and (ii) the Mortgage or encumbrance shall be subject to each and every one of the following terms and conditions:

(1) Mortgage Subject to Ground Lease. The Mortgage or encumbrance, shall be subject and subordinate to each and every one of the terms, covenants, conditions and restrictions set forth in this

Ground Lease and to all rights and interests of Landlord hereunder. In the event of any conflict between the provisions of this Ground Lease and the provisions of this Ground Lease shall control over the provisions of the Mortgage or encumbrance;

(2) Notices. Tenant shall notify Landlord in writing of the name and address of the holder of any such Mortgage or encumbrance and shall forward to Landlord a copy of the instrument evidencing such Mortgage or encumbrance within ten (10) days after it is recorded. Landlord shall mail or deliver to the Mortgagee or other lienholder a duplicate copy of any and all written notices which Landlord may from time to time give to or serve upon Tenant under and pursuant to the terms and provisions of this Ground lease including, without limitation thereto, notice of default or breach by Tenant hereunder;

(3) Mortgagee's Rights to Cure. A Mortgagee or other lienholder may, at its option, at any time before the rights of Tenant shall have been terminated as provided in this Ground Lease, pay any of the Rent to be paid or discharged by tenant under this Ground Lease or cure any other default of Tenant, and all payments so made and curative acts so performed shall be as effective to prevent a termination of the rights of Tenant hereunder as payments made or acts performed by Tenant. Any Mortgage constituting an encumbrance on all or a portion of the Tenant's interest in the Premises may be so conditioned as to provide that as between the holder thereof and Tenant, the holder, upon curing any default on the part of Tenant, shall thereby be subrogated to any or all of the rights of Tenant under this Ground Lease;

(4) Mortgagee's Right of Possession. The holder of a Mortgage or other encumbrance on all or a portion of Tenant's interest in this Ground Lease who, upon default by Tenant, pays the Rent and performs all of the other obligations of this Ground Lease to be paid or performed by Tenant in accordance with the provisions of Section 11.02(3) may enter into possession of that portion of the Premises affected by the Mortgage or encumbrance without first having assumed the obligations of Tenant under this Ground Lease;

(5) Mortgagee's Possessory Obligations. Should the holder of a Mortgage or other encumbrance on all or a portion of Tenant's interest acquire all or any part of such interest in this Ground Lease by foreclosure, assignment in lieu thereof, or as a result of any other action or remedy provided for by the Mortgage or other encumbrance, or by law, the holder thereof shall take Tenant's interest subject to all of the provisions of this Ground Lease and shall so long as, but only so long as, it shall be the owner and in possession of the leaseholder estate, assume personally the obligations of this Ground Lease;

(6) Limitation on Landlord's Rights. Landlord shall not terminate this Ground Lease on account of any default or breach on the part of Tenant if, within sixty (60) days after service by Landlord of written notice of the default or breach on Tenant [and on the holder of the Mortgage or encumbrance if Tenant or the holder has notified Landlord of its existence as provided in Section 11.02(2)], the Mortgagee or other lienholder shall:

(i) Cure the default or breach if the same can be cured by the payment or expenditure of money or, if the default or breach is not so curable, if the Mortgagee or other lienholder commences and thereafter diligently pursues foreclosure or private sale pursuant to the Mortgage or other encumbrance in the manner provided by law; and

(ii) From and after commencement of foreclosure pays and performs all obligations required to be paid and performed by Tenant under this Ground Lease until such time as such interest in this Ground Lease shall be sold upon foreclosure, or by exercise of a power of sale pursuant to the Mortgage or other encumbrance, or until such Mortgage or other encumbrance shall be released or reconveyed.

(7) Foreclosure Or Sale. Foreclosure of a Mortgage or other encumbrance, or any sale thereunder, whether by judicial proceedings or exercise of power of sale in the Mortgage or encumbrance, or any



conveyance of its interest from Tenant to the Mortgagee or other lienholder through, or in lieu of, foreclosure shall not require the consent of Landlord or constitute a default under this Ground Lease. Upon such foreclosure, sale or conveyance Landlord shall recognize the Mortgagee or other lienholder, or any purchaser at a foreclosure sale, as Tenant hereunder. In the event the Mortgagee or other lienholder becomes the Tenant under this Ground lease, the mortgagee or other lienholder shall be personally liable for the obligations of Tenant under this Ground Lease only so long as it remains Tenant hereunder. While the Mortgagee or other lienholder is the Tenant under this Ground Lease its right to assign this Ground Lease shall be subject to the provisions of ARTICLE NINE. In the event the Mortgagee or other lienholder subsequently assigns its interest under this Ground Lease after acquiring Tenant's interest by foreclosure, or by acceptance of an assignment in lieu of foreclosure, and in connection with such assignment takes back a mortgage encumbering such interest to secure payment of the purchase price, the Mortgage shall be subject to, and the Mortgagee shall enjoy the rights and be entitled to enforce the terms, covenants and conditions of, this ARTICLE ELEVEN and any other provisions of this Ground Lease included for the benefit of a mortgagee of all or portions of Tenant's interest in the Premises.

(8) No Release of Tenant. Except as expressly otherwise provided in this Ground Lease, no foreclosure, assignment or sale of Tenant's leasehold estate, or assumption of the obligations of Tenant under this Ground Lease, by a Mortgagee or other lienholder, or acceptance of Rent by Landlord from a Mortgagee or other lienholder, shall relieve, release or in any manner affect the liability of Tenant hereunder;

(9) Request For Notice Of Default. Immediately after a Mortgage or other encumbrance on all or a portion of the Tenant's interest in the Premises is recorded, Tenant, at its own expense shall cause to be duly recorded a request that Landlord receive written notice of any default and/or notice of sale under the Mortgage or other encumbrance. In addition, Tenant shall furnish to Landlord complete copies of the Mortgage or other encumbrance and the note or other obligation secured thereby.

11.03. Other Encumbrances. Except as otherwise provided in this ARTICLE ELEVEN, Tenant shall not mortgage or otherwise encumber all or any portion of the Premises or Tenant's interest under the Ground Lease without the prior written consent of Landlord. Consent by Landlord to any Mortgage or encumbrance shall not be construed as a consent by, or so as to relieve Tenant from the obligation to obtain the express written consent of, Landlord to any further Mortgage or encumbrance other than a permitted Mortgage or encumbrance under Section 11.02.

## ARTICLE TWELVE

### Waste And Inspection

12.01. Waste and Unlawful Use. Tenant shall not make or suffer any waste or any unlawful, improper, or offensive use of the Premises.

12.02. Inspection. Landlord, its employees or agents, shall have the right at all reasonable times during the Term to enter the Premises to determine whether Tenant's covenants herein are being fully observed and performed provided that Landlord shall give Tenant at least forty-eight (48) hours advance notice of any such entry and no such entry may be made without an agent or representative of Tenant being present at the time of such entry.

## ARTICLE THIRTEEN

### Insurance

13.01. Public Liability. At all times during the Term Tenant shall, at Tenant's sole cost and expense, obtain and maintain a policy or policies of owner's, landlord's and tenant's comprehensive general public

liability insurance covering, without limitation thereto, (i) fire damage, (ii) water damage, (iii) owned, non-owned and hired automobile, (iv) contractors, (v) contractual and, if applicable, (vi) host liquor, (vii) elevator, (viii) garage keeper's, (ix) products, and (x) completed operations liability, naming as insureds and separately protecting Landlord, its officers, agents, employees and members of the Commission, and Tenant, as their interests may appear, against any liability to the public, or to the occupants of the Premises, their sublessees, and their respective family members, guests, invitees or licensees, incident to the ownership, maintenance, management and/or use of the Premises or any part thereof, arising from claims for personal injury, death or property damage occurring upon, in or about the Premises, the adjoining property of Landlord, or any fixtures or equipment located upon or within the Premises, or in or about any streets, sidewalks and passageways located within the Premises except to the extent caused by any dangerous condition or any negligent act or omission of Landlord, its employees, members, officers, agents, invitees, licensees or contractors. Limits of liability under such insurance for bodily injury or death shall be not less than Two Million Dollars (\$2,000,000.00) per occurrence; and for property damage not less than Two Million Dollars (\$2,000,000.00) per occurrence. Each policy: (i) shall be issued on a comprehensive liability basis, shall be cross-liability endorsed so as not to prejudice the rights of a named insured with respect to any action against another named insured; (ii) may be maintained under blanket policies; and (iii) shall further provide for a full waiver of subrogation by the insurer as to any and all claims against the named insureds and their respective agents and employees, and of all defenses based on acts of the insureds or the existence of co-insurance. Tenant shall pay all premiums thereon when due, and shall, immediately upon receipt, deliver to landlord certificates of insurance evidencing such coverage. Not more frequently than once every five (5) years during the Term Landlord shall have the right to require Tenant to increase the amounts of such coverage if Landlord, in its reasonable judgment, determines that an increase is necessary and if the amount of the coverage required by Landlord is consistent with the requirements generally imposed under ground leases of similarly improved California real property.

13.02. Additional Insureds. Each of the insurance policies required to be obtained and maintained by Tenant pursuant to this ARTICLE THIRTEEN shall name as additional insureds the City and County of San Francisco, its officers, agents, employees and members of the Commission, and may name as an additional insured any Mortgagee provided, however, that nothing contained in this Section 13.02 or the Mortgage shall relieve Tenant of any of its insurance obligations to Landlord hereunder or give Tenant or a Mortgagee any right to use and/or receive insurance proceeds other than in accordance with the provisions of ARTICLE SEVENTEEN of this Ground Lease.

13.03. Notice of Cancellation or Modification. Each of the insurance policies required to be obtained and maintained under this ARTICLE THIRTEEN shall provide that the insurer may not cancel, amend or refuse to renew the policy without first giving Landlord thirty (30) days prior written notice by certified or registered mail.

13.04. Waiver of Subrogation. Either Landlord or Tenant may obtain and maintain policies of insurance other than those required to be obtained and maintained by Tenant hereunder; provided, however that any such policy shall comply with the provisions applicable to insurance policies obtained and maintained under this ARTICLE THIRTEEN. Landlord and Tenant waive, on their own behalf and on behalf of their respective insurers, any claim and on behalf of their respective insurers, any claim, or right of subrogation to a claim, by one against the other, or its agents or employees, arising from any loss, damage, liability, cost or expense to the extent it is covered by a policy of insurance applicable to the Premises or any part thereof or the respective rights and duties of Landlord and Tenant and/or to the extent Landlord or Tenant is a self-insured. Each policy of insurance applicable to the Premises or the respective rights and duties of Landlord and Tenant shall provide for the waiver hereinabove set forth. In the event either Landlord or Tenant discovers that such a waiver is not available, it shall promptly give the other written notice of non-availability.

13.05 Workers' Compensation Insurance and Social Security.

Tenant enters into this Lease as an independent contractor and not as an agent or employee of Landlord, as the word "employee" is defined in the Workers' Compensation Act of the State of California. Tenant covenants that none of its officers, agents or employees are employees of the City of San Francisco and further covenants to provide Workers Compensation insurance, with employer's liability limits of not less than \$1,000,000 for each accident, and such social security and unemployment compensation benefits as may be required by law, and will, upon written request, furnish to Landlord reasonable evidence of such coverage.

ARTICLE FOURTEEN

Indemnification and Non-Liability of Landlord

14.01. Indemnification and Defense. As used in this Section 14.01, the term "Landlord" shall include, in addition to the City and County of San Francisco, the Public Utilities Commission of the City and County of San Francisco, and its or their respective board members, offices, employees, servants and agents. Except to the extent caused by any dangerous condition or any negligent act or omission of Landlord, its employees, officers, agents, licensees, invitees or contractors, Tenant shall indemnify and defend Landlord against, and hold Landlord harmless from, any and all liabilities, obligations, losses, damages, fines, penalties, claims, demands, suits, actions, causes of action, charges, judgments, costs and expenses (including all reasonable architects' and attorneys' fees and court costs) of any nature whatsoever which may be imposed upon, incurred or paid by, or asserted against Landlord, Tenant, the Premises or any interest therein by reason of, arising from, or in connection with any of the following occurring during the Term:

(1) Any injury to or death of any person or any damage to property occurring from any cause in, on or about the Premises or any part thereof;

(2) The use, non-use, condition, possession, occupation, operation, repair, maintenance or management of the Premises or any part thereof;

(3) Any construction, reconstruction, changes or alterations or or to, or any work or thing done in, on or about, the Premises or any part thereof including, without limitation thereto, the construction of improvements, or anything done in connection therewith;

(4) Failure of Tenant to perform or comply with any term, covenant and condition of this Ground Lease; or

(5) Violation of Tenant of any contract or agreement to which Tenant is a party or any restriction, statute, law, ordinance or regulation, in each case affecting the Premises, or any part thereof or the ownership, occupancy, use possession, operation, repair, maintenance or management of the Premises.

In the event any action or proceeding the subject of this Section 14.01 is brought against Landlord, Tenant shall, upon written notice from Landlord, at Tenant's expense, defend such action or proceeding through counsel approved in writing by Landlord.

14.02. Legal Expenses. When Landlord is the prevailing party, Tenant shall pay, and indemnify Landlord against, all legal costs and charges including, without limitation thereto, reasonable attorneys' fees, paid or incurred by Landlord in obtaining possession of the Premises after default of Tenant or upon expiration or earlier termination of this Ground Lease, or in enforcing any covenant or condition herein contained. When Tenant is the prevailing party, Landlord shall pay, and indemnify Tenant against, all legal costs and charges including, without limitation thereto, reasonable attorney's fees, paid or incurred by Tenant in enforcing any covenant or condition herein contained.

