(Lease Area No. 03-SAC005-0006)
STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION

THIS LEASE, dated _____, 2007, is by and between the STATE OF CALIFORNIA, acting by and through its Department of Transportation, hereinafter called "Landlord," and the City of Sacramento, a Municipal Corporation, hereinafter called "Tenant."

WITNESSETH

For and in consideration of the rental and of the covenants and agreements hereinafter set forth to be kept and performed by the Tenant, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises herein described for the term, at the rental and subject to and upon all of the terms, covenants and agreements hereinafter set forth.

ARTICLE 1. SUMMARY OF LEASE PROVISIONS

Landlord: State of California Department of Transportation
Tenant: City of Sacramento, a Municipal Corporation
Premises: Located in the City of Sacramento, County of Sacramento, State of California, commonly known as 03-SAC005-0006, and more particularly described in Article 2.
Lease Term: Twenty-five (25) years with two 10-year options to renew, the initial term commencing upon approval of this Lease by the Sacramento City Council and expiring three hundred (300) months thereafter, unless sooner terminated as provided in Article 15 of this Lease.
Rent, Monthly: $1,290.00 (Article 4)
Security Deposit: None (Article 18)
Use: Parking (Article 5)
Comprehensive General Liability Insurance: $5,000,000. (Article 10)
Insurance provider: NA.
Policy number: N/A.

Address for Notices: (Article 19)
To Landlord: Department of Transportation
Attn: Right of Way/Airspace
P. O. Box 911
Marysville, CA 95901
To Tenant: City of Sacramento
Parking Services Division
921 10th Street
Sacramento, CA 95814

References in this Article 1 to the other Articles are for convenience and designate other Articles where references to the particular item contained in the Summary of Lease Provisions appear. Each reference in this Lease to the Summary of Lease Provisions contained in this

Article 1 shall be construed to incorporate all of the terms provided under the Summary of Lease Provisions. In the event of any conflict between the Summary of Lease Provisions and the balance of the Lease, the latter shall control.

ARTICLE 2. PREMISES

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, for the term, at the rent, and upon the covenants and conditions hereinafter set forth, that certain Premises known as Airspace Lease Area No. 03-SAC005-0006, situated in the City of Sacramento, County of Sacramento, said land or interest therein being shown on the Location Map or plat marked "Exhibit A" and Lease Area Map or plat marked "Exhibit B", attached hereto and by this reference made a part hereof and more particularly described as follows:

Part "A": A portion of Lots 5, 6, 7 and 8 of the Block bounded by "O" and "P" Streets and Front and Second Streets as shown on the Official Map of the City of Sacramento.

Said portion in that part thereof described as follows:

Beginning at a point in the easterly line of existing State Rte. 5 being the northwest corner of that parcel of land described in Directors Deed recorded 6/15/71 in Book 71-06-15 at Page 350, Official Records of Sacramento County; Thence from said Point of Beginning along the westerly line of said parcel, from tangent that bears S 19° 13' 52" W along a curve to the left with a radius of 1712.00 ft., through an angle of 06° 20' 50", an arc distance of 189.66. ft.; Thence along a compound curve with a radius of 138.00 ft., through an angle of 39° 05' 46", an arc distance of 94.16 ft.; Thence S 26° 12' 44" W 12.00 ft.; Thence leaving said westerly line S 63° 47' 16" W 20.00 ft.; Thence N 26° 12' 44" W 12.00 ft.; Thence along a tangent curve to the right with a radius of 158.00 ft., through an angle of 39° 05' 46" an arc distance of 107.81 ft.; Thence along a compound curve with a radius of 1732.00 ft., through an angle of 06° 20' 19", an arc distance of 191.62 feet to a point in the southerly line of "O" Street; Thence along said southerly line S 71° 30' 09" E 20.00 ft. to the Point of Beginning.

Part "B": A portion of the Lots 5, 6 and 7 of the Block bounded by "N" and "O" Streets and Front and Second Streets as shown on the Official map of the City of Sacramento.

Said portion is that part thereof described as follows:

Beginning at the Point of Beginning described in Part "A' hereinabove also being the Point of Beginning described in Director's Deed recorded 6/15/71 in Book 71-06-15 at Page 358, Official Records of Sacramento County; Thence from said Point of Beginning along the line described in last said Director's Deed, said line also being the easterly line of existing State Rte. 5, from a tangent that bears N 19° 13' 52" E along a curve to the right with a radius at 1712.00 ft., through an angle of 03° 30' 53", an arc distance of 105.02 ft. to the TRUE Point of Beginning; Thence from said TRUE Point of Beginning continuing along said line from a tangent that bears N 22° 44' 45" E along a curve the right with a radius of 1712.00 ft., through an angle of 05° 21' 24", an arc distance of 160.06 ft.; Thence leaving said line N 61° 53' 51" W 20.00 ft.; Thence from a tangent that bears S 28° 06' 09" W along a curve to the left with a radius of

1732.00 ft. through an angle of 05° 21' 24", an arc distance of 161.93 ft.; Thence S 67° 15' 15" E 20.00 ft. to the TRUE Point of Beginning.

Part "C": A portion of "N" Street and of Lots 7 and 8 of the Block bounded by "N" and "O" Streets and Front and Second Streets as shown on the Official Map of the City of Sacramento.

Said portion is that part thereof described as follows:

Beginning at a point in the easterly line of existing State Rte. 5 being the northerly terminus of that certain 1712.00 ft. radius curve described in said Directors Deed referred to in Part "B" hereinabove; Thence from said Point of Beginning along the line described in said Director's Deed from a tangent that bears N 32° 28' 07" E along a curve to the right with a radius of 1950.00 ft., through an angle of 02° 47' 30", an arc distance of 95.01 ft.; Thence leaving said line N 54° 44' 23" W 20.00 ft.; Thence from a tangent that bears S 35° 15' 37" W along a curve to the left with a radius of 1970.00 ft., through an angle of 02° 47' 30", an arc distance of 95.99 ft.; Thence along a compound curve with a radius of 1732.00 ft. through an angle of 02° 50' 42", an arc distance of 86.00 ft.; Thence S 60° 22' 35" E 20.00 ft. to a point in said line; Thence along said line from a tangent that bears N 29° 37' 25" E along a curve to the right, with a radius of 1712.00 ft. through an angle of 02° 50' 42", an arc distance of 85.01 ft. to the Point Beginning.

ARTICLE 3. TERM

The term of this Lease shall be for twenty-five (25) years, commencing upon approval of this Lease by the Sacramento City Council and expiring three hundred (300) months thereafter, unless sooner terminated as provided in Article 15 of this Lease. Lessee shall have the option to extend this Lease for two extended terms of ten (10) years each, the first of such extended terms to begin on the expiration of the initial term and the successive extended term to begin on the expiration of the term immediately preceding.

Tenant's option of extending this Lease shall be exercised in writing to Landlord at least 365 days prior to the commencement of each extended term.

ARTICLE 4. RENT

4.1 Monthly Rent

Tenant shall pay to Landlord as rent, without deduction, setoff, prior notice, or demand, the sum of $1,290.00, per month in advance on the first day of each month, commencing on the date the term commences and continuing during the term. All rent shall be paid to Landlord at the following address: State of California, Department of Transportation, Attention: Cashier, P. O. Box 168019, Sacramento, CA 95816-3819 and shall include your tenancy number 03-SAC005-0006-01 on the check. Landlord acknowledges receipt of the sum of $1,290.00 from Tenant in payment for the first month's rent under this Lease.

4.2 Adjustment to Rent

The minimum monthly rent provided for in Section 4.1 shall be subject to adjustment at the commencement of the fifth year of the term and every 5 year(s) thereafter, except in those years in which a reevaluation occurs under Section 4.4, as follows:

The base for computing the adjustment is the 1984 Base Consumer Price Index (All Urban Consumers - All Items) in the San Francisco, Oakland, San Jose area, the Consumer Price Index (All Urban Consumers - All Items), published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is published for the second month prior to the month in which the term commences or the month in which the most recent Calculation Period commences ("Beginning Index"). The period between each adjustment date, or between a reevaluation date and the next adjustment date, is referred to herein as the "Calculation Period". If the index published for the second month immediately preceding the month of the adjustment date ("Extension Index") has increased over the Beginning Index, the adjusted minimum monthly rent for the following five year period shall be set by multiplying the minimum monthly rent, as previously adjusted, by a fraction, the numerator of which is the Extension Index and denominator of which is the Beginning Index. If the Extension Index is equal to or less than the Beginning Index, no adjustment shall be made to the minimum monthly rent as previously adjusted. This automatic adjustment shall be calculated using the following formula:

$A = M \times B/C$

A = Adjusted minimum monthly rent.

M = Minimum monthly rent stated in Section 4.1, or in effect at the beginning of the current Calculation Period, unless different minimum monthly rent has been established by reevaluation under this Article 4 or by operation of the provisions of Article 12, in which case the most recently created rate shall apply.

B = "Extension Index," the Index published for the second month prior to the month in which each rental rate adjustment is to become effective.

C = "Beginning Index," the Index published for the second month prior to the month in which the term commences or in which the current Calculation Period commences.

In no event shall the minimum monthly rent be reduced by any calculation made pursuant to this section.

If the Index is changed so that the base year differs from that used in calculating the Beginning Index, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term of this Lease, any similar index published by any branch of the United States Government shall be used in order to obtain substantially the same result as if the Index had not been discontinued or revised, and if no such other index is published, another index generally recognized as authoritative shall be substituted by Landlord.

