

**CITY OF SAN DIEGO
PERCENTAGE LEASE**

BY AND BETWEEN

**THE CITY OF SAN DIEGO,
A CALIFORNIA MUNICIPAL CORPORATION**

AND

**AEG MANAGEMENT SD, LLC,
A DELAWARE LIMITED LIABILITY COMPANY**

CITY OF SAN DIEGO PERCENTAGE LEASE

THIS CITY OF SAN DIEGO PERCENTAGE LEASE ("Lease") is entered into by and between THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), and AEG MANAGEMENT SD, LLC, a Delaware limited liability company ("LESSEE"), to be effective August 1, 2021 ("Effective Date").

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. PREMISES; USES

- 1.1 CITY leases to LESSEE and LESSEE leases from CITY all of that CITY-owned real property ("Premises") commonly known as the Sports Arena and currently known as the Pechanga Arena San Diego, located at 3500 Sports Arena Boulevard, San Diego, California 92110, consisting of an indoor sports arena, parking lot, and related facilities, all as more particularly described in **Exhibit A: Depiction of the Premises** attached hereto. The Premises excludes the marquee sign located at the southerly portion of 3500 Sports Arena Boulevard, as depicted on **Exhibit A**, and is not a part of this Lease.

- 1.2 Allowed Uses. LESSEE may use the Premises solely and exclusively to operate, lease, and maintain the Premises to furnish educational, recreational, commercial, and cultural benefits to the community and for related or incidental purposes ("Allowed Use"). Any use other than the Allowed Use requires the prior written approval of CITY in its sole discretion in each instance.

CITY acknowledges that use of the Premises as it is currently used, which includes, among other things, athletic contests, music concerts and performances, family shows, charity events, exhibitions, conventions, swap meets, and parking related to such events, is an Allowed Use.

- 1.3 Business Objective. LESSEE shall diligently and continuously conduct its business on the Premises during normal hours of operation, subject to force majeure events and reasonable closure for repair or restoration, with the intent to reasonably maximize Gross Revenue, as defined in this Lease. LESSEE shall notify CITY in advance if such closure will continue for more than one week (other than in the event of an emergency, in which case LESSEE shall notify CITY within two (2) working days following such emergency arising).
- 1.4 Superior Interests. This Lease is subject to all liens, encumbrances, covenants, conditions, restrictions, reservations, permits and licenses, easements, and rights-of-way pertaining to the Premises recorded before the Effective Date. LESSEE shall obtain all consents and approvals from third parties with respect to such superior interests as are required to allow LESSEE's development and use of the Premises in accordance with this Lease.

- 1.5 Governmental Approvals. By entering into this Lease, neither CITY nor CITY's City Council is obligating itself to any governmental agent, board, commission, or agency with regard to any other discretionary action relating to LESSEE's occupancy, use, development, maintenance, or restoration of the Premises. Discretionary action includes without limitation re-zonings, variances, environmental clearances, and all other required governmental approvals. CITY makes no representation or warranty regarding review or approval of LESSEE's development or redevelopment plans for the Premises, and failure of the CITY or City Council to approve any plans or grant any required permits for development or redevelopment shall not give rise to any claim, liability, obligation, or cause of action related to this Lease. LESSEE shall obtain and maintain throughout the term of this Lease all legally required permits and licenses for the construction of improvements and the operation of its business on the Premises including, but not limited to, California Coastal permits, building permits, and the San Diego County food operator license.
- 1.6 CITY's Consent, Approval. CITY's consent or approval under this Lease shall mean the written consent or approval of the Mayor of San Diego, or his or her designee ("Mayor"), unless otherwise expressly provided. CITY's discretionary acts under this Lease shall be made in the Mayor's discretion, unless otherwise expressly provided.
- 1.7 Quiet Possession. LESSEE, so long as it is not in default beyond any applicable notice and cure periods under this Lease, shall at all times during the Term of this Lease peaceably and quietly have, hold, and enjoy the Premises. LESSEE hereby confirms that it is in possession of the Premises on the Effective Date.
- 1.8 Reservation of Rights.
- (a) Mineral Rights. CITY reserves all rights, title, and interest in and to any and all subsurface natural gas, oil, minerals, and water on or within the Premises.
 - (b) Easements. CITY reserves the right to grant, establish, and use easements and rights-of-way over, under, along, and across the Premises for utilities, thoroughfares, or access as it deems advisable for the public good at no cost or liability to CITY; provided that CITY shall provide written notice to LESSEE of each such grant, establishment, and use that CITY enters into on or after the Effective Date.
 - (c) Repairs. CITY may at all reasonable times, upon reasonable advance notice to LESSEE (other than in the event of an emergency, in which case CITY shall notify LESSEE within two (2) working days following such emergency arising), enter the Premises for the purpose of making repairs to or developing municipal water, electrical, sewer, or other utility facilities on or about the Premises.

- (d) Noninterference. CITY shall not unreasonably interfere with LESSEE's use of the Premises for the Allowed Use and such non-interference covenant is an express condition to the CITY's exercise of its rights under this Lease, including Sections 1.8, 1.11, 9.5, and 10.21. CITY shall pay all costs in connection with the exercise of these reserved rights.
- 1.9 Competent Management. LESSEE shall provide competent management of the Premises to CITY's reasonable satisfaction. "Competent management" shall mean management practices generally considered acceptable within LESSEE's industry for the management and operation of facilities similar to the Premises and in compliance with all applicable local, state, and federal laws, rules, and regulations, and in a fiscally responsible manner. "Fiscally responsible manner" shall mean in accordance with generally accepted accounting principles consistently applied and absent fraud.
- 1.10 Political Activities. LESSEE shall not use the Premises to promote, endorse, or campaign for the nomination or election of any individual to any public office, be it partisan or nonpartisan or for the adoption or defeat of any ballot measure; however, LESSEE may allow the temporary use of the Premises by third parties for such purposes if such third party is paying fair market rent for such use.
- 1.11 CITY Use. CITY may, upon reasonable advance notice to LESSEE and subject to availability in LESSEE's sole discretion, use the portions of the Premises that are open to the public during normal hours of operation for civic events and special programs, free of charge. After each such use, CITY shall leave the Premises in the same condition found. Such use by CITY shall be at CITY's sole cost and expense.
- 1.12 Public Use. The general public shall have access to the portions of the Premises that LESSEE opens to the general public during LESSEE's normal hours of operation. LESSEE shall not wholly or permanently exclude the general public from the portions of the Premises that LESSEE customarily opens to the general public during LESSEE's normal hours of operation. LESSEE may develop reasonable restrictions for the general public's use of such portions of the Premises.