ARTICLE FIFTEEN

Default Provisions

15.01. Events of Default. Each of the following events shall be a default by Tenant and a breach of this Ground Lease:

(a) Failure or refusal to pay when due any Rent required to be paid or discharged by Tenant hereunder;

(b) A general assignment by Tenant for the benefit of its creditors; or the admission in writing by Tenant of its inability to pay its debts as they become due;

(c) Either (i) the appointment of a receiver or trustee to take possession of all or substantially all of the assets of Tenant, or (ii) any action or proceeding commenced by or against Tenant under any insolvency or bankruptcy act, or under any other statute or regulation having as its purpose the protection of creditors, which is not discharged within thirty (30) days after the date of commencement. Upon the happening of any such event, and notwithstanding any provision to the contrary in Section 15.02, Landlord shall have the right, subject to the rights of Tenant and any trustee in bankruptcy in such proceedings, to terminate this Ground Lease upon ten (10) days written notice (or such longer period as may be specified by applicable bankruptcy law or order of the bankruptcy court) given to Tenant and the trustee in bankruptcy. If under the applicable law, Tenant or the trustee in bankruptcy has the right to affirm this Ground Lease and continue to perform the obligations of Tenant hereunder, Tenant or the trustee shall, within the time period permitted by the bankruptcy court, cure all defaults of Tenant outstanding as of the date of the affirmation of this Ground Lease and provide to Landlord such adequate assurances as may be necessary to assure Landlord of the continued performance of Tenant's obligations under this Ground Lease. Specifically, but without limiting the generality of the foregoing, Tenant's obligations under this Ground Lease. Specifically, but without limiting the generality of the foregoing, Tenant or the trustee in bankruptcy shall assure Landlord that the Rent required to be paid or discharged by Tenant shall be paid or discharged in full at the times and in the manner herein specified. The provisions of this Section 15.01(c) have been included in this Ground Lease to assure that the basic understanding between Landlord and Tenant with respect to Tenant's use of the Premises and the benefits to Landlord therefrom are preserved consistent with the purpose and intent of applicable bankruptcy laws;

(d) The subjection of any right or interest of Tenant in this Ground Lease or the Premises to attachment, execution or other levy, or to seizure under legal process, if not released within thirty (30) days;

(e) The assignment, mortgage or encumbrance of this Ground Lease, or the subletting of all or any part of the Premises, by Tenant otherwise than as expressly permitted hereunder; or the transfer of this Ground Lease to any person, firm or corporation other than Tenant except in the manner permitted hereunder;

(f) The failure or refusal of Tenant to perform or observe any other covenant, condition or requirement of this Ground Lease not hereinbefore in this Section 15.01 specifically addressed.

15.02. Notice and Right to Cure. As a precondition to pursuing any remedy for an alleged default by Tenant [except for a default described in Section 15.01(c)], Landlord shall, before pursuing any remedy, give a notice of default to Tenant which shall specify in detail the alleged event of default. If the alleged default is the nonpayment of Rent to be paid or discharged by Tenant hereunder, Tenant shall have three (3) business days after notice of default is given to cure the default. With respect to any other default, Tenant shall promptly after notice of

default commence and diligently proceed to cure the default and shall have thirty (30) days after notice is given to complete the cure, provided, however, that if such default shall reasonably take more than thirty (30) days to cure, Tenant shall commence the same within the thirty (30) days and diligently prosecute the same to completion.

15.03. Landlord's Remedies. If any default by Tenant shall continue uncured for the period specified and following a notice of default given in accordance with the provisions of Section 15.02, Landlord shall have, in addition to any other rights and remedies provided by law or equity, the rights and remedies provided in Section 15.04, 15.05 and 15.06.

15.04. Election to Terminate. Landlord shall have the right to terminate this Ground Lease by written notice of termination given to Tenant at any time after expiration of the applicable cure period. In such event this Ground Lease and the Term hereof, as well as all of the right, title and interest of Tenant hereunder, shall wholly cease and expire at the hour of 12:01 A.M. of the day after the day on which the notice of termination is given, or at such later day and time as Landlord may specify in the notice of termination, in the same manner, and with the same force and effect, as if such date were the date originally specified herein for the expiration of the Term. Tenant shall quit and surrender the Premises to Landlord on such date; provided, however, that notwithstanding the surrender, Tenant shall remain liable as specifically hereinafter provided. In the event Landlord gives Tenant notice of termination as hereinabove provided:

(a) Landlord, or Landlord's agents, employees or servants, may on the termination date specified herein or in the notice of termination, or at any time thereafter, reenter the Premises and remove Tenant, its agents, employees and servants, and all or any of its property, by any suitable action or proceeding at law, and repossess and enjoy the Premises; and

(b) Tenant shall also pay to Landlord all costs and expenses which Landlord may then or thereafter incur in connection with the termination, reentry, removal and repossession; and

(c) Landlord, on the termination date specified herein or in the notice of termination, or any time thereafter, shall be entitled to recover from Tenant:

(1) The worth at the time of award of the unpaid Rent which had been earned at the time of termination;

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

(3) The worth at the time of award of the amount by which unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided.

(4) The "worth at the time of award" of the amounts referred to in Sections 15.04(c)(1) and (c)(2) above shall be computed by allowing interest at the lesser of five percent (5%) per year above the prime rate then charged by the Bank of America at San Francisco, California, or a successor or comparable bank, or the maximum rate allowed by law. The "worth at the time of award" of the amount referred to in Section 15.04(c)(3) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%).

(5) As used herein, the term "time of award" shall mean either the date upon which Tenant pays to Landlord the amount recoverable

by Landlord as hereinabove set forth or the date of entry of any determination, order or judgment of any court or other legally constituted body determining the amount recoverable, whichever first occurs.

15.05. Refusal to Terminate. Landlord shall have the right to refuse to terminate this Ground Lease and/or accept the surrender of the Premises after expiration of the applicable cure period. In such event the obligation of Tenant to pay or discharge all Rent to be paid or discharged hereunder shall continue until the expiration or earlier termination of this Ground Lease. Landlord may, without accepting, or being deemed to have accepted, a surrender of the Premises or Tenant's leasehold estate under this Ground Lease, collect and/or sue for the installments of Rent required to be paid or discharged by Tenant under this Ground Lease as and when the same shall become due.

15.06. Landlord's Right to Cure. If Tenant shall fail, refuse or neglect to pay the taxes, assessments or other charges levied against the Premises or any mortgages, liens or encumbrances, the judicial sale or which will affect the fee estate of Landlord in and to the Premises, then after expiration of the applicable cure period, or before the expiration of the cure period in the event of an emergency, Landlord shall have the right, but not the obligation, to make any payment required to be paid or discharged by Tenant under any note secured by a mortgage on the Premises, or perform or comply with any covenant or condition imposed on Tenant under any such note or Mortgage, or pay any such taxes or assessments (subject to the right of Tenant to contest the same and to withhold the payment of the same pursuant to Section 6.04 hereof) and the amount so paid, and/or any costs or expenses incurred by Landlord in connection therewith, plus interest thereon at a rate of five percent (%) per year above the prime rate then charged by the Bank of America at San Francisco, California, or a successor or comparable bank, or at the maximum rate permitted by law, whichever is lower, shall be deemed to be Additional Rent payable by Tenant with the next succeeding installment of Rent. No such payment, performance or compliance by Landlord shall constitute a waiver of default, or of any right or remedy for default, by Landlord, or render Landlord liable for any loss or damage arising therefrom.

15.07. Availability of Remedies. The rights and remedies for default provided to Landlord under this ARTICLE FIFTEEN shall not be exclusive. Landlord shall have, and may exercise, any and every right and remedy herein or by law provided in such order and manner as Landlord may, in Landlord's sole discretion, determine.

15.08. No Waiver. No failure by Landlord to insist upon strict performance of any term, covenant or condition of this Ground Lease or to exercise any right or remedy provided herein or by law as a consequence of default, and no acceptance of full or partial payment of Rent during the continuance of any default, shall constitute a waiver of the default, or Landlord's right to insist upon the strict performance of any such term, covenant or condition, or Landlord's right to exercise any right or remedy with respect to the default or any subsequent default.

#### ARTICLE SIXTEEN

##### Damage and Destruction

16.01. Casualty. If the improvements located on the Premises or any part thereof are damaged or destroyed due to any cause whether insured or uninsured, Tenant shall, within two (2) years thereafter, either (i) repair, restore or replace the damaged or destroyed improvements, or (ii) cause the damaged buildings to be demolished and the Premises to be restored to a level and clean condition free of rubble, wreckage and debris. Any insurance or compensation awarded or paid by reason of such damage or destruction shall be utilized for the purpose of repairing, restoring or replacing the damaged or destroyed improvements or for purposes of razing and clearing the Premises. All proceeds of any insurance or compensation awarded or paid by reason of

any damage or destruction shall be the sole property of Tenant, and Landlord hereby assigns to Tenant any and all right, title and interest Landlord may now or hereafter have or claim in and to any such insurance proceeds or compensation.

16.02. Rent. Notwithstanding anything to the contrary contained elsewhere in this ARTICLE SIXTEEN, in the event of damage or destruction Tenant shall remain obligated to pay the Rent to be paid or discharged under this Ground Lease until expiration of the Term.

#### ARTICLE SEVENTEEN

##### Condemnation

##### 17.01. Total Condemnation.

(a) If at any time during the Term, all of the Premises is taken or damaged for any public or quasi-public use under any statute, by right of eminent domain, or by private purchase in lieu of eminent domain, or by private purchase in lieu of eminent domain, then this Ground Lease shall terminate. All Rent to be paid and discharged by Tenant under this Ground Lease shall be prorated as of the date title vests in the condemnor.

(b) If, after the execution of this Lease and prior to the expiration of the term hereof, any public or private authority shall, under the power of eminent domain, make a taking, or Landlord shall convey to said authority in lieu of such taking, and if as a result of such taking or sale in lieu of such taking:

(i) the area remaining within the Premises is insufficient for the conduct of the usual business operations being conducted by Tenant or by its subtenants upon the Premises at the time of such taking; or

(ii) there remains insufficient parking or common area to permit free vehicular and pedestrian access between the Premises and the adjacent public streets or between the buildings and improvements constructed upon the Premises and all remaining parts of the parking and common areas; or

(iii) the remaining portion of the Premises shall not be sufficient in size to permit the construction and/or operation of a building thereon in an economically feasible basis as contemplated under the provisions of this Lease;

then Tenant may, at its election, terminate this Lease by giving Landlord notice of the exercise of Tenant's election within thirty (30) days after Tenant shall receive notice of such taking. In the event of termination by Tenant under the provisions of this Section, this Lease and the term hereof shall cease and terminate as of a date not less than thirty (30) nor more than ninety (90) days after the date of Tenant's notice to Landlord of its election to terminate this Lease, and Annual Rent and other charges payable by Tenant to Landlord hereunder shall be apportioned between Landlord and Tenant as of the date of termination of this Lease.

17.02 Award. The award in condemnation or sales proceeds, less all expenses incurred in connection with the eminent domain proceedings or private sale in lieu of eminent domain, shall be paid to Landlord, as trustee, for the account of Landlord and Tenant, as their respective interests may appear. The priority and manner for the distribution of the condemnation proceeds by Landlord shall be as follows:

(a) Landlord shall be entitled to the then fair market value, immediately prior to such taking, of the land comprising the Premises (exclusive of all buildings and improvements thereon) considered as encumbered by this Lease (taking into account the renewal options available to Tenant) and including Landlord's reversionary interest hereunder in the land and buildings; and

(b) The remainder of said award or awards including, but not limited to, any award for the value of Tenant's leasehold estate, all buildings, improvements and site improvements, trade fixtures and equipment, shall be paid to Tenant.

17.03. Partial Condemnation. If at any time during the Term, a portion of the Premises is condemned, and this Ground Lease shall not be terminated pursuant to the provisions of Section 17.01, this Ground Lease shall terminate as to the portion taken, and all Annual Rent to be paid or discharged by Tenant under this Ground Lease after the date title vests in the condemnor shall be reduced in the proportion which the surface area of the land condemned bears to the total surface area of the land constituting the Premises immediately prior to the condemnation. The award for partial condemnation applicable to that portion of the Premises shall be paid to landlord, as trustee, for the Account of Landlord and Tenant and/or any Mortgagee of Tenant, as their respective interests may appear. Landlord shall apportion the proceeds between Landlord on the one hand, and Tenant or Tenant's Mortgagee on the other hand, pursuant to the provisions of Section 17.02; provided, however, that Landlord's portion of the award for partial condemnation shall be determined with respect to the condemned portion of the Premises, only. In such event, Tenant shall restore the Premises and the improvements located thereon as nearly as possible to the condition immediately prior to the condemnation.