4.3 Landlord's Compensation upon Assignment, Transfer or Sublease of Tenant's Leasehold

(a) In the event that Tenant voluntarily assigns, transfers or subleases any of Tenant's rights in the Premises, Tenant shall pay to Landlord compensation in connection with the transaction in an amount equal to fifty percent (50%) of any and all consideration, whether in

present payments or in future payments, which Tenant receives from an assignee, transferee or subtenant in excess of the amount of rent Tenant is obligated to pay to Landlord under this Lease. (b) Payment by Tenant of the amount of compensation required under this Section 4.3 is a condition to Landlord's giving its consent to any assignment, transfer or sublease under Section 18.2, and Landlord may withhold its consent to any such assignment, transfer or sublease until this compensation has been paid. In addition, before Landlord gives its consent to any such transaction, Tenant shall deliver to the assignee, transferee or subtenant a written summary of all sums due and owing to Landlord under this section and shall deliver to Landlord a written acknowledgement by the assignee, transferee or subtenant that said person affirms that the sums are due and owing to Landlord and that said person accepts responsibility for ensuring that such sums are paid directly to Landlord.

4.4 Reevaluation of Minimum Monthly Rent

At the request of Landlord during the tenth, twentieth, thirtieth and fortieth years from the date of the commencement of the term, a fair market lease rate shall be determined in the manner set forth below and shall be established as the minimum monthly rent commencing on the following dates:

June 1, 2017

May 1, 2027

May 1, 2037

May 1, 2047

The minimum monthly rent established by this section shall be subject to the adjustment provided in Section 4.2. For the purpose of computing said adjustment, after the new minimum monthly rent has been established pursuant to this section, the Beginning Index shall be the Index published for the second month prior to the month in which new minimum monthly rent commences.

The parties intend to establish the airspace lease rate through negotiation. However, if Landlord and Tenant have not agreed upon the airspace lease rate for the leased premises at least one-hundred eighty (180) days before the date of the scheduled commencement of the new minimum monthly rent as set forth above, then each party shall appoint an appraiser, who holds a Certified General License in good standing with the California Office of Real Estate Appraisers and an MAI designation in good standing with the American Institute of Real Estate Appraisers (M.A.I.) and who has appraised property put to commercial or industrial uses in Sacramento County, and notify the other party of such appointment. Each party shall use its best efforts to give the notice of appointment to the other party at least one-hundred fifty (150) days before the said commencement date.

The "airspace lease rate" means the highest rate on the date of valuation that would be agreed to by a landlord, being willing to lease but under no particular or urgent necessity for so doing, nor obliged to lease, and a tenant, being ready, willing and able to lease but under no particular

necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes allowed by this Lease for which the property is reasonably adaptable and available. Section 5.1 of this Lease states: The leased premises are used as parking and for an open space recreation area.

The airspace lease rate shall be based on an appraisal of the underlying fee at its highest and best use as if vacant and available for development while subject to the restrictions contained in this Lease, and excluding any tenant constructed improvements. A market rate of return on the land shall be applied to the resultant fee value to provide the airspace lease rate. The highest and best use of the leased premises may result from assembling two or more parcels of land. The leased premises with a highest and best use resulting from assemblage to an adjacent or adjoining property, considering the restrictions of this Lease, will be appraised at the amount it adds to the value of the adjacent or adjoined property. In this case, the before and after valuation method will be used. Thus, the adjacent or adjoining property will first be appraised as a separate parcel at its highest and best use and then as combined with the leased premises. The difference between the two values will be the market value of the leased premises. For example: If the Lease language restricts the use to "parking", and an analysis of use as parking for a neighboring parcel (assemblage) yields a higher rate of return, then the highest and best use of that airspace parcel is as "parking assembled with the neighboring parcel". When the leased premises may be combined with more than one parcel, indicating the value of the leased premises as combined with each of the adjoining parcels is appropriate. The potential for assemblage should be based not only on physical proximity but also on market demand. The appraiser must also consider the affect on value of any local developmental entitlements for neighboring parcels that are contingent on use of the leased premises.

Landlord shall set the time and place for a conference between the parties hereto and said two appraisers, which conference shall be held within thirty (30) days of the receipt of notice of appointment by both parties. At such conference, the parties shall agree upon the general instructions to be given to said appraisers. The appraisers shall be instructed that in determining the airspace lease rate they shall consider the use to which the premises are being put as described in Section 5.1 of this Lease, and within the confines of that Section, shall consider that use which provides the greatest return on land value. The intent of the Landlord and Tenant is that the rent payable under this Lease not be less that the airspace rental value of the leased premises, and the purpose of this Section 4.4 is to assure the establishment of this rent and to prevent a positive or negative leasehold from occurring. The appraisers shall be instructed as to this intent. The general instructions shall not place any additional limitations upon the appraisal techniques to be employed by the appraisers in the evaluation of the rent.

Within forty-five (45) days after receiving said instructions, each of the appraisers shall deliver copies of a fully-documented signed written report containing an opinion of the fair market lease rate for the leased premises to Landlord and Tenant. When in receipt of both appraisals, Landlord shall set a time and place for a conference. Those to be in attendance at the conference shall include: (a) representatives of Landlord, (b) representatives of Tenant, and (c) the two appraisers. The parties shall endeavor to reach agreement on the adjusted rent.

If the parties cannot agree on the amount of the adjusted rent, the Landlord's and Tenant's appraisers shall select a third appraiser. Said third appraiser shall be allowed access to the two reports, shall prepare a third appraisal, and shall submit one copy of same to Landlord and Tenant within thirty (30) days of his selection as appraiser.

Landlord and Tenant shall each pay for their respective appraisals and, if a third appraisal is necessary, each shall pay one-half (1/2) of the fees and expenses for said third appraisal. The determination of the fair market lease rate for the leased premises by the third appraiser, as documented in his signed written report submitted to the parties, shall be binding on Landlord and Tenant. The signed report shall be received at least thirty (30) days before the date of the scheduled commencement of the new minimum monthly rent as set forth above or on such other date upon which the parties shall have agreed. It is the intent of Landlord and Tenant that the time limitations specified in this Section 4.4 are guidelines only and not mandatory. The failure to meet any of the time limitations set forth in this Section 4.4 shall not prevent a reevaluation from occurring so long as Landlord requests the reevaluation prior to the scheduled commencement date of the new minimum monthly rent.

If the fair market lease rate for the leased premises shall not have been determined prior to the date of the scheduled commencement of the new minimum monthly rent as set forth above, Tenant shall continue to pay the same rent as was being paid in the preceding period until a final determination has been made. Within thirty (30) days after such final determination is made, Tenant shall pay to Landlord the amount of difference between the rent actually paid during the period between the scheduled date of commencement of the new minimum monthly rent and the date the final determination is made and the amount of rent which should have been paid had the determination of the new minimum monthly rent been timely. Such payment shall include interest thereon at a rate one percent (1%) above the discount rate of the Federal Reserve Bank of San Francisco from the date of the scheduled commencement of the new minimum monthly rent until payment is made. For the purposes of this section, the applicable Federal Reserve Board discount rate shall be that which exists on the date of the scheduled commencement of the new minimum monthly rent. In no case shall the minimum monthly rent reevaluated pursuant to this Section 4.4 be less than the minimum monthly rent set forth in Section 4.1, as adjusted by Section 4.2, unless said minimum monthly rent has been reduced pursuant to Article 12.

ARTICLE 5. USE

5.1 Specified Use

The Premises shall be used and occupied by Tenant only and exclusively for the purpose of parking and for an open space recreation area and for no other purpose whatsoever without obtaining prior written consent of Landlord and if on an interstate freeway the concurrence of the Federal Highway Administration. It is agreed and understood by and between the parties that Tenant will reserve an area comparable to four parking spaces to the North of the Landlord's pump station and an area comparable to one parking space to the South of Landlord's pump station for access by Landlord to Landlord's pump station facility, as a condition of Tenant's use of this lease area. "Exhibit C," attached hereto and by this reference made a part hereof shows the reserve parking area required by Landlord. In addition, as a condition of Tenant's use of this lease area, parking will not be allowed immediately in front of Landlord's pump station facility.

5.2 Condition of Premises

Tenant hereby accepts the Premises in the condition existing as of the date of the execution hereof, subject to all applicable zoning, municipal, county, state and federal laws, ordinances and regulations governing and regulating the use of the Premises, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of the Premises or the suitability thereof for the conduct of Tenant's business, nor has Landlord agreed to undertake any modification, alteration or improvement to the Premises except as provided in this Lease.

Except as may be otherwise expressly provided in this Lease, the taking of possession of the Premises by Tenant shall in itself constitute acknowledgement that the Premises are in good and tenantable condition, and Tenant agrees to accept the Premises in its presently existing condition "as is", and that the Landlord shall not be obligated to make any improvements or modifications thereto except to the extent that may otherwise be expressly provided in this Lease.

Tenant represents and acknowledges that it has made a sufficient investigation of the conditions of the Premises existing immediately prior to the execution of this Lease (including investigation of the surface, subsurface and groundwater for contamination and hazardous materials) and is satisfied that the Premises will safely support the type of improvements, if any, to be constructed and maintained by Tenant upon the Premises, that the Premises is otherwise fully fit physically and lawfully for the uses required and permitted by this Lease and that Tenant accepts all risks associated therewith.

Tenant acknowledges that (1) Landlord has informed Tenant prior to the commencement of the term of this Lease that the Landlord does not know nor has reasonable cause to believe that any release of any hazardous material has come to be located on or beneath the Premises; (2) prior to the commencement of the term of this Lease, the Landlord has made available to Tenant, for review and inspection, records in the possession or control of the Landlord which might reflect the potential existence of hazardous materials on or beneath the Premises; (3) Landlord has provided Tenant access to the Premises for a reasonable time and upon reasonable terms and conditions for purposes of providing to Tenant the opportunity to investigate, sample and analyze the soil and groundwater on the Premises for the presence of hazardous materials; (4) by signing this Lease Tenant represents to Landlord that, Tenant does not know nor has reasonable cause to believe that any release of hazardous material has come to be located on or beneath the Premises and (5) with respect to any hazardous material which Tenant knows or has reasonable cause to believe has come or will come to be located on or beneath the Premises, Tenant agrees promptly to commence and complete the removal of or other appropriate remedial action regarding the hazardous material at no cost or expense to Landlord and in full compliance with all applicable laws, regulations, permits, approvals and authorizations. The phrase "hazardous material," as used herein, has the same meaning as that phrase has in Section 5.6 of this Lease.