2. TERM

- 2.1 Term. The term of this Lease shall commence at 12:00 am on the Effective Date and expire at 11:59 pm on July 31, 2024 ("Term").
- 2.2 Holdover. Any holding over by LESSEE after the expiration or earlier termination of this Lease shall not be considered a renewal or extension of this Lease. The occupancy of the Premises after the expiration or earlier termination of this Lease shall constitute a month-to-month tenancy at will, and all other terms and conditions of this Lease shall continue in full force and effect.
- 2.3 Surrender of Premises. Upon the expiration or earlier termination of this Lease, LESSEE shall vacate the Premises and surrender the Premises to CITY free and clear of all liens and encumbrances caused by or at the direction of LESSEE unless

prior approved in writing by CITY, and in a decent, safe, and sanitary condition. At any time after the expiration or earlier termination of this Lease, LESSEE shall prepare, execute, and deliver to CITY, within thirty (30) days after CITY's request, a valid and recordable termination of memorandum of lease with respect to this Lease and the Premises. If LESSEE fails or refuses to prepare, execute, or deliver such termination, CITY may prepare and record a notice reciting LESSEE's failure to prepare, execute, or deliver such termination, and the notice shall be deemed conclusive evidence of the termination of this Lease and all of LESSEE's rights in and to the Premises.

3. OPERATIONS ON THE PREMISES

- 3.1 Operation of Facilities. Subject to force majeure events (as defined in Section 3.1 (a) below) and reasonable closure for repair or restoration, LESSEE shall conduct its business and operate the Premises continuously and without interruption during normal hours of operation during the Term. LESSEE shall notify CITY in advance if such closure will continue for more than one week (other than in the event of an emergency, in which case LESSEE shall notify CITY within two (2) working days following such emergency arising). LESSEE shall conduct its business and operate the Premises in conformity with all applicable laws, rules, and regulations. LESSEE shall ensure that the type and quality of all food-handling services furnished by LESSEE, or its licensees, contractors or subcontractors, at all times shall satisfy the conditions and requirements of the "A" Card issued by the San Diego County Health Department to operators of food-handling establishments.
- (a) Force Majeure. For purposes of Section 3.1 of this Lease, "*force majeure event*" shall mean an event beyond LESSEE's reasonable control, including, without limitation, strikes or other labor difficulties, unavailability or scarcity of materials or labor, war, riot, civil insurrection, accidents, and material adverse weather conditions and acts of God, but does not include delays attributable to LESSEE obtaining necessary governmental permits and approvals (including building permits or certificates of occupancy).
- 3.2 Trash and Refuse. LESSEE shall, at its sole cost and expense, provide covered containers on the Premises to receive trash and refuse generated on the Premises. LESSEE shall ensure that refuse containers are emptied on a regular basis and shall prevent refuse containers from overflowing or creating unhealthful or unsanitary conditions. LESSEE shall ensure that the contents of all refuse containers on the Premises are disposed of at authorized landfills or other garbage reception areas, as provided under applicable law at the time of refuse collection.
- 3.3 Restriction on Food Containers. LESSEE and its licensees, contractors, or subcontractors shall not provide to guests, invitees, and/or customers any prepared, takeout or supplied/resale food in polystyrene foam, nor shall LESSEE or LESSEE's licensees, contractors, subcontractors, operators, or concessionaires obtain or keep any such customer food packaging at or on the Premises. LESSEE's

and its licensees', contractors', subcontractors', operators', or concessionaires' food packaging for all food shall be recyclable plastic or recyclable paper, and LESSEE shall deliver to CITY, upon request, evidence of such in the form of paid invoices for the purchase of recyclable plastic or recyclable paper containers in amounts sufficient to indicate compliance with this section. Post-consumer recycled plastic or recycled paper is preferred for all customer food packaging related to the use and operation of the Premises. No biodegradable or compostable packaging is to be used by the LESSEE or LESSEE's licensees, contractors, subcontractors, operators, or concessionaires in lieu of recyclable plastic or recyclable paper unless with the prior written approval of the CITY's Environmental Services Department. "Prepared food" means all food or beverage prepared on the Premises for immediate consumption at the Premises or elsewhere in the Premises. "Takeout food" means all food or beverage to be consumed off the Premises. "Supplied/Resale food" means food or beverages which are supplied by a third party to the LESSEE or LESSEE's licensees, contractors, subcontractors, operators, or concessionaires for either preparing food or beverages onsite or direct sell. "Food packaging" means all bags, sacks, wrapping, containers, bowls, plates, trays, cartons, cups, straws, and lids which are not intended for reuse, and on or in which any prepared food or takeout food is provided on or from the Premises. LESSEE and its licensees, contractors, subcontractors, operators or concessionaires shall also limit their distribution of plastic bags to their customers.

- 3.4 Alcohol. No alcohol or alcoholic beverages may be served at the Premises unless LESSEE or its licensees, contractors, subcontractors, operators, and concessionaires have first obtained all permits and licenses required to serve alcohol at the respective location(s). LESSEE shall provide to CITY a complete copy of all required permits and licenses allowing alcohol to be served at the Premises prior to serving alcohol or alcoholic beverages. LESSEE and its licensees, contractors, subcontractors, operators, and concessionaires shall comply with all terms, conditions and restrictions of serving alcohol contained within the required permits and licenses at all times while on the Premises.

(a) LESSEE'S Responsibility. LESSEE shall bear full responsibility for compliance with all alcohol laws and permit conditions whenever LESSEE obtains permission to serve alcohol within the Premises. All state and local regulations regarding the consumption of alcohol must be followed at all times at the Premises, at LESSEE's sole risk and cost.

- 3.5 Music. LESSEE and its licensees, contractors, subcontractors, operators, and concessionaires shall only perform music for which LESSEE (or its licensees, contractors, subcontractors, operators, and concessionaires) has obtained a "non-dramatic" (as hereinafter defined) performance license from ASCAP, Broadcast Music, Inc., SESAC, or any other musical industry licensing entity (each, a "Music Licensing Entity"). For a list of approved music and artists, LESSEE may contact the respective Music Licensing Entity. It shall be LESSEE's sole responsibility to ensure it only performs music for which LESSEE (or its licensees, contractors, subcontractors, operators, and concessionaires) has obtained a valid music license.

LESSEE shall ensure that (1) CITY is named in the license; (2) the Premises is identified in the license; and (3) LESSEE has provided CITY with a fully executed copy of the license before the performance of the music.

- 3.6 Equipment. LESSEE shall furnish all equipment necessary for the operation of the Premises in conformity with this Lease at its sole cost and expense.
- 3.7 Security and Safety of Premises. As between CITY and LESSEE, LESSEE shall bear sole responsibility for the security and safety of the Premises affected by or relating to the Allowed Use during the Term, including for the maintenance, cleanup, and securing of the Premises daily, as appropriate to ensure security and safety. LESSEE shall comply with all applicable laws, rules, regulations, and directives of competent governmental authorities with respect to the security and safety of the Premises, at LESSEE's sole cost and expense. CITY has no obligation to provide oversight of the Allowed Use or staffing or resources for the Allowed Use at the Premises during the Term.