#### ARTICLE EIGHTEEN

##### Surrender of the Premises

18.01. Surrender in Good Condition and Repair. Upon the expiration or earlier termination of this Ground Lease for any reason whatsoever (other than acquisition of title by Tenant or loss of title by reason of condemnation), Tenant shall surrender the Premises to Landlord with all improvements thereon in good order, condition and repair, (except for reasonable wear and tear or as otherwise provided herein) or with the Premises in a level and clean condition with all improvements and debris removed. All property that Tenant surrenders shall become Landlord's property a termination of this Ground Lease. Title to all furniture and personal property of Tenant located in or upon the Premises or in or upon any buildings or improvements thereon shall remain in Tenant, and upon the expiration or earlier termination of this Ground Lease the same may, and upon the demand of Landlord shall, be removed and any resultant damage to the Premises shall be repaired by and at the expense of Tenant.

#### ARTICLE NINETEEN

##### Sale Or Transfer of Premises

19.01. Effect On Lease. Landlord shall promptly notify Tenant in writing of any sale or transfer of the Premises or any assignment of the Landlord's interest in this Lease, giving the name and address of the assignee or new owner, as the case may be, and instructions regarding the payment of rent. In the event of any transfer or assignment of the Landlord's interest in this Lease or any change in, or transfer of, title in and to the Premises or any part thereof, whether voluntary or involuntary, or by act of Landlord or by operation of law, Tenant shall be under no obligation to pay rents or other charges payable by Tenant to Landlord hereunder, thereafter accruing, until Tenant shall have been notified in writing of such transfer, assignment or change in title and given satisfactory proof thereof, and the withholding of rents or other charges payable by Tenant to Landlord hereunder, in the meantime shall not be deemed a default upon the part of the Tenant. If Landlord sells or transfers all or any portion of its estate in the Premises, on consummation of the sale or transfer Landlord shall be released from any liability thereafter accruing under this Ground Lease. Any successor in interest to landlord shall take Landlord's estate in the Premises subject to each and every one of the conditions set forth in Section 11.01 of this Ground Lease. Landlord may transfer the balance of the Security



Deposit and prepaid Rent, if any, then held by Landlord to its successor and, on such transfer, Landlord shall be discharged from any further liability with respect thereto.

ARTICLE TWENTY

Miscellaneous

20.01. Notices. All notices, demands and requests required or permitted under this Ground Lease shall be in writing and shall be either personally delivered or sent by United States registered or certified mail, postage prepaid, addressed as follows:

TO LANDLORD:           General Manager and Chief Engineer  
San Francisco Water Department  
425 Mason Street  
San Francisco, California 94101

TO TENANT:             c/o Orchard Supply Hardware  
1555 S. Seventh St.  
San Jose, California 95112  
Att: Director of Real Estate

With a copy to:

W. R. Grace & Co.  
1114 Avenue of the Americas  
New York, New York 10036  
Att: Senior Vice President, Real Estate -  
Retail Group

TO MORTGAGEE:         At the most recent address furnished to  
Landlord in writing by Tenant or the Mortgagee.

Notices, demands and requests given to Landlord, Tenant or any Mortgagee in the manner aforesaid shall be deemed to have been received for all purposes hereunder upon personal delivery or forty-eight (48) hours after deposit in any post office or branch post office regularly maintained by the United States Government. Landlord, Tenant and any Mortgagee shall have the right to change the address for receipt of notice by a notice given as aforesaid; provided, however, that during the Term Tenant shall continuously maintain in the County of San Mateo or the City and County of San Francisco an office for receipt of notice hereunder and service of process in any action arising under this Ground Lease or related to the Premises.

20.02. Severability of Provisions. If any term or provision of this Ground Lease, or the application thereof to any person or circumstance, shall be invalid or unenforceable, the remainder of this Ground Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby.

20.03. Entire Agreement. This Ground Lease constitutes the entire agreement and understanding between the parties with respect to its subject matter and the Premises. There are no other agreements, understandings, representations or warranties, either written or oral, with respect thereto. This Ground Lease shall not be modified or amended except by a subsequent writing executed by the parties.

20.04. Approvals and Consents. Whenever any provision of this Ground Lease requires an approval or consent to be given by one of the parties hereto, such approval or consent shall not be unreasonably withheld unless provision to the contrary is expressly made herein. In the case of Landlord, Tenant acknowledges that certain approvals required to be provided hereunder shall require action by the Board of Supervisors of the City and County of San Francisco.

20.05. Headings. The headings of the Articles and Sections of this Ground Lease are for convenience or reference only and are not a part of this Lease.

20.06. Number and Gender. Whenever the context requires, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

20.07. Short Form Lease. Upon the Commencement Date (or earlier if required to accommodate Tenant's financing as contemplated herein), Landlord and Tenant shall execute a Short Form Ground Lease substantially in the form attached hereto as Exhibit E and cause the original thereof to be recorded in the Official Records.

20.08. Successors. Subject to the provisions of this Ground Lease on assignment, each and all of the terms, covenants and conditions of this Ground Lease shall be binding on and inure to the benefit of the heirs, successors, executors, administrators, assigns and personal representatives of the respective parties.

20.09. Commission. Landlord and Tenant represent and warrant to the other that it has not had any contact with a third person which could result in any claim against the other for a broker's finder's or similar fee or commission in connection with this Ground Lease; and each of Landlord and Tenant shall indemnify and defend the other against, and hold it harmless from, any claim for a broker's finder's or similar fee or commission arising out of its contacts with any third person in connection with this Ground Lease.

20.10. Non-Discriminatory Employment Practices. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discriminatory employment practices are incorporated herein by reference and made a part of this Ground Lease as though fully set forth at length herein, the provisions thereof currently in force being attached hereto, marked Exhibit F and incorporated herein by reference thereto.

20.11. No Conflict of Interest. Landlord shall not, and shall not be required to, pay any money or provide any other consideration of any kind whatsoever or employ, contract with or sublease to or with any person or entity if such payment of money or provision of other consideration would violate or have a reasonable likelihood of violating any law, statute, directive, regulation, decision or opinion now or hereafter enacted or promulgated by landlord, the City and County of San Francisco, the State of California, or any governmental, public or judicial body, agency or department relating in any manner to conflict of interest or if such payment or provision of consideration is to an entity which has discretionary authority or power of any kind over the development, use, or occupancy of the Premises or any part thereof or with respect to the enforcement or interpretation of this Ground Lease.

20.12. Waiver of Future Right to Acquire Landlord's Fee. Tenant acknowledges that Landlord has elected to enter into this Ground Lease rather than to convey its fee estate in the Premises in order to retain its fee estate in the Premises for the benefit of Landlord, and for the benefit, health, safety and welfare of the residents of the City and County of San Francisco including, without limitation thereto, in order to be in a position to meet the needs of future generations. In consideration for Landlord's willingness, and in order to induce Landlord, to enter into this Ground Lease, Tenant hereby irrevocably waives any and all rights it might otherwise have under any law hereinafter enacted by the federal, state or city governments which would otherwise entitle Tenant to acquire, or succeed to, Landlord's fee estate in the Premises or reversionary interest in the Premises. Tenant acknowledges that Tenant's attempt to exercise any such right would constitute a material failure of the consideration for which Landlord has entered into this Ground Lease.

20.13. Time. Time is of the essence of each and every provision of this Ground Lease.

20.14. Exhibits. The following exhibits are attached hereto and incorporated herein by this reference:

- EXHIBIT A-1: Description of the Premises
- EXHIBIT A-2: Description of Ingress & Egress Easement
- EXHIBIT A-3: Survey
- EXHIBIT B: Parking Facilities and Miscellaneous Site Work
- EXHIBIT C: Exceptions to Title
- EXHIBIT D: Percentage Rent Schedule
- EXHIBIT E: Short Form Ground Lease
- EXHIBIT F: Non-Discrimination Provisions

20.15 Quiet Enjoyment. Landlord covenants and agrees with Tenant that upon Tenant observing and performing all of the terms, covenants and conditions on Tenant's part to be observed and performed hereunder, Tenant may peaceably and quietly have, hold, occupy and enjoy the Demised Premises without hindrance or molestation from Landlord or any other persons lawfully claiming by, through or under Landlord.

20.16 Force Majeure. In the event that Tenant shall be delayed or hindered in or prevented from the performance of any act other than Tenant's obligation to make payments of rent, additional rent, and other charges required hereunder, by reason of strikes, lockouts, unavailability of materials, failure of power, restrictive governmental laws or regulations, riots, insurrections, the act, failure to act, or default of Landlord, war or other reason beyond its control, then performance of such act shall be excused for the period of the delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay. Notwithstanding the foregoing, lack of funds shall not be deemed to be a cause beyond control of Tenant.

20.17 Waiver of Landlord's Lien. Landlord shall not have, and hereby expressly waives any lien granted to Landlord, whether statutory or otherwise, in Tenant's personal property, fixtures, inventory, or stock-in-trade on the Premises for nonpayment of rent, default by Tenant, or any other reason whatsoever.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year first above written.

APPROVED AS TO FORM:

"Landlord"

GEORGE AGNOST  
City Attorney

CITY AND COUNTY OF SAN FRANCISCO  
By Public Utilities Commission

By McMorris M. Dow  
McMORRIS M. DOW  
Utilities General Counsel

By Rudolf Nothenberg  
RUDOLF NOTHENBERG  
General Manager of Public  
Utilities

Authorized by Public  
Utilities Commission  
Resolution No. 83-0483  
Adopted November 8, 1983

Attest: Romaine S. Boldridge  
Romaine S. Boldridge  
Secretary

"Tenant"

GRACE RETAIL CORPORATION

(SEAL)  
Attest:

By Francis H. Stee Assistant Secretary By Edward H. Tutun President

LEGAL [Signature]

RE \_\_\_\_\_

EXHIBIT A-1

DESCRIPTION OF PREMISES

All of that real property situate in the City of Millbrae, County of San Mateo, State of California, described as follows:

Beginning at a point distant North 39°14' West, 50.08 feet from the intersection of the boundary line between the C.M.P. Coleman 175.20 acre tract and the Custodio Silva 168 acre tract and said point being distant South 53°46' West, 51.63 feet from the westerly line of the lands of Southern Pacific Railroad Company. Thence North 39°14' West a distance of 255.56 feet; Thence South 53°46' West a distance of 292.25 feet; Thence North 34°52'55" West a distance of 75.02 feet; Thence South 53°46' West 428.24 feet, more or less, to the northerly line of El Camino Real; Thence along said northerly line south 46°53' East a distance of 336.00 feet; Thence leaving said northerly line and running parallel to and distant 50 feet measured at right angles northwesterly from said line between C.M.P. Coleman 175.20 acre tract and said Custodio Silva 168 acre tract, North 53°46' East a distance of 670.00 feet, more or less to the POINT OF BEGINNING.

Containing 4.7505 acres of land, more or less.

EXHIBIT A-2

DESCRIPTION OF INGRESS & EGRESS EASEMENT

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

Commencing at the northwest corner of the Lands of the City and County of San Francisco leased to Orchard Supply Hardware in the City of Millbrae, County of San Mateo, State of California and proceeding along the northerly line of said lands North 53°46' East a distance of 79 feet to the TRUE POINT OF BEGINNING; thence continuing along said northerly line North 53°46' East, a distance of 42 feet; thence North 36°14' West a distance of 2.0 feet; thence along a curve to the right with a radius of 4 feet from a tangent bearing of South 53°46' West, through a central angle of 90° for a distance of 6.28 feet; thence North 36°14' West a distance of 9.46 feet; thence along a curve to the right with a radius of 6 feet, through a central angle of 102°12'05" for a distance of 10.70 feet to a point of reverse curve; thence along a curve to the left with a radius of 147.0 feet, through a central angle of 6°59'46", a distance of 17.95 feet; thence North 36°14' West a distance of 27.14 feet; thence along a curve to the right with a radius of 120.0 feet, from a radial bearing of North 29°51'09" West, through a central angle of 35°44'37" for a distance of 74.86 feet, to a point of reverse curve; thence along a curve to the left with a radius of 213.0 feet, through a central angle of 30°07'30", a distance of 111.59 feet, to a point on the northerly line of El Camino Real; thence along said northerly line South 46°53' East a distance of 64.45 feet; thence along a curve to the right with a radius of 18.0 feet, from a radial bearing of South 73°15'36" East, through a central angle of 23°01'43" for a distance of 7.23 feet; thence North 39°46'07" East a distance of 10.77 feet; thence along a curve to the right with a radius of 43.00 feet, through a central angle of 45°10'01", for a distance of 33.90 feet; thence North 84°56'08" East a distance of 31.45 feet; thence along a curve to the right with a radius of 38.0 feet through a central angle of 58°49'52" for a distance of 39.02 feet; thence South 36°14' East, a distance of 9.0 feet; thence along a curve to the right with a radius of 4 feet through a central angle of 90°, for a distance of 6.28 feet; thence South 36°14' East a distance of 2.0 feet to the TRUE POINT OF BEGINNING.

Containing 0.1643 acres of land, more or less.