Tenant agrees that, except as otherwise expressly provided in this Lease, Tenant is solely responsible without any cost or expense to the Landlord to take all actions necessary, off as well as on the Premises to improve and continuously use the Premises as required by this Lease and in compliance with all applicable laws and regulations.

5.3 Compliance with Law

Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, zoning restriction, ordinance or

governmental rule or regulation or requirements of duly constituted public authorities now in force or which may hereafter be in force, or with the requirements of the State Fire Marshal or other similar body now or hereafter constituted, relating to or affecting the condition, use or occupancy of the Premises. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between Landlord and Tenant. Tenant shall not allow the Premises to be used for any unlawful purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

5.4 Petroleum Products

Tenant shall not install facilities for, nor operate on the Premises, a gasoline or petroleum supply station. Tenant shall not permit on the Premises any vehicles used or designed for the transportation or storage of gasoline or petroleum products. Tenant shall also not permit on the Premises any bulk storage of gasoline or petroleum products.

5.5 Explosives and Flammable Materials

The Premises shall not be used for the manufacture of flammable materials or explosives, or for any storage of flammable materials, explosives or other materials or other purposes deemed by Landlord to be a potential fire or other hazard to the transportation facility. The operation and maintenance of the Premises shall be subject to regulations of Landlord so as to protect against fire or other hazard impairing the use, safety and appearance of the transportation facility. The occupancy and use of the Premises shall not be such as will permit hazardous or unreasonably objectionable smoke, fumes, vapors or odors to rise above the surface of the traveled way of the transportation facility.

5.6 Hazardous Materials

Tenant shall at all times and in all respects comply with all federal, state and local laws, ordinances and regulations, including, but not limited to, the Federal Water Pollution Control Act (33 U.S.C. section 1251, et seq.), Resource Conservation and Recovery Act (42 U.S.C. section 6901, et seq.), Safe Drinking Water Act (42 U.S.C. section 300f, et seq.), Toxic Substances Control Act (15 U.S.C. section 2601, et seq.), Clean Air Act (42 U.S.C. section 7401, et seq.), Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. section 9601, et seq.), Safe Drinking Water and Toxic Enforcement Act (California Health and Safety Code section 25249.5, et seq.), other applicable provisions of the California Health and Safety Code (section 25100, et seq., and section 39000, et seq.), California Water Code (section 13000, et seq.), and other comparable state laws, regulations and local ordinances relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of any oil, flammable explosives, asbestos, urea formaldehyde, radioactive materials or waste, or other hazardous, toxic, contaminated or polluting materials, substances or wastes, including, without limitation, any "hazardous substances" under any such laws, ordinances or regulations (collectively "Hazardous Materials

Laws"). As used in the provisions of this Lease, "hazardous materials" include any "hazardous substance" as that term is defined in section 25316 of the California Health and Safety Code and any other material or substance listed or regulated by any Hazardous Materials Law or posing a hazard to health or the environment. Except as otherwise expressly permitted in this Lease, Tenant shall not use, create, store or allow any hazardous materials on the premises. Fuel stored in a motor vehicle for the exclusive use in such vehicle is excepted.

In no case shall Tenant cause or allow the deposit or disposal of any hazardous materials on the Premises. Landlord, or its agents or contractors, shall at all times have the right to go upon and inspect the Premises and the operations thereon to assure compliance with the requirements herein stated. This inspection may include taking samples of substances and materials present for testing, and/or the testing of soils or underground tanks on the Premises.

In the event Tenant breaches any of the provisions of this Section, this Lease may be terminated immediately by Landlord and be of no further force or effect. It is the intent of the parties hereto that Tenant shall be responsible for and bear the entire cost of removal and disposal of hazardous materials introduced to the Premises during Tenant's period of use and possession as owner, operator or Tenant of the Premises. Tenant shall also be responsible for any clean-up and decontamination on or off the Premises necessitated by the introduction of such hazardous materials on the Premises. Tenant shall not be responsible for or bear the cost of removal or disposal of hazardous materials introduced to the Premises by any party other than Tenant during any period prior to commencement of Tenant's period of use and possession of the Premises as owner, operator or Tenant.

Tenant shall further hold Landlord, and its officers and employees, harmless from all responsibility, liability and claim for damages resulting from the presence or use of hazardous materials on the Premises during Tenant" period of use and possession of the Premises.

5.7 Signs

Not more than four (4) advertising signs of a size not greater than thirty (30) square feet of surface area may be erected on the Premises. The wording on these signs shall be limited to Tenant's name or trade name, the words "Parking," or "Auto Parking," a statement of rates, and a directional arrow. The location of all these signs shall be subject to Landlord's prior approval. None of these signs shall be attached to or painted on any bridge structure or building without the express written consent of Landlord. All of these signs shall also comply with all applicable requirements of local governmental entities, including governmental approval and payment of any fees. In addition to four (4) advertising signs, tenant shall be allowed, without the consent of Landlord, to install signage used for the operation of a surface parking lot, including, but not limited to wayfinding, rates, and disabled parking.

Except as set forth in the previous paragraph of this Section, Tenant shall not construct, erect, maintain or permit any sign, banner or flag upon the Premises without the prior written approval of Landlord. Tenant shall not place, construct or maintain upon the Premises any advertising media that include moving or rotating parts, searchlights, flashing lights, loudspeakers, phonographs or other similar visual or audio media. The term "sign" means any card, cloth, paper, metal, painted or wooden sign of any character placed for any purpose on or to the ground or any tree, wall, bush, rock, fence, building, structure, trailer or thing. Landlord may remove any unapproved sign, banner or flag existing on the Premises, and Tenant shall be liable to and shall reimburse Landlord for the cost of such removal..

5.8 Landlord's Rules and Regulations

Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate for the protection of the transportation facility and the safety of the traveling public. Landlord reserves the right from time to time to make reasonable modifications to said rules and regulations. The additions and modifications to those rules and regulations shall be binding upon Tenant upon delivery of a copy of them to Tenant.

5.9 Wrecked Vehicles

Tenant shall not park or store wrecked or inoperable vehicles of any kind on the Premises.

5.10 Vending

No vending of any kind or character shall be conducted, permitted or allowed upon the Premises. Parking revenue control equipment is allowed.

5.11 Water Pollution Control

Tenant shall conform fully to the requirements of the Caltrans statewide NPDES Storm Water Permit, Order No. 99-06-DWQ, NPDES No. CAS000003, adopted by the State Water Resources Control Board on July 15, 1999. This permit regulates storm water and non-storm water discharges associated with activities within Caltrans right of way. Tenant shall develop, implement and maintain a Facility Pollution Prevention Plan (FPPP), describing the pollution prevention practices associated with activities on facilities located within Caltrans right of way. Tenant shall comply with the statewide Permit by incorporating storm water management into its operational activities. The FPPP will accomplish compliance by implementing Best Management Practices (BMPs) described in the Caltrans Statewide Storm Water Management Plan (SWMP).

ARTICLE 6. COMMENCEMENT AND COMPLETION OF INITIAL CONSTRUCTION

6.1 Commencement of Construction

Tenant shall commence construction of the improvements described in Tenant's final construction plans and detailed specifications within 365 calendar days of the date of execution of this Lease. For the purposes of this Article, construction shall be deemed to have commenced upon the issuance by Landlord of an encroachment permit under Section 7.1. In the event construction is not commenced within the time set forth herein, this Lease may be terminated by Landlord and thereafter be of no further force and effect.

6.2 Completion of Construction and Occupancy of Improvements

Construction of the improvements shall be completed consistent with the approved

construction plans within 365 calendar days after the commencement of construction. Tenant shall not occupy or use any of the improvements until Tenant has received final building approval and a Certificate of Occupancy from the appropriate local agency and Landlord has issued to Tenant an executed Encroachment Permit Completion Notice. In the event Tenant violates any of the provisions of this section, this Lease may be terminated by Landlord and be of no further force and effect.

ARTICLE 7. REQUIREMENTS FOR CONSTRUCTION OR ALTERATION OF IMPROVEMENTS

7.1 Encroachment Permit

Tenant, prior to construction or alteration of any improvements on or of the leased premises, shall obtain an executed Encroachment Permit from Landlord.

Issuance by Landlord of an Encroachment Permit shall be contingent upon Tenant's providing the following:

(a) Final construction plans and detailed specifications. All such plans and specifications submitted by Tenant to Landlord shall be subject to the review and approval of Landlord, the State Fire Marshal and if on an interstate freeway the Federal Highway Administration.

(b) Evidence of coverage that assures Landlord that sufficient monies will be available to complete the proposed construction or alteration. The amount of coverage shall be at least equal to the total estimated construction cost. Such coverage shall take one of the following forms:

(1) Completion bond issued to Landlord as obligee.

(2) Performance bond and labor and material bond or performance bond containing the provisions of the labor and material bond supplied by Tenant's contractor or contractors, provided said bonds are issued jointly to Tenant and Landlord as obligees.

(3) Any combination of the above.

All bonds shall be issued by a company qualified to do business in the State of California and acceptable to Landlord. All bonds be in a form acceptable to Landlord and shall ensure faithful and full observance and performance by Tenant of all terms, conditions, covenants and agreements relating to the construction of improvements within the leased premises.

(c) Liability insurance as provided in Section 10.2.

(d) A copy of a building permit issued by the appropriate local jurisdiction.

(e) A copy of Tenant's contract with the general contractor actually performing construction.

(f) Note and Deed of Trust.

(g) Loan escrow instructions, if any.

(h) Final landscaping and irrigation plans and detailed specifications including a maintenance plan for litter removal, watering, fertilization and replacement of landscaping.

(i) Evidence of compliance with the applicable provisions of all federal, state and local environmental statutes, laws, regulations and ordinances.

Tenant agrees to diligently apply for and meet all requirements for issuance of Encroachment Permit and Landlord agrees to not unreasonably withhold issuance of said Encroachment Permit. Tenant is obligated to deliver to Landlord the documents described in

subdivisions (a) through (i) of this section regardless of whether an Encroachment Permit may have been issued inadvertently before these documents have been provided to Landlord.