4. RENT

- 4.1 Rent. LESSEE shall pay annual rent ("Rent") to CITY in the amount of the greater of: (a) the Percentage Rent (as defined below); or (b) the sum of the Minimum Monthly Rent Payments (as defined below); provided that LESSEE shall pay monthly installments toward Rent due in any Lease Year in an amount equal to the applicable Minimum Monthly Rent Payment on or before the 30th of each such month. Any Percentage Rent due for such Lease Year in excess of the Minimum Monthly Rent Payments will be paid as set forth in Section 4.9.
- 4.2 Gross Revenue. "Gross Revenue" shall mean all revenue derived by LESSEE from the following uses of the Premises, including without limitation all revenue derived by LESSEE from subtenants, operators, and licensees with respect to such uses: (i) usage of the parking lots on the Premises during Sports Arena events ("Parking Lot Usage"), (ii) rental of the parking lots on the Premises other than usage of the parking lots on the Premises during Sports Arena events ("Parking Lot Rental"), (iii) usage of the Premises to conduct Kobey's swap meet ("Swap Meet Usage"), (iv) usage of the Premises to install and operate wireless telecommunication equipment for the benefit of third parties ("Telecom Usage", and (v) naming rights of the Sports Arena ("Naming Rights"). Possessory interest taxes or other property taxes shall not be deducted in computing Gross Revenue. Notwithstanding the foregoing, Gross Revenue shall not include: (a) federal, state, or municipal taxes collected from consumers (regardless of whether such amount is stated to the consumer as a separate charge) and paid periodically by LESSEE to a governmental agency and accompanied by a tax return or statement as required by law; (b) refunds for goods returned for resale on the Premises or refunds of deposits; (c) goods returned to sources; (d) sums and credits received in the settlement of claims for loss of or damage to merchandise, to the extent previously reported as Gross Revenues; (e) cash refunds made to customers in the ordinary course of business; (f) interest, service or sales carrying charges, or other charges, however

denominated, paid by customers for extension of credit on sales and where not included in the merchandise sales price; (g) receipts from public telephones, stamp machines, public toilet locks, or vending machines installed solely for use by LESSEE's employees; (h) sales of fixtures, equipment, or property which are not stock in trade; (i) gift certificate or like vouchers until such time as the same shall have been converted into a sale by redemption; (j) advertising revenue received for advertising, signage and other marketing materials inside the Premises, excluding trade signage; (k) unforfeited deposits; (l) condemnation awards; and (m) insurance proceeds.. LESSEE shall clearly indicate the amount of all such taxes and refunds on its books and records.

- 4.3 Minimum Monthly Rent Payment. The minimum monthly Rent payment for the period beginning on the first day of the first (1st) Lease Year shall be Fifty-Nine Thousand One Hundred Sixty-Seven Dollars (\$59,167.00) ("Minimum Monthly Rent Payment"). The Minimum Monthly Rent Payment shall be increased by three percent (3%) each year as follows:

First Lease Year: \$59,167 / month

Second Lease Year: \$60,942 / month

Third Lease Year: \$62,770 / month

- 4.4 Sports Arena Events Revenue. LESSEE will pay a fee to CITY of one dollar (\$1) per each paid ticket sold to all non-Tenant Team events (unless such non-Tenant Team event is held by CITY) at the Sports Arena. The "Tenant Teams" as of the Effective Date are: San Diego Gulls (hockey), San Diego Seals (indoor lacrosse), San Diego Sockers (indoor soccer) and San Diego Strike Force (arena football). Such payment will be payable by LESSEE annually contemporaneously with delivery of the financial statements contemplated by Section 4.9.

- 4.5 Percentage Rent. Percentage Rent shall be Rent in an amount equal to the percentages of Gross Revenue derived by LESSEE from certain designated business activities as follows:

Percentage of Gross Revenue	Business Activities
Fifteen Percent (15%)	Parking Lot Usage
Twenty Percent (20%)	Parking Lot Rental
Twenty Percent (20%)	Swap Meet Usage
Fifty Percent (50%)	Naming Rights
Fifty Percent (50%)	Telecom Usage

LESSEE shall not permit Parking Lot Usage, Parking Lot Rental, Swap Meet Usage, Naming Rights, or Telecom Usage by third parties, without charging a reasonable rental or usage charge or naming rights fee, as applicable, unless approved by CITY.

If LESSEE requests any use of the Premises in addition to the Allowed Use, CITY and LESSEE shall mutually agree upon the Percentage Rent calculation applicable to such use prior to CITY's approval of such use.

- 4.6 Unauthorized-Use Charge. LESSEE shall pay CITY one hundred percent (100%) of the gross receipts from any use of the Premises that is not an Allowed Use, regardless of any related penalties charged LESSEE by competent governmental authorities. Such unauthorized use charge shall be payable to CITY within thirty (30) days after LESSEE receives such gross receipts. The unauthorized use charge shall be considered "Rent" under this Lease, and shall be subject to all costs and penalties for delinquent payments under this Lease. The existence of such unauthorized use charge and CITY's acceptance thereof shall not constitute authorization for the use in question, and shall not waive any of CITY's rights under this Lease.

- 4.7 Time and Place of Payment. All Rent payments shall be made payable to the City Treasurer and mailed to:

The Office of the City Treasurer
City of San Diego
P.O. Box 129030
San Diego, California 92112-9030

or hand-delivered to:

The Office of the City Treasurer
Civic Center Plaza
1200 Third Avenue, First Floor
San Diego, California 92101

CITY may change the place of payment at any time upon thirty (30) days' prior written notice to LESSEE. Mailed payments shall be deemed paid upon the date the payment is postmarked by the postal authorities. If postmarks are illegible, the payment shall be deemed received only upon actual receipt.

- 4.8 Records. LESSEE shall keep or cause to be kept, in all material respects, true, accurate, and complete books, records, and accounts of all financial transactions in the operation of LESSEE's business conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises using generally accepted accounting principles consistently applied, including double-entry books, a profit-and-loss statement, and a balance sheet, making it possible at all times to determine Gross Revenue. The records shall be supported by source documents such as sales slips, daily cash register tapes, purchase invoices, or other documents (which may

be in electronic form) as necessary to allow CITY to verify Gross Revenue. All retail sales or charges shall be recorded by means of cash registers or other comparable devices which display to the customer the amount of the transaction and automatically issue a paper or electronic receipt. Such registers or other devices shall record sales totals and other transaction numbers and sales details, and shall not be re-settable. Registered totals shall be read and recorded at the beginning and end of each business day. All sales and charges may be recorded by a system other than cash registers or other comparable devices, provided such system is approved by CITY.