EXHIBIT A-3

SURVEY

PUBLIC UTILITIES COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION No. 83-0483

WHEREAS, the San Francisco Water Department owns approximately 4.752 acres of land at 950 El Camino Real in Millbrae, California, which is excess to the Water Department's present needs, and

WHEREAS, pursuant to the terms and conditions of Commission Resolution No. 82-310, adopted July 27, 1982, the Water Department published an invitation for sealed bids for the purpose of awarding a ground lease of said premises for thirty (30) years for commercial use and on other terms and conditions provided for in the proposed lease; and

WHEREAS, sealed bids were received by the Water Department from Orchard Supply Hardware, Lucky Stores, Inc., and KTW/C&H, which bids included the following minimum annual lease rentals:

Orchard Supply Hardware	\$150,000
Lucky Stores, Inc.	\$144,000
KTW/C&H	\$136,000

and

WHEREAS, the values of the three bids and the qualifications of all three bidders have been considered by Commission in order to determine the successful bidder; now, therefore, be it

RESOLVED, that this Commission hereby awards to Orchard Supply Hardware, as the highest, responsible, qualified bidder, a ground lease for commercial use of approximately 4.752 acres of land at 950 El Camino Real, Millbrae, California, copies of which lease are on file with the Water Department, for the term of

RECEIVED  
PUBLIC UTILITIES COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
MAY 12 1983

MAY 12 8 25 AM

**PUBLIC UTILITIES COMMISSION**  
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. \_\_\_\_\_

thirty (30) years and at the minimum rent and overage and on the other terms and conditions contained in said lease, subject to confirmation by the City's Board of Supervisors; and be it

FURTHER RESOLVED, that City's Board of Supervisors be requested to approve, by ordinance, award of said ground lease; and be it

FURTHER RESOLVED, that upon approval by the Board of Supervisors, the General Manager of Public Utilities is hereby authorized and directed to execute said lease.

9083C

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PUBLIC UTILITIES COMMISSION  
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I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission  
at its meeting of \_\_\_\_\_ NOVEMBER 8 1983

*Romaine A. Bilbridge*  
Secretary, Public Utilities Commission



EXHIBIT C

EXCEPTIONS TO TITLE

1. General and Special Taxes for the fiscal year 1983-84, now a lien, not yet ascertainable.

2. General and Special Taxes for the fiscal year 1982-83,  
First Installment \$34.95 PAID  
Second Installment \$34.95  
Code Area 14-1                      A.P. #093 220 01

3. EASEMENT AND RIGHT OF WAY for underground wires, cables and other electrical conductors as disclosed by San Francisco Water Department Drawing No. B-4051 dated May 2, 1978.  
Affects the Northeasterly 6 feet.

NOTE: In connection with the above there is an existing unrecorded use permit in favor of The Pacific Telephone and Telegraph Company.

4. UNDERGROUND CONSTRUCTION AGREEMENT by and  
Between : Pacific Telephone and Telegraph Company, a corporation  
and : The Lowrie Paving Company, Inc.  
Dated : October 25, 1957  
Recorded : October 30, 1957  
Document No: 93947-P, Official Records of San Mateo County, California

5. EXISTING telephone line, retaining wall, 54 inch crystal springs pipeline, 24 inch water line and meter box all as disclosed by San Francisco Water Department Drawing No. B-4051, dated May 2, 1978.

EXHIBIT D

PERCENTAGE RENT SCHEDULE

Tenant agrees to pay to Landlord as "Percentage Rental," an amount equal to one and one-quarter (1-1/4%) percent of Gross Revenues (as hereinafter defined) made in, on or from the Premises during each Lease Year in excess of the First Gross Sales Base up to an amount equal to the Second Gross Sales Base; one (1%) percent of Gross Revenues made, in, on or from the Premises during each Lease Year in excess of the Second Gross Sales Base up to an amount equal to the Third Gross Sales Base; and one half (1/2%) percent of Gross Revenues made, in on or from the Premises during each Lease Year in excess of the Third Gross Sales Base. For purposes hereof, the term "First Gross Sales Base" for each Lease Year shall be deemed to mean the amount equal to the Annual Rent applicable to such Lease Year, divided by the number ".0125"; the "Second Gross Sales Base" for each Lease Year shall be deemed to mean the amount equal to the sum of the First Gross Sales Base applicable to such Lease Year plus \$5,000,000; and the "Third Gross Sales Base" shall be deemed to mean the amount equal to the sum of the Second Gross Sales Base applicable to such Lease Year plus \$5,000,000.

Example:

If the Annual Rent applicable to such Lease Year is \$150,000, then Tenant shall pay as Percentage Rental hereunder an amount equal to one and one-quarter (1-1/4%) percent of Gross Revenues made in, on or from the Premises during such Lease Year in excess of \$12,000,000 up to \$17,000,000 of such Gross Revenues; one (1%) percent of Gross Revenues made in, on or from the Premises during such Lease Year in excess of \$17,000,000 up to \$22,000,000 of such Gross Revenues; and one-half (1/2%) percent of Gross Revenues made in, on or from the Premises during such Lease Year in excess of \$22,000,000.

For the purpose of determining the Percentage Rental to be paid hereunder, "Gross Revenues" shall mean the total receipts from all merchandise and services sold or rendered in the Premises by Tenant, whether at retail or wholesale, whether for cash or on a charge, credit or time basis (without reserve or deduction for inability or failure to collect) less the selling price of any goods returned by any customer (to the extent that the selling price of any such returned goods has been included in Gross Revenues) and less that part of the sales price of merchandise which is paid for by the trading in of other merchandise of the customer (although the proceeds from the subsequent sale of such trade-in merchandise shall be included in Gross Revenues hereunder) and further expressly excluding the following:

1. Sales at a discount to employees of Tenant, revenues derived from service charges made for credit transactions, sums received as charges for delivery to customers for products sold from the Premises by Tenant, sales from vending machines, all sums received from the sale of tickets of admission to theatrical, circus, church and sports events (but including all commissions and fees paid to Tenant in connection with the sale of such tickets);
2. All sums representing so-called sales taxes collected directly from customers, based upon present and future laws of the State or local government and collected by Tenant in the operation of its business on the Premises, and any other tax, excise or duty which is levied or assessed against Tenant for any Federal, State, Municipal or local authority based on sales of specific merchandise sold on or from the Premises, whether or not the amount thereof is passed on to, or collected by, Tenant from any purchaser thereof;

3. The transfer of merchandise by Tenant, or a subsidiary of Tenant, from the Premises to another store or a place of business owned or operated by Tenant, or a subsidiary of Tenant shall not constitute a sale;

4. Proceeds from the sale of gift certificates or like vouchers, provided, however, that when any such certificates or vouchers are redeemed for merchandise at the Premises (whether said certificates or vouchers were initially sold by Tenant at the Premises or by Tenant at another location), then the retail price of the goods allocable to such redemption shall be included in Gross Revenues;

5. Donations or sales at discount of merchandise to nonprofit charitable and religious institutions;

6. Service charges, finance charges, interest and discounts attributable to "charge accounts" and credit cards to the extent the same are paid to Tenant by customers of Tenant, or to the extent the same are paid for by Tenant to, or charged to Tenant by, credit card companies; and

7. Charges for labor performed by independent contractors outside of the Premises and arranged by Tenant's "Home Improvement" and "Decorations" Department, but including the receipts from the sale of merchandise from the Premises in connection therewith.

EXHIBIT E

SHORT FORM GROUND LEASE

HNE:gz  
3/7/83

Recording Requested By  
And When Recorded Return To:

-----  
950 EL CAMINO REAL  
MILLBRAE, CALIFORNIA

SHORT FORM OF  
GROUND LEASE

This GROUND LEASE is made this \_\_\_\_\_ day of  
\_\_\_\_\_, 1983, by and between the CITY AND COUNTY  
OF SAN FRANCISCO, a municipal corporation, acting through  
its Public Utilities Commission (the "Commission") ("Land-  
lord"), and \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ ("Tenant").

RECITALS:

This Ground Lease is made and entered on the basis  
of the following facts, understandings and intentions of the  
parties:

A. Landlord is the owner of all that certain real  
property ("the Premises") situated in the City of Millbrae.

County of San Mateo, State of California, particularly described in Exhibit A hereto.

B. Tenant desires to hire the Premises from Landlord in "as is" condition and to have the right to erect new improvements thereon.

C. Landlord is willing to lease the Premises to Tenant and to grant Tenant the right to erect thereon new improvements [subject to, and in accordance with, all applicable laws and regulations and the provisions of this Ground Lease,]; provided that Tenant at its own cost and expense remove, relocate or reconstruct on adjacent real property of Landlord certain parking facilities located on the Premises, (defined in Section 2.07 below), all in accordance with written plans and specifications of Landlord and in a manner satisfactory to Landlord.

D. Tenant is willing to remove, relocate or reconstruct on adjacent real property of Landlord said parking facilities and improvements as required by Landlord pursuant to Section 2.07 below.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, Landlord leases to Tenant and Tenant hires from Landlord the Premises upon the terms and conditions set forth in that certain Ground Lease bearing even date herewith all of which is incorporated herein by reference, for a term of forty (40) years

from the Commencement Date of \_\_\_\_\_, with  
Tenant having the right to extend the Term for an additional  
period of ten (10) years subject to all the terms, covenants  
and conditions contained in the Ground Lease.

IN WITNESS WHEREOF, the parties hereto have exe-  
cuted this Short Form of Ground Lease the day and year first  
above written.

APPROVED AS TO FORM:

"Landlord"

GEORGE AGNOST  
City Attorney

CITY AND COUNTY OF SAN FRANCISCO  
By Public Utilities Commission

By \_\_\_\_\_  
MCMORRIS M. DOW  
Utilities General Counsel

By \_\_\_\_\_  
RUDOLF NOTHENBERG  
General Manager of Public Utilities

Authorized by Public  
Utilities Commission  
Resolution No. \_\_\_\_\_

"Tenant"

Adopted \_\_\_\_\_

\_\_\_\_\_

Attest: \_\_\_\_\_  
Romaine S. Boldridge  
Secretary

By \_\_\_\_\_  
Its \_\_\_\_\_

## CHAPTER 12C OF THE SAN FRANCISCO ADMINISTRATIVE CODE

AMENDING THE SAN FRANCISCO ADMINISTRATIVE CODE BY ADDING CHAPTER 12C THERETO, PROHIBITING DISCRIMINATION IN REAL PROPERTY CONTRACTS ON THE GROUND OR BECAUSE OF RACE, COLOR, CREED, NATIONAL ORIGIN, ANCESTRY, AGE, SEX, SEXUAL ORIENTATION OR DISABILITY.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Chapter 12C is added to the San Francisco Administrative Code to read as follows:

## CHAPTER 12C

## NONDISCRIMINATION IN PROPERTY CONTRACTS

## SEC. 12C.1. All Property Contracts to Include Nondiscrimination Provisions.

All contracting agencies of the City and County of San Francisco, or any department thereof, acting for or on behalf of the City and County, shall include in all contracts, franchises, leases, concessions or other agreements involving the lease, rental, or other use of real property and improvements thereon of the City and County of San Francisco, for a period exceeding twenty-nine (29) days in any calendar year, whether by singular or cumulative instrument, a provision obligating the contractor, franchisee, lessee, concessionaire, or other party of said agreement not to discriminate on the ground or because of race, color, creed, national origin, ancestry, age, sex, sexual orientation or disability against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, operating from or making use of said real property, and shall require such contractor, franchisee, lessee, or concessionaire to include a similar provision in all subcontracts, subleases, or other subordinate agreements for a period exceeding twenty-nine (29) days in any calendar year, whether by singular or cumulative instrument, let, awarded, negotiated or entered into thereunder.

## SEC. 12C.2. Definitions.

As used in this chapter the term:

"Age" for the purpose of membership refers to and shall include any person who has attained the age of eighteen (18) years, except for bona fide senior citizen organizations.

"Contract" shall mean and include an agreement to operate from or make use of real property of the City and County of San Francisco in the operation of a business, social, or other establishment or organization.

"Contractor" means any person or persons, firm, partnership, corporation, or combination thereof, who enters into a contract to operate from or make use of real property of the City and County of San Francisco in the operation of a business, social, or other establishment or organization.

"Subcontract" shall mean and include an agreement or contract under or subordinate to a prime contract, franchise, lease, or concession to operate from or make use of real property of the City and County of San Francisco in the operation of a business, social or other establishment or organization.

"Concession" includes a grant of land or other property by or on behalf of the City and County of San Francisco to a person for the purpose or use specified in said grant.

"Concessionaire" shall mean and include a person who is the grantee or beneficiary of a concession as herein defined.

"Franchise" shall mean and include a right or privilege conferred by grant from the City and County of San Francisco, or any contracting agency thereof, and vested in and authorizing a person to conduct such business, social, or other activity as is specified in said grant.

"Franchisee" shall mean and include a person who is the grantee or beneficiary of a franchise as herein defined.

"Instrument" shall mean and include a contract, franchise, lease, concession or other agreement to operate from or make use of real property of the City and County of San Francisco in the operation of a business, social or other establishment or organization.

"Lease" shall mean and include a contract by which the City and County of San Francisco, or any contracting agency thereof, grants to a person the temporary possession and use of property, for reward, and the latter agrees to return the same to the former at a future time.

"Lessee" shall mean and include a person or tenant taking possession of real property under a lease as herein provided.

"Sublease" shall mean and include a lease by which a lessee or tenant grants or lets to another person part or all of the leased real property for a shorter term and under which said lessee or tenant retains some right or interest under the original lease.

"Real Property" shall mean and include land in which the City and County of San Francisco holds a legal interest and improvements to said real property.

"Sex" shall mean the character of being male or female.

"Sexual Orientation" shall mean the choice of human adult sexual partner according to gender.

"Disability" is a physical or mental impairment which does not make the person incapable of making use of the accommodations, advantages, facilities, privileges, services or membership in business, social or other establishments or organizations with a reasonable accommodation to his or her disability, and does not make the person incapable of making such use in a manner which would not endanger his or her health and safety or the health and safety of others.