7.2 Soil Testing

At Tenant's sole cost and expense, Tenant shall secure soil compaction tests and other tests as necessary for construction of Tenant's improvements and for the support of the improvements on the underlying land or structures thereon. Tenant shall notify Landlord of the location of all test borings, which shall not interfere in any manner with the operation of the facility by Landlord. Tenant hereby agrees that Landlord is making no representation regarding existing soil compaction or structural capability of the land or any existing structure thereon. Tenant shall save Landlord harmless of and from any loss or damage caused by inadequate soil compaction or other structural capacity for Tenant's proposed improvements.

7.3 Standard of Construction

Tenant agrees that any improvements or construction upon the premises shall: (a) be consistent with all fire safety requirements, (b) be subject to the approval of Landlord, and (c) in every respect comply with the laws, ordinances and regulations, federal, state, municipal or otherwise, that may govern construction of the same. Tenant shall not construct or place on the leased premises any improvements which impair Landlord's ability to maintain, operate, use, repair or improve any part of the transportation facility situated on the leased premises or on adjoining real property. Tenant shall save Landlord harmless of and from any loss or damage caused by reason of the construction of said improvements.

7.4 "As-Built" Plans

Within ninety (90) days after completion of construction of improvements or alterations, Tenant shall furnish Landlord, at Tenant's expense, one set of "As-Built" plans, according to a scale and size designated by Landlord, showing said improvements as constructed in detail, including the location of underground and aboveground utility lines.

ARTICLE 8. OWNERSHIP AND REMOVAL OF IMPROVEMENTS AND PERSONAL PROPERTY

8.1 Ownership of Improvements

All improvements constructed and placed on the Premises pursuant to Article 7 shall, at the expiration or termination of this Lease, vest in Landlord. Tenant shall not remove any of these improvements from the Premises nor waste, destroy or modify them in any way. Tenant shall deliver these improvements to Landlord in good condition and repair, reasonable wear and tear excepted, without compensation to Tenant, any subtenant or third party, free and clear of all claims to or against them by Tenant, any subtenant or third party, and Tenant shall defend and hold Landlord harmless from all liability arising from such claims or from the exercise by Landlord of its rights under this section. Landlord and Tenant covenant for themselves and all persons claiming under or through them that the improvements are real property.

8.2 Removal of Personal Property and Ownership at Termination

Any signs or other appurtenances placed on the Premises by Tenant under this Lease are the personal property of Tenant. At the expiration or earlier termination of this Lease, Tenant shall remove all personal property placed on the Premises and shall restore the Premises to its previous condition, except surfacing, wheel rails and column guards, at Tenant's sole expense. Any personal property not removed by Tenant after thirty (30) days from Landlord's sending written notice to Tenant may be removed by Landlord. Tenant shall be liable to Landlord for all costs incurred by Landlord in effecting the removal of personal property and restoring the Premises. Landlord may, in its sole discretion, declare all personal property not removed by Tenant to be abandoned by Tenant and this property shall, without compensation to Tenant, become Landlord's property, free and clear of all claims to or against it by Tenant or any other person.

ARTICLE 9. MAINTENANCE AND REPAIRS

9.1 Tenant's Obligations

Tenant, at its own cost and expense, shall maintain the Premises, and keep it free of all grass, weeds, debris, and flammable materials of every description. Tenant shall ensure that the Premises are at all times in an orderly, clean, safe, and sanitary condition. Landlord requires a high standard of cleanliness, consistent with the location of the Premises as an adjunct of the California State Highway System.

Tenant hereby expressly waives the right to make repairs at the expense of Landlord and waives the benefit of the provisions of Sections 1941 and 1942 of the California Civil Code or any successor thereto.

Tenant shall take all steps necessary to protect effectively the fences, guardrails, and the piers and columns, if any, of the all structures from damage incident to Tenant's use of the Premises and any improvements, all without expense to Landlord. Tenant shall, at its own cost and expense, repair in accordance with Landlord's standards any damage to any property owned by Landlord, including, but not limited to, all fences, guardrails, piers and columns, caused by Tenant, subtenants, invitees or other third parties. At Tenant's request, Landlord will repair the damage to its property, and Tenant agrees to reimburse Landlord promptly after demand for the amount Landlord has reasonably expended to complete the repair work.

Tenant shall designate in writing to Landlord a representative who shall be responsible for the day-to-day operation and level of maintenance, cleanliness and general order.

9.2 Landlord's Rights

In the event Tenant fails to perform Tenant's obligations under this Article, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. If within ten (10) days after Landlord sends written notice to repair, Tenant fails to do the work and diligently proceed in good faith to prosecute it to completion, Landlord shall have the right, but not the obligation, to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid

by Tenant promptly after demand.. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as a result of performing any such work.

ARTICLE 10. INSURANCE

10.1 Exemption of Landlord from Liability

This Lease is made upon the express condition that Tenant shall indemnify and hold harmless Landlord from and against any and all claims, damages, causes of action, suits, or damages (including costs and expenses incurred in connection therewith) for death or injury to persons or for loss of or damage to property arising out of or in connection with the use and occupancy of the Premises by Tenant, its agents, servants, employees, or invitees and to the extent not caused by Landlord's or Landlord's employees' negligence or willful misconduct; provided, however, Landlord shall be liable for loss, damages, or injury resulting from structural defects of the Landlord's or Landlord's operated property in which the Premises are situated which are not caused by negligence or intentional act of Tenant, its agents, servants, employees, or invitees. Landlord shall indemnify and hold harmless Tenant from and against any and all claims, causes of action, suits or damages (including costs and expenses incurred in connection therewith) for death or injury to persons or for loss of or damage to property arising out of or in connection with Landlord's or Landlord's employees' negligence or willful misconduct or resulting from structural defects of the Landlord's or Landlord's operated property in which the Premises are situated which are not caused by the negligence or intentional act of Tenant, its agents, servants, employees or invitees. In the event of any claims made or suits filed, Landlord shall give Tenant notice thereof.

10.2 Comprehensive General Liability Insurance

Tenant shall at its own cost and expense procure and keep in force during the term of this Lease comprehensive bodily injury liability and property damage liability insurance adequate to protect Landlord, its officers, agents and employees, against any liability to the public resulting from injury or death of any person or damage to property in connection with the area, operation or condition of the Premises, including any and all liability of Landlord for damage to vehicles parked on the Premises. Such insurance shall be in an amount of not less than $5,000,000 combined single limit for bodily injury and property damage. The limits of such insurance shall not limit the liability of Tenant. All insurance required hereunder shall be with companies to be approved by Landlord. All such policies shall be written as primary policies, not contributing with and not in excess of coverage which Landlord may carry. Said policies shall name the State as an additional insured and shall insure against the contingent liabilities, if any, of Landlord and the officers, agents, and employees of Landlord and shall obligate the insurance carriers to notify Landlord, in writing, not less than thirty (30) days prior to the cancellation thereof, or any other change affecting the coverage of the policies. If said policies contain any exclusion concerning property in the care, custody or control of the insured, an endorsement shall be attached thereto stating that such exclusion shall not apply with regard to any liability of the State of California, its officers, agents, or employees. Tenant shall furnish to Landlord a Certificate of Insurance acceptable to Landlord within not more than ten (10) days after execution thereof. Landlord shall

retain the right at any time to review the coverage, form, and amount of the insurance required hereby. If, in the opinion of Landlord, the insurance provisions in this Lease do not provide adequate protection for Landlord and for members of the public using the Premises, Landlord may require Tenant to obtain insurance sufficient in coverage, form and amount to provide adequate protection. Landlord's requirements shall be reasonable but shall be designed to assure protection from and against the kind and extent of the risks which exist at the time a change in insurance is required. Landlord shall notify Tenant in writing of changes in the insurance requirements; and if Tenant does not deposit copies of acceptable insurance policies with Landlord incorporating such changes within sixty (60) days of receipt of such notice, this Lease may be terminated, at Landlord's option, without further notice to Tenant, and be of no further force and effect.

LESSOR acknowledges that LESSEE may be self-insured. LESSEE may elect to provide the insurance required by this Article in the form of self-insurance. If LESSEE elects to exercise this option, LESSEE shall so notify LESSOR in writing and provide LESSOR with an agreement holding LESSOR harmless and defending and indemnifying LESSOR and a written statement explaining how it will provide LESSOR with protection equivalent to that provided by the insurance policies required by this section, together with written evidence of the adequacy of this protection. LESSEE's exercise of this option is subject to LESSOR's approval. LESSEE shall notify LESSOR in writing not less than thirty (30) days prior to the effective date of the termination of its self-insurance coverage and shall obtain the insurance coverage required by this section effective on that termination date.

Landlord acknowledges that the City of Sacramento is a self-insured public entity. The City of Sacramento shall provide a letter of self-insurance stating that the City of Sacramento's self-insurance program adequately protects against liabilities and claims arising out of the performance of this agreement.

10.3 Failure to Procure and Maintain Insurance

If Tenant fails to procure or maintain the insurance required by this Article in full force and effect, this Lease may be terminated immediately by Landlord and be of no further force or effect. In addition, if Tenant fails to procure or maintain the insurance required by this Article, Tenant shall cease and desist from operating any business on the Premises and the improvements erected thereon and shall prevent members of the public from gaining access to the Premises during any period in which such insurance policies are not in full force and effect.

10.4 Waiver of Subrogation

Tenant hereby waives any and all rights of recovery against Landlord, or against the officers, employees, agents and representatives of Landlord, for loss of or damage to Tenant or its property or the property of others under its control to the extent that such loss or damage is insured against under any insurance policy in force at the time of such loss or damages. Tenant shall give notice to its insurance carrier or carriers that the foregoing waiver of subrogation is contained in the Lease.