- 4.9 Financial Statements. Within sixty (60) days after the end of each Lease Year, LESSEE shall, at its sole cost and expense, deliver to CITY a statement of annual Gross Revenue and the corresponding amount of Rent paid to CITY for the Lease Year. Such statements shall be prepared using generally accepted accounting principles consistently applied, with revenue categorized by source, and deductions categorized by type. Each such statement shall be signed by an officer, general partner, or principal of LESSEE attesting to the fact that such statements present fairly, in all material respects, results of LESSEE's operations at the Leased Premises, which shall be legally binding upon LESSEE. LESSEE shall comply with all reasonable requests by CITY to modify the form of such financial statements. LESSEE shall provide such additional information reasonably requested by CITY regarding the operation of LESSEE's business conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises, to the extent relevant to the determination or verification of Gross Revenue. If the aggregate Minimum Monthly Rent paid to CITY by LESSEE during the Lease Year covered by such financial statement is less than the actual Rent due to CITY from LESSEE during such Lease Year in accordance with this Lease, LESSEE shall remit the amount of such underpayment to CITY contemporaneously with delivery of such financial statement.
- 4.10 CITY's Right to Inspect and Audit. LESSEE shall keep all of its books of account, records, and supporting documentation regarding the operation of LESSEE's business conducted on the Premises throughout the Term, plus five (5) years ("Audit Term"). LESSEE shall make such books, records, and documentation available for inspection and audit by CITY upon reasonable prior notice in one location within the County of San Diego. CITY may, at any time during the Audit Term and without the need for cause, upon reasonable prior notice, conduct an audit of LESSEE's books, statements, documents, records, and financial data to the extent relevant to the determination or verification of Gross Revenue. LESSEE shall maintain separate books and records related to LESSEE's use of the Premises. Upon reasonable prior notice, CITY may inspect and audit the operation of LESSEE's business and all other business activities conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises as CITY may deem necessary, in its sole reasonable discretion, to protect CITY's rights under this Lease. If required by competent legal authority, LESSEE shall promptly deliver to CITY, at CITY's reasonable request and at LESSEE's sole cost and expense, any and all data reasonably needed to fully comply with such authority's

requirements related to the operation of LESSEE's business and all other business activities conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises.

- 4.11 **Audit Cost.** The full cost of each CITY audit shall be borne by CITY, unless one or both of the following conditions exists, in which case LESSEE shall reimburse CITY for all costs of the audit:

- (a) If an audit reveals an underpayment of Rent of more than five percent (5%) on an annual basis, calculated as the difference between the Rent reported as payable by LESSEE and the Rent payable as determined by the audit absent manifest error; or
- (b) LESSEE failed to maintain in all material respects true, accurate, and complete books, records, accounts, and supporting source documents as required by this Lease.

Any Rent deficiency determined by the audit (absent manifest error) shall be delinquent Rent, subject to all penalties and remedies provided to CITY for delinquent Rent under this Lease. CITY shall credit any overpayment determined by the audit, without interest, against future rents due under this Lease. If no future rents are then due under this Lease, CITY shall refund to LESSEE any overpayment determined by the audit, without interest, within sixty (60) days after CITY's certification of the audit.

- 4.12 **Delinquent Payments.** If LESSEE fails to make any payment under this Lease when due and such failure continues for five working days after CITY provides written notice to LESSEE of such failure, LESSEE shall pay to CITY, in addition to the unpaid amount, five percent (5%) of the unpaid amount, which shall be additional Rent. If any amount of such payment remains unpaid after fifteen (15) days past due, LESSEE shall pay to CITY an additional five percent (5%) of the unpaid amount [being a total of ten percent (10%)], which shall be additional Rent. Notwithstanding the foregoing, in no event shall the charge for late payment of Rent be less than Twenty-Five Dollars (\$25). After thirty (30) days past due, unpaid amounts due CITY under this Lease may be referred to the CITY's City Treasurer for collection, and shall be subject to San Diego Municipal Code section 22.1707, as may be amended from time to time. LESSEE shall pay to CITY any collection-referral fee and all other fees and charges plus interest as may then be charged by the CITY's City Treasurer under authority of the San Diego Municipal Code. Acceptance of late charges and any portion of the late payment by CITY shall neither constitute a waiver of LESSEE's breach or default with respect to the late payment nor prevent CITY from exercising any other rights and remedies available at law or in equity. As required by law, LESSEE is hereby notified that a negative credit report may be submitted to a credit reporting agency if amounts due CITY are not paid when due after the expiration of all notice and cure periods.

5. ENCUMBRANCES; ASSIGNMENT & SUBLETTING

- 5.1 Leasehold Encumbrances. LESSEE shall not encumber the Lease, its interest in the Lease, or any improvements on the Premises by deed of trust, mortgage, chattel mortgage, or other security instrument without the City's prior written consent.
- 5.2 Assignment and Subletting. LESSEE shall not assign this Lease or any interest in this Lease, and shall not sublet the Premises or any part of the Premises without CITY's prior written consent, which consent shall not be unreasonably withheld, delayed, or conditioned. Any such consent shall not be deemed consent to any subsequent assignment or subletting. Neither this Lease nor any interest in it shall be assignable, as to LESSEE's interest, by operation of law, without CITY's written consent. "Assignment" for the purposes of this section shall include without limitation the transfer of any interest in this Lease and a change in "Control" of LESSEE. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ability to exercise voting power, by contract or otherwise.
- 5.3 Consent Conditions. CITY may require, as a condition to consenting to any sublease, that the sublease be subject and subordinate to each and every provision of this Lease. Approval of any assignment shall be conditioned upon the assignee agreeing in writing that it will assume the applicable rights and obligations of LESSEE under this Lease.
- 5.4 Charter Section 225. Pursuant to San Diego City Charter section 225, LESSEE and each of its assignees shall disclose to CITY the names and identities of all natural persons who own more than 10% of LESSEE or such assignee, as applicable.
- 5.5 Additional Consideration to CITY. If this Lease is assigned or a majority of the Premises are subleased, LESSEE shall pay to CITY an amount equal to: (a) for assignments, two percent (2%) of the gross amount paid for the leasehold; and (b) for majority subleases, two percent (2%) of all amounts paid to LESSEE in consideration of such sublease in excess of Rent due by LESSEE to City for the applicable portion of the Premises; and (c) in the case of a refinancing, two percent (2%) of the amount of any new loan over and above the sum of the balance of the old loan plus, if applicable, the cost of new permanent improvements constructed on the Premises as required or allowed under this Lease. The amount upon which such two-percent payments shall be based shall be the total consideration resulting from the transaction, including without limitation all cash payments and the market value of non-cash consideration, including without limitation stocks, bonds, deferred payments, secured and unsecured notes, and forbearances regarding claims and judgments. Prior to CITY's consent to any assignment, majority subletting, or refinancing, LESSEE shall deliver to CITY a written statement of all sums due and owing to CITY from LESSEE pursuant to the provisions of this section, together with an acknowledgment from the proposed assignee, sublessee, or the source of the refinancing as to the amount due CITY. The additional consideration payable to CITY for each assignment and/or refinancing shall be paid

concurrently with the closing of the proposed transaction. For majority subleases, such additional consideration shall be payable to CITY when accrued regardless of actual receipt by LESSEE. The applicable two-percent payment required by this section shall not apply to:

- (a) an assignment or transfer of a beneficial interest in the leasehold resulting from devise, bequest, intestate succession, or by operation of law for the benefit of the spouse or descendants of the individual who Controls LESSEE; or
- (b) an assignment that is part of a corporate transaction, such as a merger or asset sale, involving LESSEE or any entity that Controls LESSEE.