"Tenant" shall mean the person or persons, firm, partnership, corporation or combination thereof who enter into a contract, franchise, lease, concession or other agreement involving the lease, rental or other use of real property and improvements thereon of the City and County of San Francisco.

## SEC. 12C.3. Nondiscrimination Provisions of Property Contracts.

Every contract, franchise, lease, concession or other agreement entered into by any agency of the City and County of San Francisco, or any department thereof, involving the lease, rental or other use of real property and improvements thereon of the City and County of San Francisco for a period exceeding twenty-nine (29) days in any calendar year, whether by singular or cumulative instrument, shall contain the provisions following, which shall be known as the nondiscrimination provisions of such property contract.

In the performance of this contract, the tenant agrees as follows:

(a) The tenant or subtenant will not discriminate against any person seeking accommodations, advantages, facilities, privileges, services, or membership in the business, social or other establishment or organization operated by the tenant or subtenant on the real property of the City and County of San Francisco, on the ground or because of race, color, creed, national origin, ancestry, age, sex, sexual orientation, or disability.

(b) Should the tenant or subtenant operate as a membership organization, the tenant will permit access to his membership records, rules, regulations and other pertinent data, by the awarding authority, or the San Francisco Human Rights Commission, for the purpose of investigating to ascertain compliance with the nondiscrimination provisions of this contract, and on request provide evidence that has or will comply with the nondiscrimination provisions of this contract.

(c) That tenant or subtenant shall be deemed to have breached the nondiscrimination provisions of this contract upon:

(1) A finding by the Director of the San Francisco Human Rights Commission or such other official who may be designated by the Human Rights Commission, that tenant has willfully violated such nondiscrimination provisions.

(2) Upon such finding by the Director of the Human Rights Commission, or other official designated by the Human Rights Commission, the awarding authority shall notify tenant, or subtenant that unless he demonstrates to the satisfaction of the Director of the San Francisco Human Rights Commission or other official designated by the Human Rights Commission within such reasonable period as the Human Rights Commission shall determine, that the violation has been corrected, action will be taken as set forth in subparagraph (d).

(3) The Human Rights Commission shall, within ten days of the date of issuance of any finding by the Director of the Human Rights Commission or other official designated by the Commission in the enforcement of this chapter, mail to any person or persons affected by said finding, a copy of said finding, together with written notice of his right to appeal. Notice of appeal must be filed in writing with the Chairman of the Commission within 20 days of the date of mailing said copy and notice.

(4) For purposes of appeal proceedings under this section, a quorum shall consist of eight members of the Commission. The vote of the majority of the full Commission shall be necessary to affirm, reverse or modify such decisions, order or other action rendered hereunder. Should a member of the Human Rights Commission be designated under Section 12B.2 (c) (1) of this contract, that commissioner may not participate in an appeal under this section except as a witness.

(5) The presiding officer of the Commission shall have the power to administer oaths to witnesses in appeals before the Commission under this section. In the event that any person shall fail or refuse to appear as a witness in any such proceeding after being requested to do so, and if it shall appear to the Commission that his testimony, or books, records, documents or other things under his control are material and relevant as evidence in the matter under consideration by the Commission in the proceeding, the presiding officer of the Commission may subpoena such person, requiring his presence at the proceeding and requiring him to bring such books, records, documents or other things under his control.

(6) All appeals to the Human Rights Commission shall be open to public inspection. Upon reaching a decision in any appeal, the Commission shall give written notice thereof to the Director of the Human Rights Commission, or other official designated by the Human Rights Commission, and the appellant or appellee. The decision of the Commission shall be final unless within 15 days of the filing and service of written notice thereof appropriate legal proceedings are filed in a court of competent jurisdiction by any party to this contract.

(7) If any tenant or subtenant under contract to the City and County of San Francisco shall fail to appear at an appeal proceeding of the Commission after having been given written notice to appear, such failure to appear shall be grounds for cancellation of the contract or subcontract and such tenant or subtenant shall be deemed to have forfeited all rights, benefits and privileges thereunder.

(8) The Human Rights Commission of San Francisco shall promulgate rules and regulations for the implementation of the nondiscrimination provisions of this contract, and such rules and regulations shall, so far as practicable, be similar to those adopted in applicable federal executive orders.

(d) A breach of the nondiscrimination provisions in the performance of this contract shall be deemed by the City and County of San Francisco to be a material breach of contract and basis for determination by the officer, board or awarding authority responsible for the awarding or letting of such contract that the tenant or subtenant is an irresponsible tenant, lessee, franchisee or concessionaire as to all future contracts for the use of real property. Such person, firm or corporation shall not, for a period of two (2) years thereafter, or until he/she/it establish and carry out a program in conformity with the nondiscrimination provisions of this contract, be allowed to act as a tenant or subtenant under any contract involving the lease, rental or other use of real property and improvements thereon, of the City and County of San Francisco.

(e) Nothing contained in this contract shall be construed in any manner so as to prevent the City and County of San Francisco from pursuing any other remedies that may be available at law.

SEC. 12C.4. Human Rights Commission Empowered.

The San Francisco Human Rights Commission, its presiding officer and its director are hereby granted the power to do all acts and exercise all powers referred to in Section 12C.2 hereof.

SEC. 12C.5. Funding.

The Board of Supervisors shall appropriate such funds from the general fund of the City and County of San Francisco, subject to budgetary and fiscal provisions of the charter, as it may deem necessary for enforcement of this ordinance.

SEC. 12C.6. Severability.

If any clause, sentence, paragraph or part of this title or the application thereof to any person or circumstances shall, for any reason, be adjudged by a court of competent jurisdiction to be invalid, such jurisdiction shall not affect, impair or invalidate the remainder of this chapter.



FILE NO. 65-84-5

ORDINANCE NO. 182-84

(Ground Lease)

APPROVING AWARD OF GROUND LEASE BY PUBLIC UTILITIES COMMISSION  
FOR A TERM OF MORE THAN TEN YEARS.

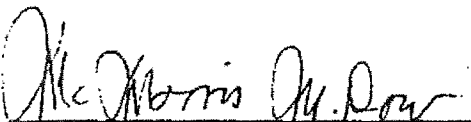
Be it ordained by the People of the City and County of San  
Francisco:


Section 1. Award by the Public Utilities Commission on  
November 8, 1983, to Grace Retail Corporation

Director/Supply/Water, a Delaware  
corporation, as the highest, qualified bidder, of a ground lease  
of 4.757 acres of Water Department land in Millbrae, California,  
for a term in excess of ten years and having anticipated revenue  
to the City and County of San Francisco of \$1 million or more, is  
hereby approved.

APPROVED AS TO FORM:  
GEORGE AGNOST, City Attorney

RECOMMENDED:  
PUBLIC UTILITIES COMMISSION

By   
Utilities General Counsel

By   
General Manager of Public  
Utilities

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Passed for Second Reading

Board of Supervisors, San Francisco

APR 16 1984

Ayes: Supervisors ~~BRITT~~ Hongisto, Kennedy, Kopp, Maher, Molinari, Nelder, Renne, Silver,

~~WALKER~~ Ward.

~~Noes: Supervisors~~

Absent: Supervisors

BRITT WARD

Clerk

File No.

APR 26 1984

Approved

Read Second Time and Finally Passed

Board of Supervisors, San Francisco

APR 23 1984

Ayes: Supervisors ~~BRITT~~ Hongisto, Kennedy, Kopp, Maher, Molinari, Nelder, Renne, Silver, ~~WALKER~~ Ward.

~~Noes: Supervisors~~

Absent: Supervisors

WALKER

I hereby certify that the foregoing ordinance was finally passed by the Board of Supervisors of the City and County of San Francisco.

Clerk

Mayor

65-845

**PUBLIC UTILITIES COMMISSION**  
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 83-0483

WHEREAS, the San Francisco Water Department owns approximately 4.752 acres of land at 950 El Camino Real in Millbrae, California, which is excess to the Water Department's present needs, and

WHEREAS, pursuant to the terms and conditions of Commission Resolution No. 82-310, adopted July 27, 1982, the Water Department published an invitation for sealed bids for the purpose of awarding a ground lease of said premises for thirty (30) years for commercial use and on other terms and conditions provided for in the proposed lease; and

WHEREAS, sealed bids were received by the Water Department from Orchard Supply Hardware, Lucky Stores, Inc., and KTW/C&H, which bids included the following minimum annual lease rentals:

Orchard Supply Hardware	\$150,000
Lucky Stores, Inc.	\$144,000
KTW/C&H	\$136,000

and

WHEREAS, the values of the three bids and the qualifications of all three bidders have been considered by Commission in order to determine the successful bidder; now, therefore, be it

RESOLVED, that this Commission hereby awards to Orchard Supply Hardware, as the highest, responsible, qualified bidder, a ground lease for commercial use of approximately 4.752 acres of land at 950 El Camino Real, Millbrae, California, copies of which lease are on file with the Water Department, for the term of

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**PUBLIC UTILITIES COMMISSION**  
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. \_\_\_\_\_

thirty (30) years and at the minimum rent and overage and on the other terms and conditions contained in said lease, subject to confirmation by the City's Board of Supervisors; and be it

FURTHER RESOLVED, that City's Board of Supervisors be requested to approve, by ordinance, award of said ground lease; and be it

FURTHER RESOLVED, that upon approval by the Board of Supervisors, the General Manager of Public Utilities is hereby authorized and directed to execute said lease.

9083C

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PUBLIC UTILITIES COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission  
at its meeting of \_\_\_\_\_ NOVEMBER 8 1983

*Romaine A. Biltridge*  
Secretary, Public Utilities Commission

FILE NO. 65-84-5

ORDINANCE NO. 182-84

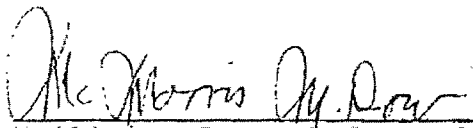
(Ground Lease)  
APPROVING AWARD OF GROUND LEASE BY PUBLIC UTILITIES COMMISSION  
FOR A TERM OF MORE THAN TEN YEARS.

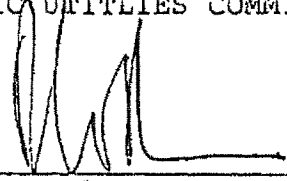
Be it ordained by the People of the City and County of San  
Francisco:

Section 1. Award by the Public Utilities Commission on  
November 8, 1983, to Grace Retail Corporation  
~~Planta Supply Water~~, a Delaware  
corporation, as the highest, qualified bidder, of a ground lease  
of 4.757 acres of Water Department land in Millbrae, California,  
for a term in excess of ten years and having anticipated revenue  
to the City and County of San Francisco of \$1 million or more, is  
hereby approved.

APPROVED AS TO FORM:  
GEORGE AGNOST, City Attorney

RECOMMENDED:  
PUBLIC UTILITIES COMMISSION

By   
Utilities General Counsel

By   
General Manager of Public  
Utilities

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SHORT FORM OF GROUND LEASE

This GROUND LEASE is made as of this 26TH day of APRIL, 1984, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting through its Public Utilities Commission (the "Commission") ("Landlord"), and GRACE RETAIL CORPORATION, a Delaware corporation having an office at c/o Orchard Supply Hardware, 1555 S. Seventh St., San Jose, California 95112 ("Tenant").

RECITALS:

This Ground Lease is made and entered on the basis of the following facts, understandings and intentions of the parties:

A. Landlord is the owner of all that certain real property ("the Premises") situated in the City of Millbrae, County of San Mateo, State of California, particularly described in Exhibit A-1 hereto and shown on the survey attached hereto as Exhibit A-3.

B. Tenant desires to lease the Premises from Landlord in "as is" condition and to have the right to erect new improvements thereon.

C. Landlord is willing to lease the Premises to Tenant and to grant Tenant the right to erect thereon new improvements [subject to, and in accordance with, all applicable laws and regulations and the provisions of this Ground Lease].

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and promises herein contained, Landlord leases to Tenant, and Tenant does hereby lease and take from Landlord, the Premises upon the terms and conditions set forth in that certain Ground Lease bearing even date herewith all of which are incorporated herein by reference, for a term of thirty (30) years from the Commencement Date of MAY 1, 1984, with Tenant having the right to extend the Term for two (2) additional periods of ten (10) years each, subject to all of the terms, covenants and conditions contained in the Ground Lease; TOGETHER WITH, and Landlord hereby grants and demises to Tenant, a nonexclusive easement for the Term of the Ground Lease and any Extended Term of the Ground Lease over a portion of that certain parcel of property owned by Landlord and situated immediately adjacent to the Premises, said easement area being more

particularly described on Exhibit A-2 and located within the area shown on Exhibit A-3 hereto and designated thereon as "Ingress & Egress Easement", for the purpose of ingress and egress by Tenant, its subtenants, customers, employees, invitees, licensees, agents, and contractors, in the conduct of its business, and any motor vehicles used in the conduct of business to and from the Premises onto El Camino Real at the signalized intersection.

IN WITNESS WHEREOF, the parties hereto have executed this Short Form of Ground Lease the day and year first above written.