ARTICLE 11. PAYMENT OF TAXES

Tenant agrees to pay and discharge, or cause to be paid and discharged when due, before the same become delinquent, all taxes, assessments, impositions, levies and charges of every kind, nature and description, whether general or special, ordinary or extraordinary, which may at any time or from time to time during the term of this Lease, by or according to any law or governmental, legal, political, or other authority whatsoever, directly or indirectly, be taxed, levied, charged, assessed or imposed upon or against, or which shall be or may be or become a lien upon the Premises or any buildings, improvements or structures at any time located thereon, or any estate, right, title or interest of Tenant in and to the Premises, buildings, improvements or structures. Specifically, and without placing any limitation on Tenant's obligations under the immediately preceding sentence, Tenant shall pay when due, before delinquency, any and all possessory interest taxes, parking taxes, workers' compensation, taxes payable to the California Franchise Tax Board, personal property taxes on fixtures, equipment and facilities owned by Tenant, whether or not the same have become so fixed to the land as to comprise a part of the real estate.

Tenant understands that any possessory interest of Tenant created in the Premises by this Lease may be subject to property taxation and that Tenant may be liable for payment of any such tax levied on such interest. Any obligation of Tenant under this Article, including possessory interest tax that the city or county may impose upon Tenant's interest herein, shall not reduce any rent due Landlord hereunder and any such obligation shall become the liability of and be paid by Tenant. In the event Tenant defaults in the payment of any of the obligations set forth in this Article, this Lease may be terminated immediately by Landlord and be of no further force or effect.

ARTICLE 12. RIGHT OF ENTRY

12.1 Inspection, Maintenance, Construction and Operation of Freeway Structures

Landlord, through its agents or representatives, and other city, county, state and federal agencies, through their agents or representatives, shall have full right and authority to enter in and upon the premises and any building or improvements situated thereon at any and all reasonable times during the term of this Lease for the purpose of inspecting the same without interference or hindrance by Tenant, its agents or representatives.

Landlord further reserves the right of entry for the purpose of inspecting the premises, or the doing of any and all acts necessary or proper on said premises in connection with the protection, maintenance, reconstruction, and operation of the freeway structures and its appurtenances; provided, further, that Landlord reserves the further right, at its discretion, to immediate possession of the same in case of any national or other emergency, or for the purpose of preventing sabotage, and for the protection of said freeway structures, in which event the term of this Lease shall be extended for a period equal to the emergency occupancy by Landlord, and during said period Tenant shall be relieved, to the degree of interference, from the performance of conditions or covenants specified herein. Landlord further reserves the right of entry by any authorized officer, engineer, employee, contractor or agent of the Landlord for the purpose of performing any maintenance activities upon the property which Tenant has failed to perform. All agreements which Tenant enters into for the sublease or use of all or any part of the leased

premises shall contain a provision, approved by Landlord, which describes Landlord's right of entry as set forth in this Article

12.2 Retrofitting and/or Construction of Freeway Structures

Tenant understands and agrees that Landlord may be required to perform retrofit and/or construction work on all or a part of the freeway structures which are situated on and above the premises. Landlord may add additional columns for a median widening. Landlord shall have the right to impose such restrictions on Tenant's right to enter, occupy, and use the premises and to construct improvements thereon as Landlord deems are necessary to enable it to complete construction of all freeway work without interference from Tenant.

In the event Landlord determines that it needs to obtain non-emergency possession of all or a portion of the premises, or needs to place restrictions on Tenant's use of the premises due to non-emergency retrofitting and/or construction operations, Landlord shall, at least (180) days prior to the effective date of the commencement of such possession or restrictions notify Tenant in writing describing the extent of the possession or restrictions and the effective date of their commencement. Upon the effective date of said notice, Tenant shall peaceably surrender possession of the premises and comply with the restrictions as stated therein. The minimum monthly rent stated in Section 4.1, as adjusted and reevaluated in accordance with Section 4.2 and 4.4, shall be reduced by an amount equal to the proportion which the area of the portion of the premises which Tenant is restricted from using or which has been surrendered to Landlord bears to the total area of the leased premises. This reduction in rent shall be Tenant's sole remedy against Landlord for Tenant's inability to possess or use the entire area of the premises, and Tenant expressly agrees to hold Landlord harmless from any and all liability for, and expressly waives any right it may have to recover against Landlord, damages to the premises, any improvements constructed on the premises, and waives its right to use or possess any portion of the premises or improvements thereon, and damages to any other property, project or operation caused by Landlord's possession, imposition of restrictions or Tenant's inability to use or possess all or any portion of the premises. In addition, Tenant expressly recognizes that it is not entitled to receive benefits under the federal or state Uniform Relocation Assistance Acts (United States Code, title 42, Section 4601, et seq.; California Government Code, Section 7260, et seq.) as a result of Landlord's use or possession of any portion of the premises. Under the terms of this agreement, while Landlord is not obligated to provide temporary replacement parking facilities in the event of Tenant's temporary displacement due to Landlord's retrofitting and/or construction operations, Landlord will work with the Tenant to investigate temporary parking alternatives in the event of said temporary displacement.

Tenant shall conduct its operations on the premises in such a manner so as not to interfere with Landlord's or its contractor's performance of any structural retrofit work done on or above the premises. Tenant acknowledges that the performance of the structural retrofit work may cause damage to paving or other improvements constructed by Tenant on the premises. Tenant expressly agrees to hold Landlord harmless from all such damage to its improvements, except that at the conclusion of the retrofit work, Landlord shall restore the premises to their preexisting condition at no cost to Tenant.

ARTICLE 13. CONDEMNATION BY PUBLIC ENTITIES OTHER THAN LANDLORD

13.1 Definitions

(a) "Condemnation" means (1) the exercise of the power of eminent domain, whether by legal proceedings or otherwise, by a public entity having that power, that is, a condemnor, and (2) a voluntary sale or transfer to any condemnor, either under the threat of condemnation or while legal proceedings in condemnation are pending.

(b) "Award" means all compensation, sums, or anything of value awarded, paid or received upon a total or partial condemnation of the leased premises.

(c) "Substantial taking" means a taking of a portion of the leased premises by condemnation which, assuming a reasonable amount of reconstruction on the remainder, substantially impairs Tenant's ability to use the remainder for the purposes permitted under this Lease.

13.2 Termination of Lease as to Part Condemned

In the event the whole or any part of the premises is taken by condemnation by a public entity, other than Landlord, in the lawful exercise of its power of eminent domain, this Lease shall cease as to the whole or the part condemned upon the date possession of the whole or that part is taken by the public entity.

13.3 Partial Taking

If a part of the leased premises is taken by condemnation but there is no substantial taking of the premises, Tenant shall continue to be bound by the terms, covenants, and conditions of this Lease. However, if the fair rental value of the remainder will be less than the rent required by this Lease, the minimum monthly rent and adjusted minimum monthly rent shall be reduced to an amount equal to the fair rental value as of the date possession of the part is taken by the public entity.

If the part taken by condemnation constitutes a substantial taking of the leased premises, Tenant may elect to:

(a) Terminate this Lease and be absolved of obligations hereunder which have not accrued at the date possession is taken by the public entity; or

(b) Continue to occupy the remainder of the premises and remain bound by the terms, covenants and conditions of this Lease. If Tenant elects to continue to occupy the remainder, and if the fair rental value of the remainder will be less than the rent required by this Lease, the minimum monthly rent and adjusted minimum monthly rent shall be reduced to the fair rental value as of the date possession of the part is taken by the public entity.

Tenant shall give notice in writing of its election to terminate this Lease hereunder within thirty (30) days of the date possession of the part is taken by the public entity. If Tenant fails to give Landlord its written notice of termination within the time specified, this Lease shall remain in full force and effect except that the minimum monthly rental shall be reduced as provided in this section.

If it continues to occupy the remainder, Tenant, whether or not the award upon the taking by condemnation is sufficient for the purpose, shall, at its expense, within a reasonable period of

time, commence and complete restoration of the remainder of the leased premises as nearly as possible to its value, condition and character immediately prior to such taking; provided, however, that in the case of a taking for temporary use, Tenant shall not be required to effect restoration until such taking is terminated. Tenant shall submit to Landlord its plans for the restoration of the remainder within ninety (90) days of the date possession of the part is taken by the public entity.

13.4 Adjustment of Rent

Should a portion of the premises be condemned and the rent be reduced as provided above, the reduced rent shall continue to be subject to adjustment and reevaluation in accordance with Article 4.

13.5 Compensation

Landlord shall be entitled to receive and shall receive all compensation for the condemnation of all or any portion of the premises by exercise of eminent domain. Tenant shall be entitled to that portion of said compensation which represents the present worth as of the date possession is taken by the public entity of the remaining use under the Lease of all improvements constructed by Tenant on the leased premises located within the part taken by the public entity. Tenant may also assert a claim for loss of business goodwill under the provisions of Section 1263.510 of the California Code of Civil Procedure from condemnor. Tenant may assert a claim for loss of bonus value from condemnor.

For the purposes of this Article, "bonus value" means that value attributable to the fact that the rental rate Tenant is obligated to pay under this Lease is less than the fair market lease rate of the premises as defined in Section 4.4 above.

If all or a portion of the leased premises is condemned at a time when Tenant possesses an interest in real property located outside the leased premises (hereinafter called "outside property"), Tenant may claim entitlement to an award of damages accruing to the outside property by reason of the severance therefrom of the condemned portion of the leased premises as provided in the Eminent Domain Law (California Code of Civil Procedure Sections 1230.010 through 1273.050).

ARTICLE 14. CONDEMNATION BY LANDLORD

14.1 Definitions

(a) "Condemnation" means (1) the exercise of the power of eminent domain, whether by legal proceedings or otherwise, by Landlord, and (2) a voluntary sale or transfer to Landlord, either under the threat of condemnation or while legal proceedings in condemnation are pending.

(b) "Award" means all compensation, sums, or anything of value awarded, paid or received upon a total or partial condemnation of the leased premises.

(c) "Substantial taking" means a taking of a portion of the leased premises by condemnation which, assuming a reasonable amount of reconstruction on the remainder, substantially impairs Tenant's ability to use the remainder for the purposes permitted under this Lease.