6. DEFAULT AND REMEDIES

6.1 Default. LESSEE shall be in default of this Lease if any of the following occurs:

- (a) LESSEE fails to make any payment required under this Lease when due and such failure continues for five (5) business days after receipt of written notice from CITY of such failure;
- (b) LESSEE breaches any of its obligations under this Lease, other than those requiring payment to CITY, and fails to cure the breach within thirty (30) days following written notice thereof from CITY, or if not curable within thirty (30) days, fails to commence to cure the breach within thirty (30) days and diligently pursue the cure to completion;
- (c) LESSEE voluntarily files, or involuntarily has filed against it and does not cause such involuntary petition to be dismissed within ninety (90) days after such involuntary petition is filed, any petition under any bankruptcy or insolvency act or law;
- (d) LESSEE is adjudicated a bankrupt; or
- (e) LESSEE makes a general assignment for the benefit of creditors.

6.2 Remedies. During the continuance of LESSEE's default after the expiration of all notice and cure periods, CITY may, at its option, terminate this Lease (which shall automatically terminate all subleases) and recover from LESSEE from time to time in equal monthly installments as the same come due, in advance, sums equal to the Minimum Monthly Rent due under this Lease or, if the Premises have been relet (which CITY shall use commercially reasonable efforts to accomplish), sums equal to the excess of the Minimum Monthly Rent due under this Lease over the sums actually received by CITY from such reletting.

6.3 Default if Leasehold is Encumbered. If there is a CITY-approved encumbrance on LESSEE's leasehold interest, CITY shall give the mortgagee or beneficiary written notice of LESSEE's default under this Lease contemporaneously with written

notice of LESSEE's default under this Lease being provided to LESSEE, and the same mortgagee or beneficiary shall have thirty (30) days from the notice to cure the default, or, if the default is not curable within thirty (30) days, to commence to cure the default and diligently pursue the cure to completion. CITY may extend the cure period if the mortgagee or beneficiary uses reasonable diligence to pursue a cure. If the mortgagee or beneficiary chooses to cure the default through litigation or foreclosure, then CITY may exercise any of the following options following the expiration of all applicable notice and cure periods:

- (a) CITY may correct the default and charge the costs to the account of LESSEE, which charge shall be due and payable on the date that the Rent is next due after CITY's notice of such costs to LESSEE, and mortgagee or beneficiary;
- (b) CITY may correct the default and pay the costs from the proceeds of any insurance fund held by CITY, CITY and LESSEE, or by CITY and mortgagee or beneficiary, or CITY may use the funds of any faithful performance or cash bond on deposit with CITY, or CITY may call on the bonding agent to correct the default or to pay the costs of correction performed by or at the direction of CITY; and
- (c) CITY may terminate this Lease as to the rights of LESSEE by assuming or causing the assumption of liability for any trust deed or mortgage. LESSEE shall assume and pay any and all penalties or premiums required by the beneficiaries, trustees or mortgagees as a condition of early payoff of the related obligations by CITY. CITY may, as an alternative, substitute the terminated LESSEE with a new lessee reasonably satisfactory to the mortgagee or beneficiary. LESSEE shall pay to CITY all reasonable costs incurred by CITY in re-leasing to a new lessee.

If the default is non-curable by LESSEE, then any lender holding a beneficial interest in the Premises, whose qualifications as an assignee have been approved by CITY, shall have the absolute right to substitute itself to the estate of LESSEE hereunder and to commence performance of this Lease. If the mortgagee or beneficiary gives notice in writing of its election to substitute itself within the thirty (30) day period after receiving CITY's written notice of a default, and the default, if curable, is cured by the mortgagee or beneficiary, then this Lease will not terminate pursuant to the default. In that event, CITY consents to the substitution and authorizes the mortgagee or beneficiary to perform under this Lease with all the rights, privileges, and obligations of LESSEE, subject to the curing of the default, if possible, by mortgagee or beneficiary. In that event, LESSEE shall assign to mortgagee or beneficiary all of its interest in and to the leasehold estate under this Lease.

- 6.4 Abandonment by LESSEE. If LESSEE abandons the Premises for a period of 10 consecutive days (provided that inability to operate the Premises due to a force majeure event, a government order, or repair or restoration is not abandonment),

this Lease shall continue in effect as long as CITY does not terminate this Lease, and CITY may enforce all of its rights and remedies under this Lease, including without limitation the right to recover Rent as it becomes due, plus damages recoverable at law.

6.5 Waiver. Any waiver by CITY of a breach or default by LESSEE shall not be a waiver of any other breach or default. No waiver shall be valid and binding unless in writing and executed by CITY. CITY's delay or failure to enforce a right or remedy shall not be a waiver of that or any other right or remedy under this Lease. The enforcement of a particular right or remedy for a breach or default shall not waive any other right or remedy for the same breach or default, or for any other or later breach or default. CITY's acceptance of any Rent shall not be a waiver of any default preceding such payment. LESSEE acknowledges that the Premises are a part of publicly-owned property held in trust for the benefit of the citizens of the City of San Diego, and that any failure by CITY to discover a breach or default, or take prompt action to require the cure of any breach or default, shall not result in an equitable estoppel, but CITY shall, at all times, have the legal right to require the cure of any breach or default. CITY's acceptance of a partial payment of Rent shall not constitute a waiver of the balance of the Rent payment due.

6.6 Default by CITY. If CITY shall fail to perform any obligation under this Lease and such failure shall continue for thirty (30) days after written notice from LESSEE (or if such failure cannot be reasonably expected to be cured within such thirty (30) day period, CITY shall within such thirty (30) day period fail to promptly commence to cure such default and thereafter prosecute the curing of such default to completion within ninety (90) days after receipt of such written notice from LESSEE), then LESSEE will have the right to immediately terminate this Lease by written notice to CITY, in addition to pursuing any other remedies available at law or in equity.

7. EMINENT DOMAIN

7.1 Eminent Domain. If all or part of the Premises are taken through condemnation proceedings or under threat of condemnation by any public authority with the power of eminent domain, the interests of CITY and LESSEE (or beneficiary or mortgagee) shall be as follows:

- (a) Full Taking. If the entire Premises are taken, this Lease shall terminate on the date of the transfer of title or possession to the condemning authority, whichever first occurs.
- (b) Partial Taking - Remainder Unusable. If a partial taking of the Premises occurs, and in the reasonable opinion of CITY, the remaining part of the Premises is unsuitable for the Allowed Use, this Lease shall terminate on the date of the transfer of title or possession to the condemning authority, whichever first occurs.

- (c) Partial Taking - Remainder Usable. If a partial taking of the Premises occurs, and in the reasonable opinion of CITY, the remaining part of the Premises are suitable for the Allowed Use, this Lease shall terminate in regard to the portion taken on the date of the transfer of title or possession to the condemning authority, whichever first occurs, but shall continue for the portion not taken. The Rent shall be equitably reduced to reflect the portion of the Premises taken, only to the extent that LESSEE's operations are reduced or impaired.
- (d) Award. All monies awarded in any taking shall belong to CITY, whether the taking results in diminution in value of the leasehold or the fee or both. LESSEE shall be entitled to any award attributable to the taking of, or damages to LESSEE's then remaining leasehold interest in installations or improvements of LESSEE. CITY shall have no liability to LESSEE for any award not provided by the condemning authority.
- (e) Transfer. CITY has the right to transfer CITY's interests in the Premises in lieu of condemnation to any authority entitled to exercise the power of eminent domain. If a transfer occurs, LESSEE shall retain whatever interest it may have in the fair market value of any improvements placed by LESSEE on the Premises in accordance with this Lease.
- (f) No Inverse Condemnation. The exercise of any CITY right under this Lease shall not be interpreted as an exercise of the power of eminent domain and shall not impose any liability upon CITY for inverse condemnation.