APPROVED AS TO FORM:

"Landlord"

GEORGE AGNOST  
City Attorney

CITY AND COUNTY OF SAN FRANCISCO  
By Public Utilities Commission

By McMorris M. Dow  
McMORRIS M. DOW  
Utilities General Counsel

By [Signature]  
RUDOLF NOTHENBERG  
General Manager of Public  
Utilities

Authorized by Public  
Utilities Commission  
Resolution No. 83-0483  
Adopted November 8, 1983

Attest: Romaine S. Boldridge  
Romaine S. Boldridge  
Secretary

"Tenant"

GRACE RETAIL CORPORATION

(SEAL)  
Attest:

By Francis H. Stea  
Assistant Secretary

By Edward H. Tutun  
Edward H. Tutun  
President

LEGAL [Signature]  
RE \_\_\_\_\_

STATE OF CALIFORNIA     )  
                                  ) ss:  
COUNTY OF                    )

On this 11 day of May, 1984, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Rudolf Nothenberg, known to me to be the General Manager of Public Utilities of the Public Utilities Commission of the City and County of San Francisco, the municipal corporation that executed the within instrument, and acknowledged to me that such municipal corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.



Donna Smith  
Notary Public

STATE OF NEW YORK     )  
                                  ) ss:  
COUNTY OF NEW YORK    )

On this 5<sup>th</sup> day of March, 1984, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Edward H. Tutun, known to me to be the President of Grace Retail Corporation, the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

CARMELA ROMALDO  
Notary Public, State of New York  
No. 31-4519206  
Qualified in New York County  
Commission Expires March 30, 1984.

Carmela Romaldo  
Notary Public



EXHIBIT A-1

DESCRIPTION OF PREMISES

All of that real property situate in the City of Millbrae, County of San Mateo, State of California, described as follows:

Beginning at a point distant North 39°14' West, 50.08 feet from the intersection of the boundary line between the C.M.P. Coleman 175.20 acre tract and the Custodio Silva 168 acre tract and said point being distant South 53°46' West, 51.63 feet from the westerly line of the lands of Southern Pacific Railroad Company. Thence North 39°14' West a distance of 255.56 feet; Thence South 53°46' West a distance of 292.25 feet; Thence North 34°52'55" West a distance of 75.02 feet; Thence South 53°46' West 428.24 feet, more or less, to the northerly line of El Camino Real; Thence along said northerly line south 46°53' East a distance of 336.00 feet; Thence leaving said northerly line and running parallel to and distant 50 feet measured at right angles northwesterly from said line between C.M.P. Coleman 175.20 acre tract and said Custodio Silva 168 acre tract, North 53°46' East a distance of 670.00 feet, more or less to the POINT OF BEGINNING.

Containing 4.7505 acres of land, more or less.

EXHIBIT A-2

DESCRIPTION OF INGRESS & EGRESS EASEMENT

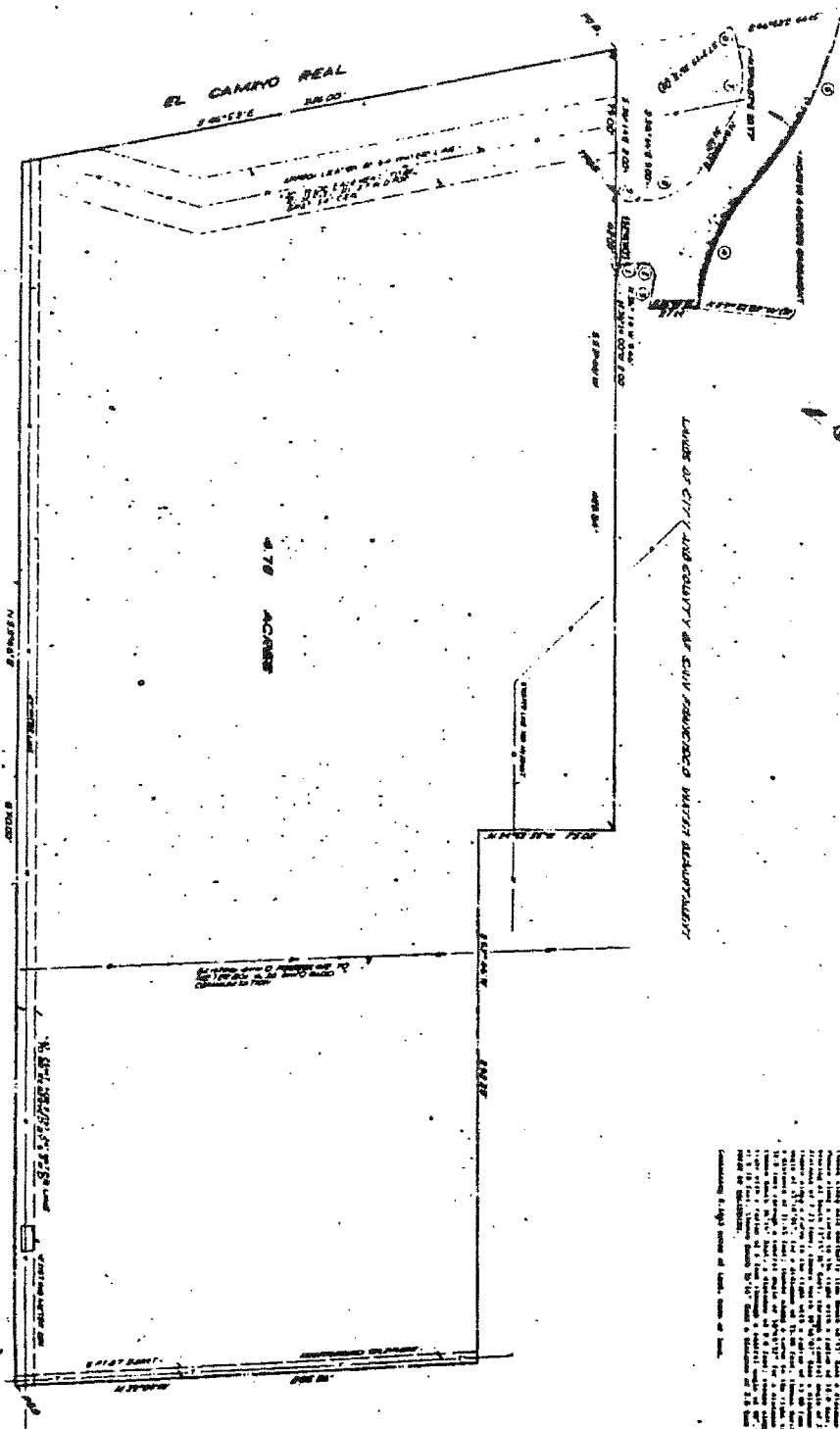
All that certain real property situate in the City of Millbrae, County of San Mateo, State of California, described as follows:

Commencing at the northwest corner of the Lands of the City and County of San Francisco leased to Orchard Supply Hardware in the City of Millbrae, County of San Mateo, State of California and proceeding along the northerly line of said lands North 53°46' East a distance of 79 feet to the TRUE POINT OF BEGINNING: thence continuing along said northerly line North 53°46' East, a distance of 42 feet; thence North 36°14' West a distance of 2.0 feet; thence along a curve to the right with a radius of 4 feet from a tangent bearing of South 53°46' West, through a central angle of 90° for a distance of 6.28 feet; thence North 36°14' West a distance of 9.46 feet; thence along a curve to the right with a radius of 6 feet, through a central angle of 102°12'05" for a distance of 10.70 feet to a point of reverse curve; thence along a curve to the left with a radius of 147.0 feet, through a central angle of 6°59'46", a distance of 17.95 feet; thence North 36°14' West a distance of 27.14 feet; thence along a curve to the right with a radius of 120.0 feet, from a radial bearing of North 29°51'09" West, through a central angle of 35°44'37" for a distance of 74.86 feet, to a point of reverse curve; thence along a curve to the left with a radius of 213.0 feet, through a central angle of 30°07'30", a distance of 111.59 feet, to a point on the northerly line of El Camino Real; thence along said northerly line South 46°53' East a distance of 64.45 feet; thence along a curve to the right with a radius of 18.0 feet, from a radial bearing of South 73°15'36" East, through a central angle of 23°01'43" for a distance of 7.23 feet; thence North 39°46'07" East a distance of 10.77 feet; thence along a curve to the right with a radius of 43.00 feet, through a central angle of 45°10'01", for a distance of 33.90 feet; thence North 84°56'08" East a distance of 31.45 feet; thence along a curve to the right with a radius of 38.0 feet through a central angle of 58°49'52" for a distance of 39.02 feet; thence South 36°14' East, a distance of 9.0 feet; thence along a curve to the right with a radius of 4 feet through a central angle of 90°, for a distance of 6.28 feet; thence South 36°14' East a distance of 2.0 feet to the TRUE POINT OF BEGINNING.

Containing 0.1643 acres of land, more or less.

EXHIBIT A-3

SURVEY



STATION	BEARING	DISTANCE	COORDINATES
1	S 89° 59' 59\"/>		

THIS SURVEY WAS MADE IN ACCORDANCE WITH THE PROVISIONS OF THE CIVIL ENGINEERS AND SURVEYORS ACT, CHAPTER 499, STATUTES OF CALIFORNIA, AS AMENDED, AND THE RULES AND REGULATIONS OF THE BOARD OF CIVIL ENGINEERS AND SURVEYORS, STATE OF CALIFORNIA, AND THE RULES AND REGULATIONS OF THE BOARD OF CIVIL ENGINEERS AND SURVEYORS, COUNTY OF SANTA CLARA, CALIFORNIA.

THE SURVEY WAS MADE IN ACCORDANCE WITH THE PROVISIONS OF THE CIVIL ENGINEERS AND SURVEYORS ACT, CHAPTER 499, STATUTES OF CALIFORNIA, AS AMENDED, AND THE RULES AND REGULATIONS OF THE BOARD OF CIVIL ENGINEERS AND SURVEYORS, STATE OF CALIFORNIA, AND THE RULES AND REGULATIONS OF THE BOARD OF CIVIL ENGINEERS AND SURVEYORS, COUNTY OF SANTA CLARA, CALIFORNIA.

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED DATE 11/19/2013 BY 60322 UCBAW/STP/STP

<p>DATE: 11/19/2013 BY: 60322 UCBAW/STP/STP</p>	<p><b>DEMISE LEASE PREMISES AND ACCESS BASEMENT AREA</b> FOR ORONADO SUPPLY HUB/BAIAC</p> <p>ANALYST: [Name] CALIFORNIA</p>	<p><b>KIER &amp; WRIGHT</b> CIVIL ENGINEERS &amp; SURVEYORS, INC. 3350 Scott Boulevard Building 22 Santa Clara, California 95051 • 727-6665</p>	<p>SCALE: AS SHOWN</p>
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# SAN FRANCISCO WATER DEPARTMENT

## LAND USE PERMIT

GEN-1700-85

Pursuant to authority granted by the Public Utilities Commission, permission is hereby granted to

### ORCHARD SUPPLY HARDWARE

(hereinafter called "Permittee") to occupy and utilize the following described parcel or premises owned by the City and County of San Francisco (hereinafter called "City") and under jurisdiction of the Water Department:

Along and within Parcel 18 of former Muni right of way according to San Francisco Water Department records and as shown on San Francisco Water Department Drawing No. C-1183 attached hereto and made a part hereof.

for the purpose of installing a 6-inch VCP sanitary sewer and a 12-inch ACP storm drain to serve the Orchard Supply Hardware's lease of portion of Water Department's Millbrae Yard.

This permit is granted subject to the following conditions:

1. Unless otherwise specifically provided herein this permit shall become effective when the Public Utilities Commission or its authorized representative and the Permittee have signed it. A copy shall be furnished to Permittee.
2. This permit does not constitute a lease, deed or grant of an easement, or of a fee interest by City. It is not transferable or assignable, and is revocable at any time at the option of the Public Utilities Commission.
3. The use authorized by this permit is limited solely to the purposes set forth herein, and, except as expressly herein provided, construction, excavation or installation of structures is not authorized.
4. Neither City nor any commission, board, officer, or employee thereof shall be held responsible or liable for damage to any property of the Permittee installed or located on the premises covered by this permit.
5. Permittee shall at all times keep City's lands in good and slightly condition, so far as the same may be affected by Permittee's operation hereunder.
6. In the event City institutes and prevails in any action for the enforcement of any of its rights hereunder, Permittee will pay to City such reasonable attorney's fees as may be determined by the Court, as part of the costs of such action.