14.2 Termination of Lease as to Part Condemned

Tenant acknowledges that Landlord has the power of eminent domain to acquire property for public purposes and that Landlord may exercise that power to take all or any part of the leased premises by condemnation. In the event the whole or any part of the premises is taken by condemnation by Landlord in the lawful exercise of its power of eminent domain, this Lease shall cease as to the whole or the part condemned upon the date possession of the whole or that part is taken by Landlord. If Landlord exercises its power of condemnation to acquire the whole or any part of the premises for a transportation-related public use, Tenant hereby specifically waives all objections to Landlord's right to take, and the only issue to be resolved in any condemnation action shall be the amount of compensation to which Tenant is entitled under Section 14.5.

14.3 Partial Taking

If a part of the leased premises is taken by condemnation but there is no substantial taking of the premises, Tenant shall continue to be bound by the terms, covenants, and conditions of this Lease. However, if the fair rental value of the remainder will be less than the rent required by this Lease, the minimum monthly rent and adjusted minimum monthly rent shall be reduced to an amount equal to the fair rental value as of the date possession of the part is taken by Landlord.

If the part taken by condemnation constitutes substantial taking of the leased premises, Tenant may elect to:

a) Terminate this Lease and be absolved of obligations hereunder which have not accrued at the date possession is taken by the Landlord; or

(b) Continue to occupy the remainder of the premises and remain bound by the terms, covenants and conditions of this Lease. If Tenant elects to continue to occupy the remainder, and if the fair rental value of the remainder will be less than the rent required by this Lease, the minimum monthly rent and adjusted minimum monthly rent shall be reduced to the fair rental value as of the date possession of the part is taken by Landlord.

Tenant shall give notice in writing of its election to terminate this Lease hereunder within thirty (30) days of the date possession of the part is taken by Landlord. If Tenant fails to give Landlord its written notice of termination within the time specified, this Lease shall remain in full force and effect except that the minimum monthly rental shall be reduced as provided in this section.

If it continues to occupy the remainder, Tenant, whether or not the award upon the taking by condemnation is sufficient for the purpose, shall, at its expense, within a reasonable period of time, commence and complete restoration of the remainder of the leased premises as nearly as possible to its value, condition and character immediately prior to such taking; provided, however, that in the case of a taking for temporary use, Tenant shall not be required to effect restoration until such taking is terminated. Tenant shall submit to Landlord its plans for the restoration of the remainder within ninety (90) days of the date possession of the part is taken by Landlord.

14.4 Adjustment of Rent

Should a portion of the premises be condemned and the rent be reduced as provided above, the reduced rent shall continue to be subject to adjustment and reevaluation in accordance with Article 4.

14.5 Compensation

Upon Landlord's exercise of its power of condemnation to acquire all or any part of the leased premises, Tenant shall only be entitled to compensation which represents the present worth as of the date possession is taken by Landlord of the remaining use under the Lease of all improvements constructed by Tenant on the leased premises located within the part taken by Landlord. Tenant hereby waives its right to receive, and it shall make no claim for, loss of business goodwill under the provisions of Section 1263.510 of the California Code of Civil Procedure.

Tenant shall assert no claim for loss of bonus value. For the purposes of this Article, "bonus value" means that value attributable to the fact that the rental rate Tenant is obligated to pay under this Lease is less than the fair market lease rate of the premises as defined in Section 4.4 above.

If all or a portion of the leased premises is condemned at a time when Tenant possesses an interest in real property located outside the leased premises (hereinafter called "outside property"), Tenant shall not be entitled to any compensation for damages otherwise accruing to the outside property by reason of the severance therefrom of the condemned portion of the leased premises

ARTICLE 15. TERMINATION OF LEASE

15.1 Termination by Mutual Consent

Notwithstanding any provision herein to the contrary, this Lease may be terminated, and the provisions of this Lease may be altered, changed or amended by mutual consent of Landlord and Tenant.

15.2 Termination by One Party

Notwithstanding any provision herein to the contrary, this Lease may be terminated at any time by Tenant upon providing Landlord with ninety (90) days prior notice in writing, or by Landlord upon providing Tenant with ninety (90) days prior notice in writing, but in no event shall the notice be given before May 1, 2012. Notices of termination under this section shall be delivered in accordance with the provisions of Section 21.13 to the addresses set forth in Article 1. If at the time Tenant terminates this Lease, the entire cost of Tenant's improvements has not been amortized over the remaining term, those improvements shall become the property of Landlord, and Landlord shall not refund or otherwise reimburse Tenant for the remaining unamortized cost of the improvements.

ARTICLE 16. UTILITIES

Tenant shall pay when due, and shall hold Landlord harmless from any liability for, all charges for water, gas, heat, light, power, telephone, sewage, air conditioning and ventilating, scavenger, janitorial and landscaping services and all other materials and utilities supplied to the Premises. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility service furnished to the Premises, and no such failure or interruption shall entitle Tenant to terminate this Lease.

ARTICLE 17. DEFAULT

17.1 Default

The occurrence of any of the following shall constitute a material breach and default of this Lease by Tenant.

(a) Any failure by Tenant to pay rent or any other monetary sums required to be paid hereunder, where such failure continues for ten (10) days after written notice thereof has been given by Landlord to Tenant.

(b) The abandonment or vacation of the Premises by Tenant. Failure to occupy and operate the Premises for thirty (30) consecutive days following the mailing of written notice from Landlord to Tenant calling attention to the abandonment shall be deemed an abandonment or vacation.

(c) The making by Tenant of any general assignment or general arrangement for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets, where possession is not restored to Tenant within forty-five (45) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets, where such seizure is not discharged within thirty (30) days.

(d) The failure by Tenant to comply with any provision of any law, statute, zoning restriction, ordinance or governmental rule, regulation or requirement as set forth in Section 5.3 of this Lease.

(e) The failure by Tenant to comply with the requirements regarding hazardous materials as set forth in Section 5.6 of this Lease.

(f) The failure by Tenant to pay any tax, assessment, imposition, levy or charge of any kind as set forth in Article 11 of this Lease.

(g) The failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant, where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of such default is such that it cannot be reasonably cured within such thirty (30) day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion.

17.2 Landlord's Remedies

In the event of any material default or breach by Tenant, Landlord may at any time thereafter, without limiting Landlord in the exercise of any right of remedy at law or in equity which Landlord may have by reason of such default or breach, terminate Tenant's right to possession by any lawful means, in which case this Lease shall immediately terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the following:

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

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

(c) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that is proved could be reasonably avoided; plus

(d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of events would be likely to result therefrom; plus

(e) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable State law. Upon any such re-entry Landlord shall have the right to make any reasonable repairs, alterations or modifications to the premises, which Landlord in its sole discretion deems reasonable and necessary. As used in subparagraphs (a) and (b), above, the "worth at the time of award" is computed by including interest on the principal sum at a rate one percent (1%) above the discount rate of the Federal Reserve Bank of San Francisco from the date of default. As used in subparagraph (c), above, the "worth at the time of award" is computed by discounting such amount at a rate one percent (1%) above the discount rate of the Federal Reserve Bank of San Francisco at the time of award. The term "rent" as used in this Article shall be deemed to be and to mean rent to be paid pursuant to Article 4 and all other monetary sums required to be paid by Tenant pursuant to the terms of this Lease.

17.3 Late Charges

Tenant hereby acknowledges that late payment by Tenant to Landlord of rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if any installment of rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after such amount shall be due, a late charge equal to one and one-half percent (1.5%) of the payment due and unpaid plus $100.00 shall be added to the payment, and the total sum shall become immediately due and payable to Landlord. An additional charge of one and one-half percent (1.5%) of such payment, excluding late charges, shall be added for each additional month that such payment remains unpaid. Landlord shall apply any monies received from Tenant first to any accrued delinquency charges and then to any other payments due under the Lease. The

parties hereby agree that such late charges represent a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charges by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

ARTICLE 18. ASSIGNMENTS, TRANSFERS, SUBLEASES AND ENCUMBRANCES

18.1 Prohibition on Assignments, Transfers and Subleases Within First Six Months of Term

Tenant shall not assign, transfer or sublease all or any part of its interest in this Lease or in the Premises, and Landlord will not grant its consent to any assignment, transfer or sublease of all or any part of this Lease or the Premises until after the expiration of six (6) months and one (1) day from the date of the commencement of the term of this Lease as set forth in Article 3.

18.2 Voluntary Assignments and Subleases

In addition, with respect to transactions not expressly prohibited under Section 18.1, Tenant shall not voluntarily assign or transfer all or any part of its interest in this Lease or in the Premises, or sublet all or any part of the Premises, or allow any other person or entity (except Tenant's authorized representatives) to occupy or use all or any part of the Premises without first obtaining Landlord's written consent, unless otherwise expressly permitted by the provisions of this Article.

Landlord may withhold its consent to any such assignment, transfer or sublease unless all of the following express conditions are satisfied:

(a) Landlord receives compensation from Tenant upon the assignment, transfer, sale or sublease of any of Tenant's rights in the Premises in an amount calculated in accordance with the provisions of Section 4.3.

Tenant's failure to obtain Landlord's required written approval of any assignment, transfer or sublease shall render such assignment, transfer or sublease void. Occupancy of the Premises by a prospective transferee, subtenant or assignee before approval of the transfer, sublease or assignment by Landlord shall constitute a breach of this Lease. Landlord's consent to any assignment, transfer or sublease shall not constitute a waiver of any of the terms, covenants or conditions of this Lease. Such terms, covenants and conditions shall apply to each and every assignment, sublease and transfer of rights under this Lease and shall be severally binding upon each and every party thereto. Any document to transfer, sublet, or assign the Premises or any part thereof shall incorporate directly or by reference all the provisions of this Lease.

18.3 Change in Partnership

If Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law, or the dissolution of the partnership, shall be deemed a voluntary assignment subject to the provisions of Section 18.2.