8. INDEMNITY; HOLD HARMLESS; INSURANCE

- 8.1 LESSEE Indemnification & Hold Harmless. LESSEE shall protect, defend, indemnify, and hold CITY and its elected officials, officers, employees, representatives, and agents harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including injury to LESSEE's officers, employees, invitees, guests, agents, or contractors, which arise out of or are in any manner directly or indirectly connected with LESSEE's acts or omissions in the performance of its obligations under this Lease or out of the presence of asbestos in the Premises, and all expenses of investigating and defending against same, including without limitation, reasonable attorney fees and costs; provided, however, that LESSEE's duty to indemnify and hold CITY and its elected officials, officers, employees, representatives, and agents harmless shall not include any established liability to the extent arising from the sole negligence or intentional misconduct of CITY or its elected officials, officers, employees, representatives, and agents. CITY may, at its election, participate in the defense of any claim related in any way to this indemnification. If CITY chooses at its own election to conduct its own defense, participate in its own defense, or obtain independent legal counsel in defense of any claim related to this indemnification because CITY reasonably concludes that there are legal defenses available to it that are different or in addition to those available to LESSEE or there

is otherwise a conflict of interest, LESSEE shall pay all costs related thereto, including without limitation reasonable attorney fees and costs.

- 8.2 CITY Indemnification & Hold Harmless. CITY shall protect, defend, indemnify, and hold LESSEE and its current and future affiliates and their respective directors, managers, officers, equity holders, employees, representatives, and agents and their respective successors and assigns harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property which arise out or are in any manner directly or indirectly connected with CITY's (i) acts or omissions in the exercise of its rights or performance of its obligations under this Lease or (ii) negligence or willful misconduct in connection with, or breach of, this Lease, and all expenses of investigating and defending against same, including without limitation reasonable attorney fees and costs; provided, however, that CITY's duty to indemnify and hold LESSEE and the other indemnitees set forth in this Section 8.2 harmless shall not include any established liability to the extent arising from the negligence or intentional misconduct of LESSEE or any such indemnitee. LESSEE may, at its election, participate in the defense of any claim related in any way to this indemnification. If LESSEE chooses at its own election to conduct its own defense, participate in its own defense, or obtain independent legal counsel in defense of any claim related to this indemnification because LESSEE reasonably concludes that there are legal defenses available to it that are different or in addition to those available to CITY or there is otherwise a conflict of interest, CITY shall pay all of the costs related thereto, including without limitation reasonable attorney fees and costs.

- 8.3 Insurance. LESSEE shall not begin any work under this Lease until it has: (a) obtained, and upon the CITY's request provided to the CITY, insurance certificates reflecting evidence of all insurance required in Section 8.3; and (b) obtained CITY approval of each insurance company or companies in accordance with Section 8.5. LESSEE's liabilities, including but not limited to LESSEE's indemnity obligations, under this Lease, shall not be deemed limited in any way to the insurance coverage required herein. Maintenance of specified insurance coverage is a material element of this Lease, and LESSEE's failure to maintain or renew coverage or to provide evidence of renewal during the term of this Lease may be treated as a material breach of contract by the CITY. LESSEE shall not modify any policy or endorsement thereto which increases the CITY's exposure to loss for the duration of this Lease.

- 8.4 Types of Insurance. At all times during the Term of this Lease, LESSEE shall maintain insurance coverage as follows:

- (a) Commercial General Liability (CGL). Insurance written on an ISO Occurrence form CG 00 01 04 13 or an equivalent form providing coverage at least as broad which shall cover liability, including Liquor Liability, arising from any and all personal injury or property damage in the amount of Five Million Dollars (\$5,000,000) per occurrence and subject to an annual aggregate of Fifteen Million Dollars (\$15,000,000). There shall be

no endorsement or modification of the CGL limiting the scope of coverage for either insured vs. insured claims or contractual liability. All defense costs shall be outside the limits of the policy. The required limits may be satisfied through a combination of CGL and umbrella excess liability policies.

- (b) Commercial Automobile Liability. For all of LESSEE's automobiles including owned, hired, and non-owned automobiles, LESSEE shall keep in full force and effect, automobile insurance written on an ISO form CA 00 01 12 90 or a later version of this form or an equivalent form providing coverage at least as broad for bodily injury and property damage for a combined single limit of One Million Dollars (\$1,000,000) per occurrence. Insurance certificate shall reflect coverage for any automobile (any auto).
- (c) Causes of Loss - Special Form Property Insurance. LESSEE shall obtain and maintain, at its sole cost, Causes of Loss - Special Form Property Insurance on all of LESSEE's insurable property related to the Allowed Use of the Premises under this Lease or the Premises in an amount to cover 100 percent (100%) of the replacement cost. LESSEE shall deliver a certificate of such insurance to CITY's Real Estate Assets Department.
- (d) Workers' Compensation. To the extent required by applicable state or federal law, LESSEE shall keep in full force and effect a Workers' Compensation policy. That policy shall provide a minimum of One Million Dollars (\$1,000,000) of employers' liability coverage, and LESSEE shall provide an endorsement that the insurer waives the right of subrogation against CITY and its respective elected officials, officers, employees, agents, and representatives.
- (e) Cyber Liability Insurance. LESSEE shall provide, at its sole cost and expense, evidence of Cyber Liability insurance with limits of not less than \$1,000,000 for each occurrence and an annual aggregate of \$2,000,000 covering claims involving privacy violations, information theft, damage to or destruction of electronic information, intentional and/or unintentional release of private information, alteration of electronic information, extortion and network security. Such coverage is required only if any products and/or services related to information technology (including hardware and/or software) are provided to LESSEE and for claims involving any professional services for which LESSEE's contractor is engaged with LESSEE for such length of time as necessary to cover any and all claims.
- (f) Crime Insurance. LESSEE shall keep in full force and effect a crime insurance policy which shall include employee dishonesty/fidelity coverage for a minimum of twenty-five thousand dollars (\$25,000.00) per employee or one hundred thousand dollars (\$100,000.00) blanket limit. This coverage shall protect against loss by the theft or mysterious disappearance of property by any of LESSEE's employees or third parties while the Premises

are in the care, custody, or control of LESSEE resulting directly or indirectly from the performance or execution of the Lease, and a contract or subcontract thereunder.