7. Permittee shall, on receipt of notice to do so and within such reasonable time limits as may be fixed by said notice, alter or remove at his own expense any of his improvements, plantings, or other property to such extent as may be required to avoid interference with any of City's pipe, power lines, or other structures now or hereafter to be constructed, with the maintenance thereof, or with any other operations or land use by City. In the event Permittee fails to alter or remove any of his improvements, plantings, or other property within the time limit specified in said notice, said improvements, plantings, or other property may be removed by City, the reasonable expense of which shall be paid to City by Permittee.
8. In the event of any emergency City may, at its sole option and without notice, alter, remove or protect at Permittee's expense, any improvements, plantings, or other property, except utility facilities owned either by a private company or a public agency. On notice that an emergency exists, owners of utility facilities, at their own expense, must take immediate action to protect, remove or relocate such facilities as required to meet the emergency.
9. Permittee shall be responsible and liable for any and all damage to City's structures or property, due directly or indirectly to Permittee's occupation and use of City lands pursuant to this permit, and shall promptly pay any just claim therefor. Permittee shall assume the defense of and indemnify and save harmless the City and County of San Francisco, its Public Utilities Commission, officers, and employees from all claims, loss, liens, damage, injury and liability of every kind, nature and description, directly or indirectly arising from Permittee's occupation and use of City lands pursuant to this permit regardless of responsibility for negligence.
10. Any gardening or landscaping shall be limited to low growing shrubs, grass or plants. Planting of trees on pipeline or electric line rights-of-way is expressly not permitted.
11. To the extent that any special conditions set forth herein conflict with or are inconsistent with the printed conditions, the special conditions shall prevail.
12. In the event the purpose of this permit is to allow Permittee to install utility facilities underground across City's premises, the clear distance between the bottom of Permittee's installation and the top of City's existing and proposed future water lines shall not be less than six inches and Permittee's said installation shall be placed at an approximately constant grade for the entire crossing.
13. In the event the purpose of this permit is to allow Permittee to install utility facilities underground across City's premises, Permittee shall properly mark the alignment of the underground installation with witness posts.
14. All conditions of this permit are subject to periodic review.
15. Permittee's proposed installations within City's right of way shall be in accordance with Permittee's drawing bearing City's signed approval. This drawing is attached hereto as Exhibit "A" and is hereby made a part of this permit.
16. In the event City expand facilities into the permit area in the future, Permittee shall remove his sewer authorized under this permit and relocate elsewhere, all at his own expense.
17. Unless sooner revoked, this permit shall terminate at the end of Permittee's lease of adjoining land.
18. The Permittee shall notify the Manager of the Suburban Division of the San Francisco Water Department, phone 697-4424, five working days prior to the date of installation.
19. The removal of existing trees along and near the sewer line authorized under this permit is required. The Permittee shall perform this work under the direction of the City and at his own expense.
20. The installation of facilities authorized by this permit is subject to City's inspection and approval.
21. The City reserves the right to alter, add, and delete from the work authorized or required under this permit.
22. Rights granted herein shall be limited to area granted under this permit. Permittee shall not use the adjacent lands of the City without prior approval of the General Manager of the San Francisco Water Department.
23. Permittee shall not accept and release his Contractor for the work authorized or required by this permit before securing the approval of the City.
24. Permittee shall install markers identifying location of their underground facilities constructed under this permit. Markers and identifying information thereon shall be approved by the City.
25. Upon completion of installation permitted hereunder, Permittee shall remove all debris and excess dirt and restore the right of way to their original condition to the satisfaction of the General Manager of the San Francisco Water Department.
26. The City shall not be taxed or assessed for the improvements permitted hereunder.

27. Public Liability and Property Damage Insurance:

Permittee agrees to maintain in force during the existence of this permit, and at its cost and expense, comprehensive general liability insurance, including automobile and products liability insurance if required by the Public Utilities Commission. The policy or policies of said insurance shall name as insured, or as additional insureds, City, Public Utilities Commission and its members, and the officers, agents and employees of each. Said policy or policies shall insure said persons against loss or liability for damages for bodily injury, death or property damage occasioned by reason of the operations of Permittee in, on and about the property permitted to be occupied by or used with minimum liability limits as follows:

\$1,000,000 Combined Single Limit for bodily injury or death of any one person; and for bodily injury or death of two or more persons, in any one occurrence; and for damage to property resulting from any one occurrence.

A copy of said insurance policy or policies shall be furnished to the General Manager and Chief Engineer, San Francisco Water Department, hereinafter referred to as Manager, upon the execution of this permit and shall contain a provision that written notice of cancellation or of any material change thereof shall be delivered to Manager thirty (30) days in advance of the effective date thereof. In the event that others than the aforesaid persons are named in said policy or policies as insureds, or additional insureds, Permittee shall furnish Manager with a satisfactory severability of interests endorsement thereon. Approved forms of the last two aforesaid endorsements may be obtained from Manager.

Thereafter and during the term of this permit, Permittee shall furnish to Manager, from time to time, a duly executed certificate to the effect that the insurance coverage furnished to City is being maintained by Permittee. Such policies or certificates shall be issued by a company or companies approved in writing by City's Controller and as to form by City's City Attorney. Permittee shall increase the aforesaid limits upon the written demand of City provided that said increases are reasonable and justifiable by City.

Dated 4/22/85

PERMITTEE

ORCHARD SUPPLY HARDWARE

By R. Inger

Title Director/Store Planning

CITY AND COUNTY OF SAN FRANCISCO  
PUBLIC UTILITIES COMMISSION

General Manager of Public Utilities

By Arthur R. Jensen

Arthur R. Jensen  
Acting General Manager and Chief Engineer  
San Francisco Water Department

Dated APR 29 1985

# SAN FRANCISCO WATER DEPARTMENT

## LAND USE PERMIT

Pursuant to authority granted by the Public Utilities Commission, permission is hereby granted to

GRACE RETAIL CORPORATION  
ORCHARD SUPPLY HARDWARE  
P.O. BOX 6450  
SAN JOSE, CALIFORNIA 95150-6450  
ATTENTION: MIKE LA TOURETTE

(hereinafter called "Permittee") to occupy and utilize the following described parcel or premises owned by the City and County of San Francisco (hereinafter called "City") an under jurisdiction of the Water Department:

The following described real property situated in the City of Millbrae, County of San Mateo, State of California;

A portion of Parcel 29 Millbrae Corporation Yard as conveyed by Spring Valley Water Company to the City and County of San Francisco by deed dated and recorded March 3, 1930 in Volume 491 of Official Records at Page 1, said portion commencing at the intersection of northeasterly line of El Camino Real with the southeasterly line of Parcel 29, thence north  $46^{\circ} 53'$  west and along the said northeasterly line of El Camino Real a distance of 336.00 feet, thence north  $53^{\circ} 46'$  east a distance of 428.24 feet, thence south  $36^{\circ} 14'$  east a distance of 75.00 feet; thence north  $53^{\circ} 46'$  east a distance of 292.25 feet; thence south  $39^{\circ} 14'$  east a distance of 255.56 feet; thence south  $53^{\circ} 46'$  west a distance of 670.00 feet to the point of commencement.

Containing 4.752 acres more or less.

All of which property is identified by San Francisco Water Department Drawing No. B-4051-4 dated May 2, 1978 and revised January 26, 1983, attached hereto, and made a part hereof.

for the purpose of conducting preliminary engineering, survey and site preparation work.

This permit is granted subject to the following conditions:

1. Unless otherwise specifically provided herein this permit shall become effective when the Public Utilities Commission or its authorized representative and the Permittee have signed it. A copy shall be furnished to Permittee.
2. This permit does not constitute a lease, deed or grant of an easement, or of a fee interest by City. It is not transferable or assignable, and is revocable at any time at the option of the Public Utilities Commission.
3. The use authorized by this permit is limited solely to the purposes set forth herein, and, except as expressly herein provided, construction, excavation or installation of structures is not authorized.
4. Neither City nor any commission, board, officer, or employee thereof shall be held responsible or liable for damage to any property of the Permittee installed or located on the premises covered by this permit.
5. Permittee shall at all times keep City's lands in good and sightly condition, so far as the same may be affected by Permittee's operation hereunder.
- ~~6. In the event City institutes and prevails in any action for the enforcement of any of its rights hereunder, Permittee will pay to City such reasonable attorney's fees as may be determined by the Court, as part of the costs of such action.~~

7. Permittee shall, on receipt of notice to do so and within such reasonable time limits as may be fixed by said notice, alter or remove at his own expense any of his improvements, plantings, or other property to such extent as may be required to avoid interference with any of City's pipe, power lines, or other structures now or hereafter to be constructed, with the maintenance thereof, or with any other operations or land use by City. In the event Permittee fails to alter or remove any of his improvements, plantings, or other property within the time limit specified in said notice, said improvements, plantings, or other property may be removed by City, the reasonable expense of which shall be paid to City by Permittee.
8. In the event of any emergency City may, at its sole option and without notice, alter, remove or protect at Permittee's expense, any improvements, plantings, or other property, except utility facilities owned either by a private company or a public agency. On notice that an emergency exists, owners of utility facilities, at their own expense, must take immediate action to protect, remove or relocate such facilities as required to meet the emergency.
9. Permittee shall be responsible and liable for any and all damage to City's structures or property, due directly or indirectly to Permittee's occupation and use of City lands pursuant to this permit, and shall promptly pay any just claim therefor. Permittee shall assume the defense of and indemnify and save harmless the City and County of San Francisco, its Public Utilities Commission, officers, and employees from all claims, loss, liens, damage, injury and liability of every kind, nature and description, directly or indirectly arising from Permittee's occupation and use of City lands pursuant to this permit regardless of responsibility for negligence.
10. Any gardening or landscaping shall be limited to low growing shrubs, grass or plants. Planting of trees on pipeline or electric line rights-of-way is expressly not permitted.
11. To the extent that any special conditions set forth herein conflict with or are inconsistent with the printed conditions, the special conditions shall prevail.
12. In the event the purpose of this permit is to allow Permittee to install utility facilities underground across City's premises, the clear distance between the bottom of Permittee's installation and the top of City's existing and proposed future water lines shall not be less than six inches and Permittee's said installation shall be placed at an approximately constant grade for the entire crossing.
13. In the event the purpose of this permit is to allow Permittee to install utility facilities underground across City's premises, Permittee shall properly mark the alignment of the underground installation with witness posts.
14. All conditions of this permit are subject to periodic review.
15. This permit is granted for the interim period pending confirmation for approval by City's Board of Supervisors of that certain ground lease awarded to Permittee by Public Utilities Commission, pursuant to Resolution No. 83-0483, adopted November 8, 1983.
16. Permittee shall notify Manager of Suburban Division of San Francisco Water Department, phone (415) 697-4424, at least 24 hours prior to date of entry, for any work or activity to be conducted under this permit.
17. Permittee may enter adjoining San Francisco Water Department's Suburban Headquarters lands for purposes granted herein.
18. Permittee shall use extreme care to protect the City's existing water transmission pipelines at all times. Permittee shall not use heavy construction equipment over the City's pipelines during construction.
19. To prevent damage to City's underground pipelines, Permittee's use of vehicles and construction equipment closer than 20 feet to City's pipelines shall be subject to the following restrictions:
  - a. The cover over the tops of City's pipelines must be at least 3 feet.
  - b. The "axle loading" of vehicles and construction equipment must not exceed that allowed under "AASHTO Standard H-10 Loading". H-10 loading is defined as loading caused by a two axle truck with a gross weight of ten tons (20,000 lbs.), axles 14 feet apart, and rear axle carrying 8 tons (16,000 lbs). It is Permittee's responsibility to provide substantiation that his equipment meets this requirement.



20. Public Liability and Property Damage Insurance:

Permittee agrees to maintain in force during the existence of this permit, and at its cost and expense, comprehensive general liability insurance, including automobile and products liability insurance if required by the Public Utilities Commission. The policy or policies of said insurance shall name as insured, or as additional insureds, City, Public Utilities Commission and its members, and the officers, agents and employees of each. Said policy or policies shall insure said persons against loss or liability for damages for bodily injury, death or property damage occasioned by reason of the operations of Permittee in, on and about the property permitted to be occupied by or used with minimum liability limits as follows:

\$1,000,000 Combined Single Limit for bodily injury or death of any one person; and  
for bodily injury or death of two or more persons,  
in any one occurrence; and  
for damage to property resulting from any one occurrence.

A copy of said insurance policy or policies shall be furnished to the General Manager and Chief Engineer, San Francisco Water Department, hereinafter referred to as Manager, upon the execution of this permit and shall contain a provision that written notice of cancellation or of any material change thereof shall be delivered to Manager thirty (30) days in advance of the effective date thereof. In the event that others than the aforesaid persons are named in said policy or policies as insureds, or additional insureds, Permittee shall furnish Manager with a satisfactory severability of interests endorsement thereon. Approved forms of the last two aforesaid endorsements may be obtained from Manager.

Thereafter and during the term of this permit, Permittee shall furnish to Manager, from time to time, a duly executed certificate to the effect that the insurance coverage furnished to City is being maintained by Permittee. Such policies or certificates shall be issued by a company or companies approved in writing by City's Controller and as to form by City's City Attorney. Permittee shall increase the aforesaid limits upon the written demand of City provided that said increases are reasonable and justifiable by City.

Dated JANUARY 27, 1984

PERMITTEE:

GRACE RETAIL CORPORATION

By George J. Winchell

George J. Winchell

Title Vice President

LEGAL MPD

CITY AND COUNTY OF SAN FRANCISCO  
PUBLIC UTILITIES COMMISSION

RE JK

General Manager of Public Utilities

By Eugene J. Kelleher

EUGENE J. KELLEHER  
General Manager and Chief Engineer  
San Francisco Water Department

Dated Jan 30, 1984

# EXHIBIT A

## CHAPTER 12C OF THE SAN FRANCISCO ADMINISTRATIVE CODE

AMENDING THE SAN FRANCISCO ADMINISTRATIVE CODE BY ADDING CHAPTER 12C THERETO, PROHIBITING DISCRIMINATION IN REAL PROPERTY CONTRACTS ON THE GROUND OR BECAUSE OF RACE, COLOR, CREED, NATIONAL ORIGIN, ANCESTRY, AGE, SEX, SEXUAL ORIENTATION OR DISABILITY.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Chapter 12C is added to the San Francisco Administrative Code to read as follows:

### CHAPTER 12C

#### NONDISCRIMINATION IN PROPERTY CONTRACTS

##### SEC. 12C.1. All Property Contracts to Include Nondiscrimination Provisions.

All contracting agencies of the City and County of San Francisco, or any department thereof, acting for or on behalf of the City and County, shall include in all contracts, franchises, leases, concessions or other agreements involving the lease, rental, or other use of real property and improvements thereon of the City and County of San Francisco, for a period exceeding twenty-nine (29) days in any calendar year, whether by singular or cumulative instrument, a provision obligating the contractor, franchisee, lessee, concessionaire, or other party of said agreement not to discriminate on the ground or because of race, color, creed, national origin, ancestry, age, sex, sexual orientation or disability against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, operating from or making use of said real property, and shall require such contractor, franchisee, lessee, or concessionaire to include a similar provision in all subcontracts, subleases, or other subordinate agreements for a period exceeding twenty-nine (29) days in any calendar year, whether by singular or cumulative instrument, let, awarded, negotiated or entered into thereunder.