18.4 Change in Tenants

If Tenant consists of more than one person, a purported assignment, voluntary, involuntary or by operation of law, from one to another shall be deemed a voluntary assignment subject to the provisions of Section 18.2.

18.5 Change in Corporation

If Tenant is a corporation, any dissolution, merger, consolidation, or other reorganization of Tenant, or the sale or other transfer of a controlling percentage of the capital stock of Tenant, or the sale of 51% of the value of the assets of Tenant, shall be deemed a voluntary assignment subject to the provisions of Section 18.2. The phrase "controlling percentage" means the ownership of, and the right to vote, stock possessing at least 51% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding, and entitled to vote for the election of directors.

18.6 Assignment of Rent from Subtenants

Tenant immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any subletting of all or a part of the Premises as permitted by this Lease, and Landlord, as assignee and attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of an act of default by Tenant, Tenant shall have the right to collect such rent.

18.7 Information to be Supplied to Landlord

Tenant shall supply Landlord with all information Landlord determines to be necessary on all persons or firms to which Tenant proposes to sublet, transfer or assign any of its interest in the Premises, or which might establish rights to enter, control, or otherwise encumber the Premises by reason of any agreement made by Tenant. In addition, with respect to any proposed sublease, transfer or assignment, Tenant shall provide Landlord with:

(a) a copy of all documents relating thereto,

(b) a statement of all terms and conditions of said transaction, including the consideration therefor, and

(c) a copy of the financial statement of the prospective subtenant, transferee or assignee. a copy of all documents showing compliance by the prospective subtenant, transferee or assignee with all of the bid eligibility requirements contained in the bid package.

18.8 Processing Fees for Assignments, Transfers and Subleases

(a) In addition to the sum specified in Section 4.3, a fee of one thousand five hundred dollars ($1,500) shall be paid to Landlord for processing each consent to assignment, transfer, or sublease to Landlord as required by this Lease. This processing fee shall be deemed earned by Landlord when paid and shall not be refundable.

(b) If a processing fee has been paid by Tenant for another phase of the same transaction, a second fee will not be charged.

(c) The amounts specified above for processing fees shall be automatically adjusted at the end of the first year of this Lease and every year thereafter in accordance with an annual fee schedule adopted by Landlord. Landlord shall make said fee schedule available to Tenant upon receiving a request therefor.

18.9 Encumbrances

Tenant shall not encumber the Premises in any manner whatsoever.

ARTICLE 19. NONDISCRIMINATION

Tenant, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that: (1) no person, on the ground of race, color, or national origin shall be excluded from participation in, be denied the benefits of, or otherwise subjected to discrimination in the use of said facilities, (2) in connection with the construction of any improvements on said land and the furnishing of services thereon, no discrimination shall be practiced in the selection of employees and contractors, by contractors in the selection and retention of first-tier subcontractors, and by first-tier subcontractors in the selection and retention of second-tier subcontractors, (3) such discrimination shall not be practiced against the public in its access to and use of the facilities and services provided for public accommodations (such as eating, sleeping, rest, recreation, and vehicle servicing) constructed or operated on, over, or under the premises, and (4) Tenant shall use the land in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, Part 21 (49 C.F.R., Part 21) and as said regulations may be amended. In the event of breach of any of the above nondiscrimination covenants, the Landlord shall have the right to terminate this Lease, and to re-enter and repossess said land and the facilities thereon, and hold the same as if said Lease had never been made or issued.

ARTICLE 20. SECURITY DEPOSIT

INTENTIONALLY DELETED

ARTICLE 21. ADDITIONAL PROVISIONS

21.1 Quiet Enjoyment

Landlord covenants and agrees with Tenant that upon Tenant paying rent and other monetary sums due under the Lease and performing its covenants and conditions, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises for the term.

21.2 Captions, Attachments, Defined Terms

The captions of the Articles of this Lease are for convenience only and shall not be deemed to be relevant in resolving any question of interpretation or construction of any section of

this Lease. Exhibits attached hereto, and addenda and schedules initiated by the parties, are deemed by attachment to constitute part of this Lease and are incorporated herein. The words "Landlord" and "Tenant," as used herein, shall include the plural as well as the singular. Words used in neuter gender include the masculine and feminine and words in the masculine or feminine gender include the neuter. If there be more than one Landlord or Tenant, the obligations hereunder imposed upon Landlord or Tenant shall be joint and several. If the Tenants are husband and wife, the obligations shall extend individually to their sole and separate property as well as to their community property.

21.3 Entire Agreement

This instrument along with any exhibits and attachments hereto constitutes the entire agreement between Landlord and Tenant relative to the premises and this agreement and the exhibits and attachments may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. Landlord and Tenant agree hereby that all prior or contemporaneous oral agreements between and among themselves and their agents and representatives relative to the leasing of the premises are merged in or revoked by this agreement.

21.4 Severability

If any terms or provision of this Lease shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforceable to the fullest extent permitted by law.

21.5 Costs of Suit

If Tenant or Landlord shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of rent or possession of the premises, the losing party shall pay the successful party a reasonable sum for attorney's fees which shall be deemed to have accrued on the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Should Landlord, without fault on Landlord's part, be made a party to any litigation instituted by Tenant or by any third party against Tenant, or by or against any person holding under or using the premises by license of Tenant, or for the foreclosure of any lien for labor or materials furnished to or for Tenant or any such other person or otherwise arising out of or resulting from any act or transaction of Tenant or of any such other person, Tenant shall save and hold Landlord harmless from any judgment rendered against Landlord or the premises or any part thereof, and all costs and expenses, including reasonable attorney's fees, incurred by Landlord in connection with such litigation.

21.6 Time, Joint and Several Liability

Time is of the essence of this Lease and each and every provision hereof, except as to the conditions relating to the delivery of possession of the premises to Tenant. All the terms, covenants and conditions contained in this Lease to be performed by either party if such party

shall consist of more than one person or organization, shall be deemed to be joint and several, and all rights and remedies of the parties shall be cumulative and non-exclusive of any other remedy at law or in equity.

21.7 Binding Effect; Choice of Law

The parties hereto agree that all the provisions hereof are to be construed as both covenants and conditions as though the words importing such covenants and conditions were used in each separate section hereof; and all of the provisions hereof shall bind and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California.

21.8 Waiver

No covenant, term or condition or the breach thereof shall be deemed waived, except by written consent of the party against whom the waiver is claimed and any waiver or the breach of any covenant, term or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, term or condition. Acceptance by Landlord of any performance by Tenant after the time the same shall have become due shall not constitute a waiver by Landlord of the breach or default of any covenant, term or condition. Acceptance by Landlord of any performance by Tenant after the time the same shall have become due shall not constitute a waiver by Landlord of the breach or default of any covenant, term or condition unless otherwise expressly agreed to by Landlord in writing.

21.9 Surrender of Premises

The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of the Landlord, terminate all or any existing subleases or subtenancies, or may, at the option of Landlord, operate as an assignment to it of any or all such subleases or subtenancies.

21.10 Holding Over

If Tenant remains in possession of all or any part of the premises after the expiration of the term hereof, with or without the express or implied consent of Landlord, such tenancy shall be from month to month only and not a renewal hereof or an extension for any further term, and in such case, rent and other monetary sums due hereunder shall be payable at the time specified in this Lease and such month-to-month tenancy shall be subject to every other term, covenant, condition and agreement contained herein, except that the monthly rental rate set forth in Section 4.1 shall be increased by ten percent (10%) effective the first month of the holdover period. Landlord further reserves the right to review the rental rates of all holdover tenants periodically for the purpose of making reasonable adjustments to the monthly rental payments.

21.11 Interest on Past Due Obligations

INTENTIONALLY DELETED

21.12 Recording

Neither Landlord nor Tenant shall record this Lease.

21.13 Notices

All notices or demands of any kind required or desired to be given by Landlord or Tenant hereunder shall be in writing and shall be deemed delivered forty-eight (48) hours after depositing the notice or demand in the United States mail, certified or registered, postage prepaid, addressed to the Landlord or Tenant respectively at the addresses set forth in Article 1.

21.14 No Reservation

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

21.15 Corporate Authority

If Tenant is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he/she is duly authorized to execute and deliver this Lease on behalf of said corporation in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the Bylaws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms. If Tenant is a corporation, Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Lease.

21.16 Force Majeure

If either Landlord or Tenant shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, governmental restrictions, regulations or controls (except those reasonably foreseeable in connection with the uses contemplated by this Lease) or other cause without fault and beyond the control of the party obligated (except financial inability), performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. Nothing in this clause shall excuse Tenant from prompt payment of any rent, taxes, insurance or any other charge required of Tenant, except as may be expressly provided in this Lease.

SIGNATURES TO FOLLOW ON NEXT PAGE

In Witness Whereof Landlord and Tenant have executed this Lease as of the date first written above.