- 8.5 Deductibles. All deductibles on any policy shall be the responsibility of the LESSEE and shall be disclosed to the CITY at the time the evidence of insurance is provided.
- 8.6 Acceptability of Insurers. Except for the State Compensation Insurance Fund, all insurance required by this Lease shall only be carried by insurance companies with a rating of at least "A-, VI" by A.M. Best Company, that are authorized by the California Insurance Commissioner to do business in the State of California. CITY will accept insurance provided by non-admitted, "surplus lines" carriers only if the carrier is authorized to do business in the State of California and is included on the List of Eligible Surplus Lines Insurers (LESLI list). All policies of insurance carried by non-admitted carriers are subject to all of the requirements for policies of insurance provided by admitted carriers described herein.
- 8.7 Intentionally Omitted.
- 8.8 Accident Reports. LESSEE shall report to CITY any accident causing property damage or injury to persons on the Premises or otherwise related to the Allowed Uses within a reasonable time following such accident. Such report shall contain, to the extent available to LESSEE, the names and addresses of the involved parties, a statement of the circumstances, the date and hour of the accident, the names and addresses of any witnesses, photographs or video, if any, and other pertinent information.
- 8.9 Additional Insurance. LESSEE may obtain additional insurance not required by this Lease.
- 8.10 Excess Insurance. All policies providing excess coverage to CITY shall follow the form of the primary policy or policies including but not limited to all endorsements.
- 8.11 Required Endorsements. The following endorsements to the policies of insurance are required to be provided to CITY before any work is initiated under this Lease.

Commercial General Liability Insurance Endorsements:

- (i) ADDITIONAL INSURED. To the fullest extent allowed by law including but not limited to California Insurance Code Section 11580.04, the policy or policies must be endorsed to include as an additional insured the City of San Diego and its respective elected officials, officers, employees, agents, and representatives with respect to liability arising out of (a) ongoing operations performed by LESSEE or on LESSEE's behalf, (b) LESSEE's products, (c) LESSEE's work, including but not limited to LESSEE's completed operations performed by LESSEE or on LESSEE's behalf, or (d) premises owned, leased, controlled, or used by LESSEE.

(ii) PRIMARY AND NON-CONTRIBUTORY COVERAGE. The policy or policies must be endorsed to provide that the insurance afforded by the Commercial General Liability policy or policies is primary to any insurance or self-insurance of the City of San Diego and its elected officials, officers, employees, agents, and representatives as respects operations of LESSEE. Any insurance maintained by the City of San Diego and its elected officials, officers, employees, agents, and representatives shall be in excess of LESSEE's insurance and shall not contribute to it.

(iii) SEVERABILITY OF INTEREST. The policy or policies must be endorsed to provide that LESSEE's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability and shall provide cross-liability coverage.

Automobile Liability Insurance Endorsements:

(iv) ADDITIONAL INSURED. To the fullest extent allowed by law including but not limited to California Insurance Code Section 11580.04, the policy or policies must be endorsed to include as an additional insured the City of San Diego and its respective elected officials, officers, employees, agents, and representatives with respect to liability arising out of automobile owned, leased, hired, or borrowed by or on behalf of LESSEE.

(v) SEVERABILITY OF INTEREST. The policy or policies must be endorsed to provide that LESSEE's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability and shall provide cross-liability coverage.

Worker's Compensation Insurance Endorsements:

(vi) WAIVER OF SUBROGATION. The Worker's Compensation policy or policies must be endorsed to provide that the insurer will waive all rights of subrogation against CITY and its respective elected officials, officers, employees, agents, and representatives for losses paid under the terms of this policy or these policies which arise from work performed by LESSEE for CITY.

9. IMPROVEMENTS; ALTERATIONS; REPAIRS; MAINTENANCE

- 9.1 Waste; Casualty. LESSEE shall not commit, and shall use commercially reasonable efforts to not allow any third party to commit, any voluntary physical waste or any public or private nuisance on the Premises. If the Premises are damaged by any cause which puts the Premises into a condition which is not decent, safe, healthy, and sanitary, LESSEE shall, to the extent LESSEE receives insurance proceeds that may be applied to restore or rebuild the Premises in a sufficient amount to restore or rebuild the Premises, and so long as such restoration or rebuilding can feasibly be completed before the expiration of the Lease, either, at CITY's option: (a) restore the Premises to substantially the same as its prior condition within a reasonable time and to CITY's reasonable satisfaction; or (b) clear and remove

from the Premises all debris resulting from said damage and rebuild the Premises in accordance with plans and specifications submitted to CITY and approved in writing in order to replace in kind and scope the operation which existed prior to such damage. LESSEE agrees that, to the extent LESSEE has an obligation to restore or rebuild under this Section 9.1, preliminary steps toward performing such restoration or rebuilding of the Premises shall be commenced by LESSEE within thirty (30) days of written notice from CITY of its election under this Section 9.1, and the required restoration or rebuilding shall be completed within a reasonable time thereafter. LESSEE agrees to give notice to CITY of any fire or other damage that may occur on the Premises within two (2) days of such fire or damage.

9.2 Intentionally Omitted.

9.3 Acceptance of Premises. LESSEE is already in possession of the Premises and is aware of the current condition. CITY has not made and makes no representation or warranty as to the condition or suitability of the Premises for LESSEE's intended use, and assumes no obligation to alter or improve the Premises other than any express obligation to alter or improve the Premises as set forth in this Lease. LESSEE has relied solely on its own independent investigations of the condition and suitability of the Premises, and is satisfied with the condition thereof. LESSEE further acknowledges that the Premises are in the condition called for by this Lease and that LESSEE shall not hold CITY responsible for any defects, whether apparent or latent, in the Premises as of the Effective Date, including the presence of any Hazardous Substances as defined in this Lease. LESSEE acknowledges and agrees that unless set forth in this Lease, CITY has no obligation to improve, modify, repair, replace, alter or otherwise develop the Premises at any time either prior to, on, or after the Effective Date.

9.4 Asbestos Disclosure. Portions of the structural components of the Premises may contain asbestos. LESSEE acknowledges receipt of notice from CITY of the presence of such asbestos in accordance with California Health and Safety Code Section 25915. LESSEE shall disclose to all appropriate parties the existence of asbestos on the Premises, as required by California Health and Safety Code Section 25915.

9.5 Asbestos. If LESSEE makes improvements, alterations, or repairs to the Premises, LESSEE shall be responsible for any asbestos removal, management, or containment that is required by applicable law in connection with such improvement, alteration, or repair, and shall pay all costs associated therewith. Asbestos removal, management, or containment shall be conducted in accordance with all applicable laws. CITY may, at its discretion, station supervisory personnel at the work site to ensure that LESSEE's obligations under this section are fulfilled.

9.6 Entry and Inspection. Upon reasonable prior notice to the LESSEE (except in the event of an emergency in which case no prior notice shall be required), CITY, as the lessor under this Lease with no effect on its governmental rights and powers, reserves and shall always have the right, but not the obligation, to enter and inspect

the Premises and the operations conducted on the Premises, provided that such entry and inspection shall not unreasonably interfere with LESSEE's use of the Premises.

- (a) Notwithstanding any provision of this Lease allowing LESSEE an opportunity to correct a breach, if the Premises are not in a decent, safe, and sanitary condition, CITY shall have the right, but not the obligation, after thirty (30) days prior written notice to LESSEE, to have any maintenance work done that is deemed by CITY in its reasonable discretion to be necessary, and all at LESSEE's sole cost and expense, to keep the Premises in a decent, safe, and sanitary condition. LESSEE shall promptly pay CITY for all costs incurred for such work following receipt of an invoice therefor (together with reasonable backup documentation).