##### SEC. 12C.2. Definitions.

As used in this chapter the term:

"Age" for the purpose of membership refers to and shall include any person who has attained the age of eighteen (18) years, except for bona fide senior citizen organizations.

"Contract" shall mean and include an agreement to operate from or make use of real property of the City and County of San Francisco in the operation of a business, social, or other establishment or organization.

"Contractor" means any person or persons, firm, partnership, corporation, or combination thereof, who enters into a contract to operate from or make use of real property of the City and County of San Francisco in the operation of a business, social, or other establishment or organization.

"Subcontract" shall mean and include an agreement or contract under or subordinate to a prime contract, franchise, lease, or concession to operate from or make use of real property of the City and County of San Francisco in the operation of a business, social or other establishment or organization.

"Concession" includes a grant of land or other property by or on behalf of the City and County of San Francisco to a person for the purpose or use specified in said grant.

"Concessionaire" shall mean and include a person who is the grantee or beneficiary of a concession as herein defined.

"Franchise" shall mean and include a right or privilege conferred by grant from the City and County of San Francisco, or any contracting agency thereof, and vested in and authorizing a person to conduct such business, social, or other activity as is specified in said grant.

"Franchisee" shall mean and include a person who is the grantee or beneficiary of a franchise as herein defined.

"Instrument" shall mean and include a contract, franchise, lease, concession or other agreement to operate from or make use of real property of the City and County of San Francisco in the operation of a business, social or other establishment or organization.

"Lease" shall mean and include a contract by which the City and County of San Francisco, or any contracting agency thereof, grants to a person the temporary possession and use of property, for reward, and the latter agrees to return the same to the former at a future time.

"Lessee" shall mean and include a person or tenant taking possession of real property under a lease as herein provided.

"Sublease" shall mean and include a lease by which a lessee or tenant grants or lets to another person part or all of the leased real property for a shorter term and under which said lessee or tenant retains some right or interest under the original lease.

"Real Property" shall mean and include land in which the City and County of San Francisco holds a legal interest and improvements to said real property.

"Sex" shall mean the character of being male or female.

"Sexual Orientation" shall mean the choice of human adult sexual partner according to gender.

"Disability" is a physical or mental impairment which does not make the person incapable of making use of the accommodations, advantages, facilities, privileges, services or membership in business, social or other establishments or organizations with a reasonable accommodation to his or her disability, and does not make the person incapable of making such use in a manner which would not endanger his or her health and safety or the health and safety of others.

"Tenant" shall mean the person or persons, firm, partnership, corporation or combination thereof who enter into a contract, franchise, lease, concession or other agreement involving the lease, rental or other use of real property and improvements thereon of the City and County of San Francisco.

##### SEC. 12C.3. Nondiscrimination Provisions of Property Contracts.

Every contract, franchise, lease, concession or other agreement entered into by any agency of the City and County of San Francisco, or any department thereof, involving the lease, rental, or other use of real property and improvements thereon of the City and County of San Francisco for a period exceeding twenty-nine (29) days in any calendar year, whether by singular or cumulative instrument, shall contain the provisions following, which shall be known as the nondiscrimination provisions of such property contract.

In the performance of this contract, the tenant agrees as follows:

(a) The tenant or subtenant will not discriminate against any person seeking accommodations, advantages, facilities, privileges, services, or membership in the business, social or other establishment or organization operated by the tenant or subtenant on the real property of the City and County of San Francisco, on the ground or because of race, color, creed, national origin, ancestry, age, sex, sexual orientation, or disability.

(b) Should the tenant or subtenant operate as a membership organization, the tenant will permit access to his membership records, rules, regulations and other pertinent data, by the awarding authority, or the San Francisco Human Rights Commission, for the purpose of investigating to ascertain compliance with the nondiscrimination provisions of this contract, and on request provide evidence that has or will comply with the nondiscrimination provisions of this contract.

(c) That tenant or subtenant shall be deemed to have breached the nondiscrimination provisions of this contract upon:

(1) A finding by the Director of the San Francisco Human Rights Commission or such other official who may be designated by the Human Rights Commission, that tenant has willfully violated such nondiscrimination provisions.

(2) Upon such finding by the Director of the Human Rights Commission, or other official designated by the Human Rights Commission, the awarding authority shall notify tenant, or subtenant that unless he demonstrates to the satisfaction of the Director of the San Francisco Human Rights Commission or other official designated by the Human Rights Commission within such reasonable period as the Human Rights Commission shall determine, that the violation has been corrected, action will be taken as set forth in subparagraph (d).

(3) The Human Rights Commission shall, within ten days of the date of issuance of any finding by the Director of the Human Rights Commission or other official designated by the Commission in the enforcement of this chapter, mail to any person or persons affected by said finding, a copy of said finding, together with written notice of his right to appeal. Notice of appeal must be filed in writing with the Chairman of the Commission within 20 days of the date of mailing said copy and notice.

(4) For purposes of appeal proceedings under this section, a quorum shall consist of eight members of the Commission. The vote of the majority of the full Commission shall be necessary to affirm, reverse or modify such decisions, order or other action rendered hereunder. Should a member of the Human Rights Commission be designated under Section 12B.2 (c) (1) of this contract, that commissioner may not participate in an appeal under this section except as a witness.

(5) The presiding officer of the Commission shall have the power to administer oaths to witnesses in appeals before the Commission under this section. In the event that any person shall fail or refuse to appear as a witness in any such proceeding after being requested to do so, and if it shall appear to the Commission that his testimony, or books, records, documents or other things under his control are material and relevant as evidence in the matter under consideration by the Commission in the proceeding, the presiding officer of the Commission may subpoena such person, requiring his presence at the proceeding and requiring him to bring such books, records, documents or other things under his control.

(6) All appeals to the Human Rights Commission shall be open to public inspection. Upon reaching a decision in any appeal, the Commission shall give written notice thereof to the Director of the Human Rights Commission, or other official designated by the Human Rights Commission, and the appellant or appellants. The decision of the Commission shall be final unless within 15 days of the filing and service of written notice thereof appropriate legal proceedings are filed in a court of competent jurisdiction by any party to this contract.

(7) If any tenant or subtenant under contract to the City and County of San Francisco shall fail to appear at an appeal proceeding of the Commission after having been given written notice to appear, such failure to appear shall be grounds for cancellation of the contract or subcontract and such tenant or subtenant shall be deemed to have forfeited all rights, benefits and privileges thereunder.

(8) The Human Rights Commission of San Francisco shall promulgate rules and regulations for the implementation of the nondiscrimination provisions of this contract, and such rules and regulations shall, so far as practicable, be similar to those adopted in applicable federal executive orders.

(d) A breach of the nondiscrimination provisions in the performance of this contract shall be deemed by the City and County of San Francisco to be a material breach of contract and basis for determination by the officer, board or awarding authority responsible for the awarding or letting of such contract that the tenant or subtenant is an irresponsible tenant, lessee, franchisee or concessionaire as to all future contracts for the use of real property. Such person, firm or corporation shall not, for a period of two (2) years thereafter, or until he/she shall establish and carry out a program in conformity with the nondiscrimination provisions of this contract, be allowed to act as a tenant or subtenant under any contract involving the lease, rental or other use of real property and improvements thereon, of the City and County of San Francisco.

(e) Nothing contained in this contract shall be construed in any manner so as to prevent the City and County of San Francisco from pursuing any other remedies that may be available at law.

SEC. 12C.4. Human Rights Commission Empowered.

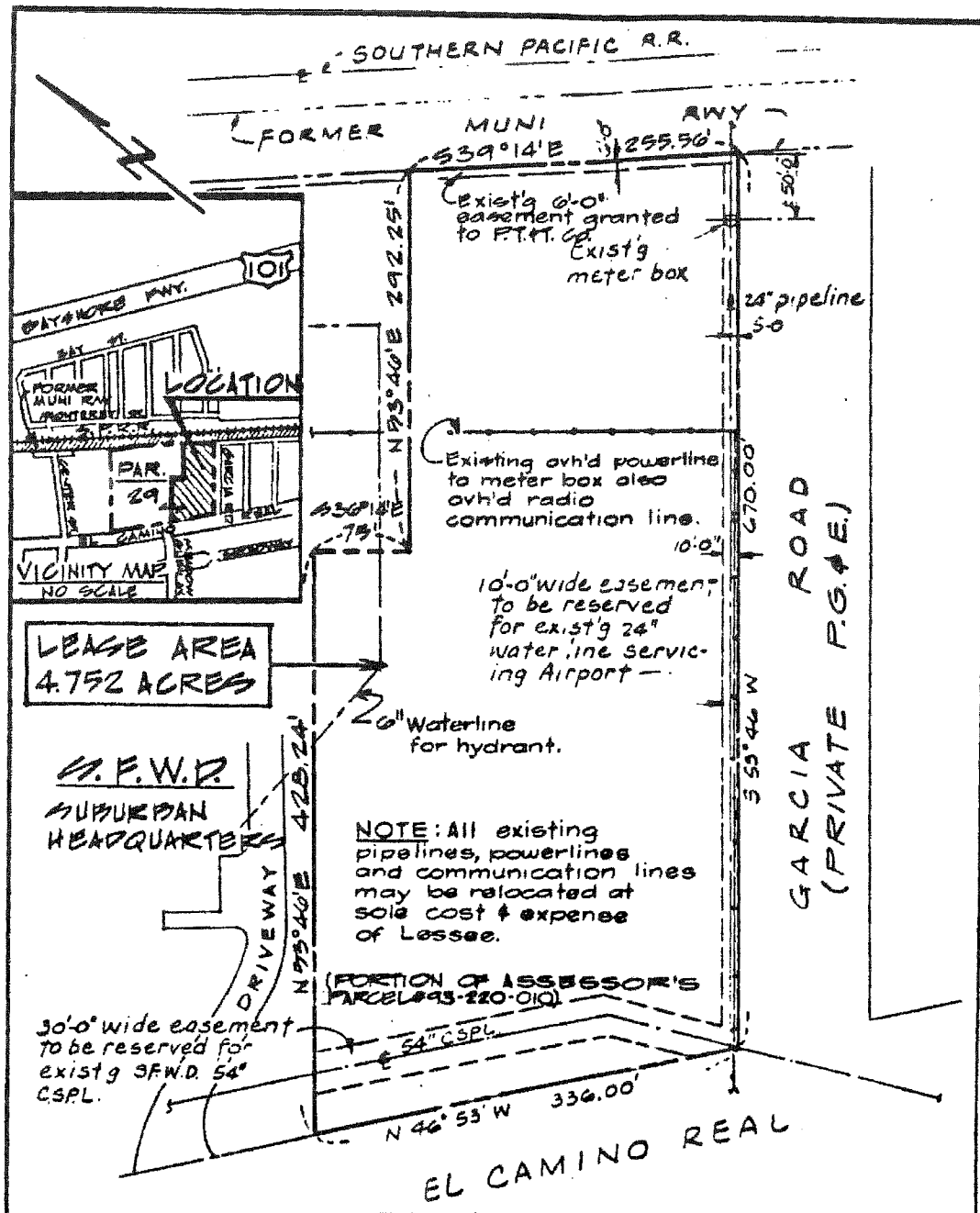
The San Francisco Human Rights Commission, its presiding officer and its director are hereby granted the power to do all acts and exercise all powers referred to in Section 12C.2 hereof.

SEC. 12C.5. Funding.

The Board of Supervisors shall appropriate such funds from the general fund of the City and County of San Francisco, subject to budgetary and fiscal provisions of the charter, as it may deem necessary for enforcement of this ordinance.

SEC. 12C.6. Severability.

If any clause, sentence, paragraph or part of this title or the application thereof to any person or circumstances shall, for any reason, be adjudged by a court of competent jurisdiction to be invalid, such jurisdiction shall not affect, impair or invalidate the remainder of this chapter.



CITY AND COUNTY OF SAN FRANCISCO  
 PUBLIC UTILITIES COMMISSION  
 SAN FRANCISCO WATER DEPARTMENT

PROPOSED LAND TO BE LEASED

PORTION OF MILLBRAE PUMP STATION LOT PAR. 29 S.M.

APPROVED	SCALE 1"=100'	BY	DR.	DRAWING NO. B-4051-4
APPROVED		REVIEWED	CH. <i>D. Mad</i>	
GENERAL MANAGER AND CHIEF ENGINEER		DATE 5-2-78	REVISED 1-26-53	

EXHIBIT A