LANDLORD: STATE OF CALIFORNIA,
DEPARTMENT OF TRANSPORTATION

By: _____

DEBBIE H. MORENO
North Region Right of Way Manager
Marysville
Print name and title
530-741-4424
Telephone number

TENANT: CITY OF SACRAMENTO,
a Municipal Corporation

By: _____

Marty Hanneman,, Assistant City Manager
For: Ray Kerridge, City Manager
916-808-5704
Telephone number

Approved as to Form:

By: _____

Gerald C. Hicks, Senior Deputy City Attorney

916-808-5346
Telephone number

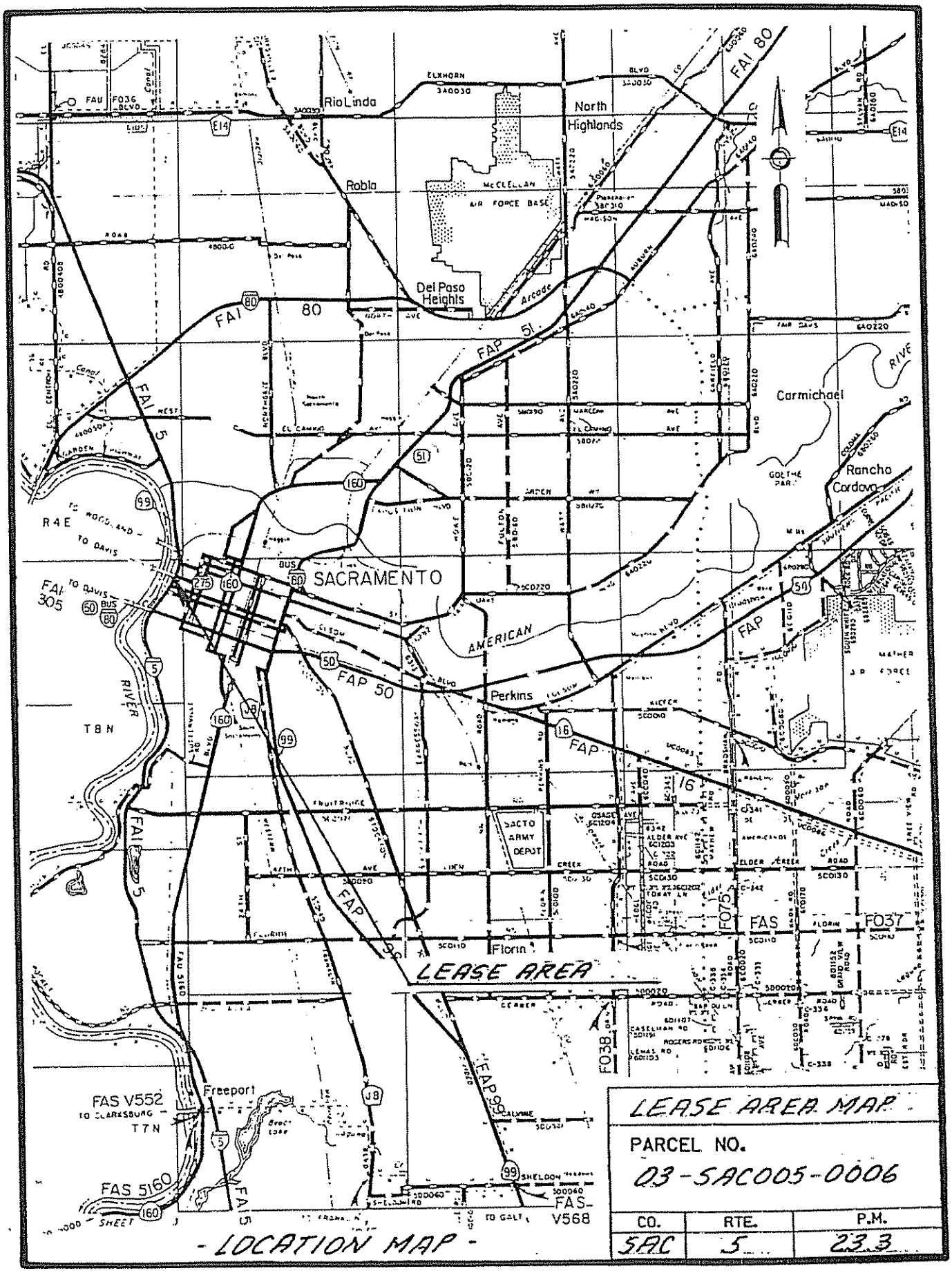
Attest:

By: _____

City Clerk

916-808-7200
Telephone number

EXHIBIT "A"



LEASE AREA MAP

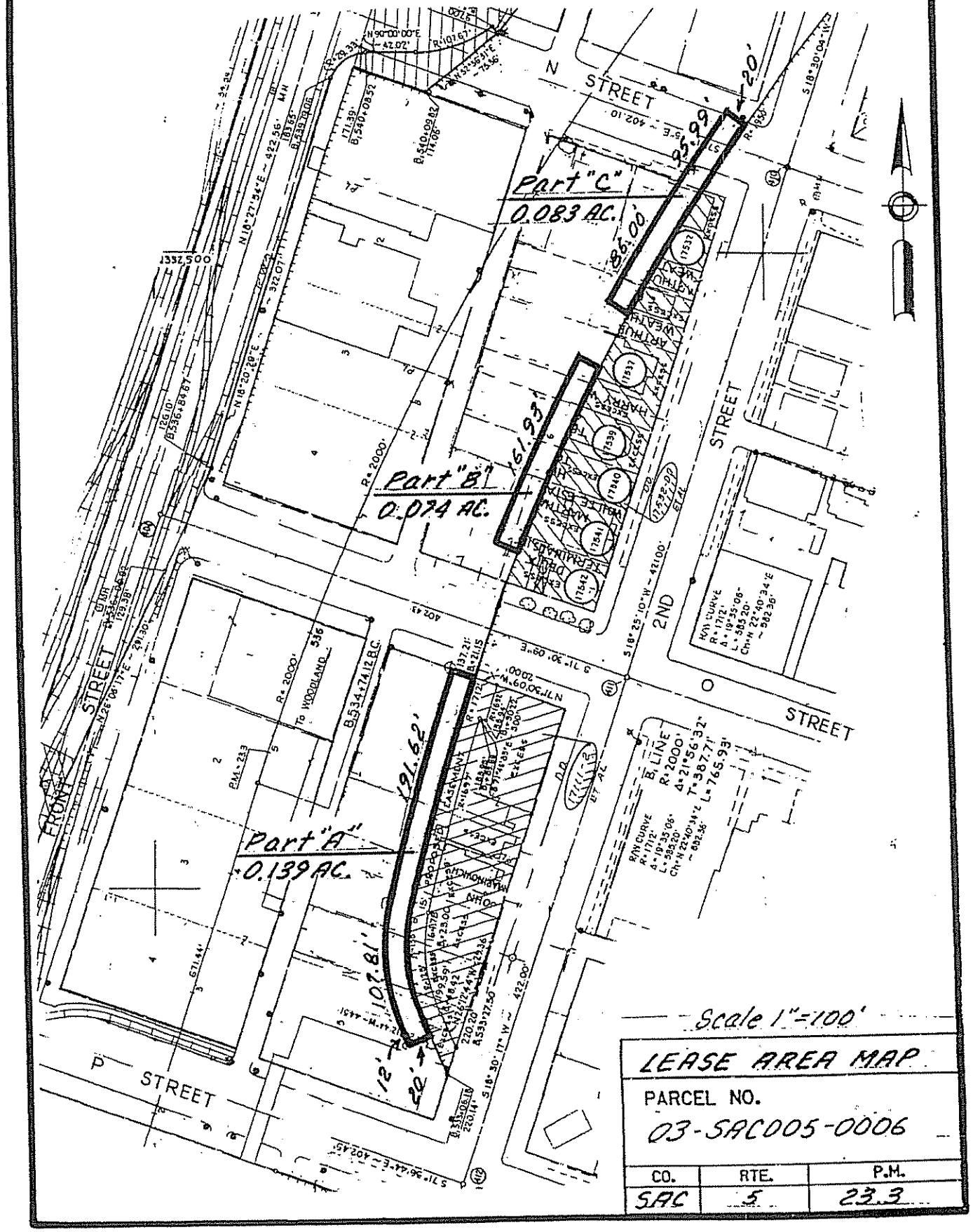
PARCEL NO.

03-SAC005-0006

CO.	RTE.	P.M.
SAC	5	23.3

EXHIBIT "B"

CITY OF SACRAMENTO



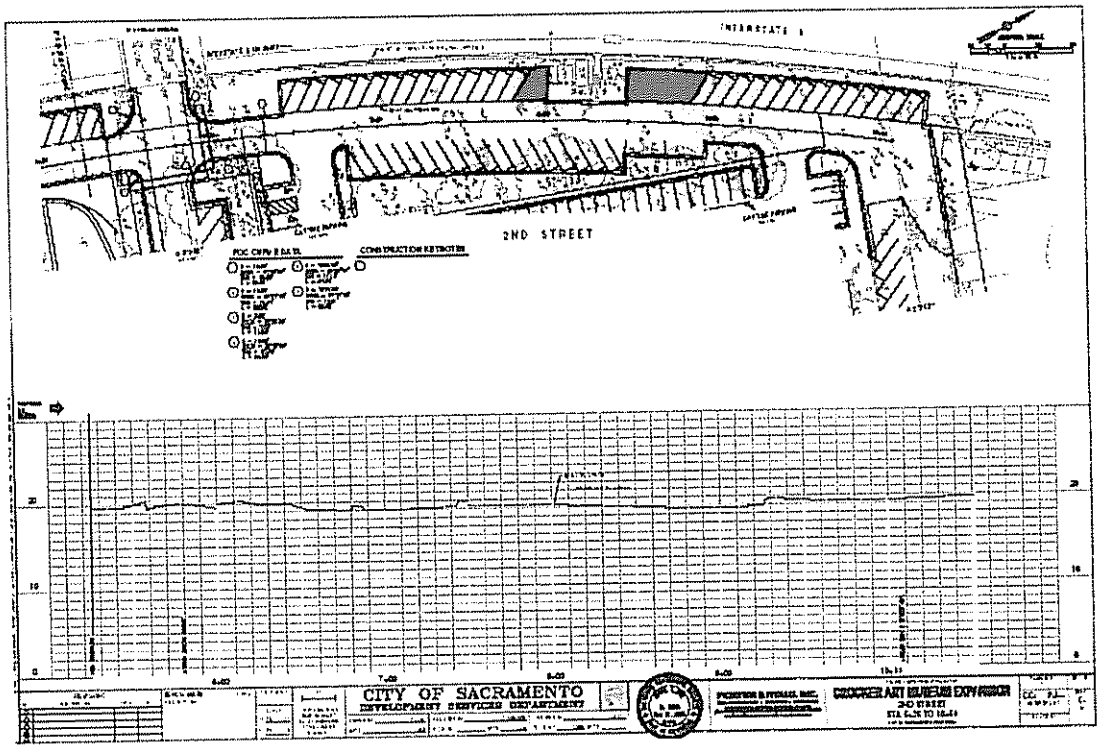


EXHIBIT C

Reserved Area =