- 9.7 Maintenance. Except for maintenance or repairs of the Premises required due to the negligence or willful misconduct of CITY or any of its employees, contractors, or agents, all maintenance and repairs of the Premises shall be the responsibility of LESSEE throughout the entire Term of the Lease without expense to CITY. Maintenance and repairs shall include, but not be limited to, the roof, heating and air conditioning, plumbing, electrical, and the parking lot. LESSEE shall maintain the Premises and all improvements, fixtures, equipment, and installations thereon in a clean, safe, and well-maintained condition throughout the Term of the Lease, and in compliance with all applicable laws. All maintenance and repairs of the Premises required due to the negligence or willful misconduct of CITY or any of its employees, contractors, or agents shall be the responsibility of CITY throughout the entire Term of the Lease without expense to LESSEE.

- (a) Parking Lot Repair. LESSEE agrees to repair and/or replace the parking lot of the Premises by the end of the first Lease Year.

- 9.8 Improvements/Alterations. No improvements, structures, or installations shall be constructed on the Premises, and the Premises may not be altered, by LESSEE without CITY's prior written approval, not to be unreasonably withheld, delayed, or conditioned. CITY hereby approves the repaving of the parking lots on the Premises (subject to LESSEE obtaining any required licenses or permits in connection therewith). LESSEE shall not make any structural or architectural design alterations to approved improvements, structures, or installations on the Premises without CITY's prior written approval, including applicable building permits, which should not to be unreasonably withheld, delayed, or conditioned. This provision shall not relieve LESSEE of any maintenance obligation under this Lease. CITY shall not be obligated by this Lease to make or assume any expense for any improvements or alterations to the Premises other than any expense in connection with any express obligation to alter or improve the Premises set forth in this Lease. Notwithstanding the foregoing, CITY's prior consent, as lessor, shall not be required with respect to any interior alterations or modifications to the Premises, which cost less than One Hundred Thousand Dollars (\$100,000.00) and are non-structural in nature, as long as LESSEE delivers to CITY advance written

notice and a copy of any final plans, specifications, and working drawings for any such alterations or modifications, to the extent applicable. LESSEE shall construct all improvements in accordance with all federal, state, and local laws, rules, and regulations, including but not limited to, the California Environmental Quality Act (CEQA) and the Americans with Disabilities Act ("ADA").

- 9.9 Utilities. LESSEE shall order, obtain, and pay for all water, utilities, and service and installation charges in connection with the operation of the Premises. All utilities shall be installed underground. Sub-metering shall be used for proper billing of utilities.
- 9.10 Construction Bond. To the extent required by applicable law, if LESSEE develops or constructs improvements on the Premises, LESSEE shall deposit with CITY, prior to commencement of the construction, a faithful performance bond in the amount of one hundred percent (100%) of the estimated construction cost of the work to be performed. The bond may be in cash or may be a corporate surety bond or other security satisfactory to CITY. The bond shall insure that the construction commenced by LESSEE shall be completed in accordance with the plans approved by CITY or, at the option of CITY that the uncompleted construction shall be removed and the Premises restored to a condition satisfactory to CITY. The bond or cash shall be held in trust by CITY for the purpose specified above, or at CITY's option may be placed in an escrow approved by CITY.
- 9.11 Payment Bond. Prior to the commencement of any work on the Premises, to the extent required by applicable law, LESSEE shall deliver to CITY a payment bond (materials and labor bond) in an amount not less than one hundred percent (100%) of the total amount payable under the contract for construction on the Premises to satisfy claims of material suppliers and of mechanics and laborers employed on the Premises. The bond shall be provided in compliance with California Civil Code sections 9550-9566. The bond shall be executed by an admitted surety, consistent with California Code of Civil Procedure section 995.670, that is authorized by the State of California Department of Insurance to transact surety insurance in the State. LESSEE shall maintain the bond in full force and effect until all improvements on the Premises are accepted by CITY and until all claims for materials and labor are paid, and must otherwise comply with the Government Code. Should the bond become insufficient, LESSEE shall renew, or cause the renewal of, the bond within ten (10) calendar days after receiving notice from CITY.
- 9.12 Liens. LESSEE shall protect, defend, indemnify, and hold CITY harmless from and against all claims for labor or materials in connection with operations, improvements, alterations, or repairs on or to the Premises by or at the direction of LESSEE and the costs of defending against such claims, including without limitation reasonable attorneys' fees. If LESSEE causes improvements, alterations, or repairs to be made to the Premises, and a lien or notice of lien is filed against the Premises, LESSEE shall notify CITY of the lien within five (5) days after LESSEE first becomes aware of the existence of the lien, and within thirty (30) days after the filing either: (a) take all actions necessary to record a valid release of the lien;

or (b) file with CITY a bond, cash, or other security acceptable to CITY sufficient to pay in full all claims of all persons seeking relief under the lien.

9.13 Prevailing Wages. Pursuant to San Diego Municipal Code section 22.3019, construction, alteration, demolition, repair, and maintenance work performed under this Lease is subject to State prevailing wage laws. For any construction project performed by or at the direction of LESSEE under this Lease cumulatively exceeding \$25,000 and for alteration, demolition, repair, and maintenance work performed by or at the direction of LESSEE under this Lease cumulatively exceeding \$15,000, LESSEE, its contractors and its subcontractors shall comply with State prevailing wage laws including, but not limited to, the requirements listed below.

(a) Compliance with Prevailing Wage Requirements. Pursuant to sections 1720 through 1861 of the California Labor Code, LESSEE, its contractors and subcontractors shall ensure that all workers who perform work under this Lease are paid not less than the prevailing rate of per diem wages as determined by the Director of the California Department of Industrial Relations (DIR). This includes work performed during the design and preconstruction phases of construction including, but not limited to, inspection and land surveying work.

(i) Copies of such prevailing rate of per diem wages are on file at the CITY and are available for inspection to any interested party on request. Copies of the prevailing rate of per diem wages also may be found at <http://www.dir.ca.gov/OPRL/DPreWageDetermination.htm>. LESSEE, its contractors, and its subcontractors shall post a copy of the prevailing rate of per diem wages determination at each job site and shall make them available to any interested party upon request.

(ii) The wage rates determined by the DIR refer to expiration dates. If the published wage rate does not refer to a predetermined wage rate to be paid after the expiration date, then the published rate of wage shall be in effect for the Term of this Lease. If the published wage rate refers to a predetermined wage rate to become effective upon expiration of the published wage rate and the predetermined wage rate is on file with the DIR, such predetermined wage rate shall become effective on the date following the expiration date and shall apply to this Lease in the same manner as if it had been published in said publication. If the predetermined wage rate refers to one or more additional expiration dates with additional predetermined wage rates, which expiration dates occur during the Term of this Lease, each successive predetermined wage rate shall apply to this Lease on the date following the expiration date of the previous wage rate. If the last of such predetermined wage rates expires during the Term of this Lease, such wage rate shall apply to the balance of the Lease.

- (b) Penalties for Violations. LESSEE, its contractors and subcontractors shall comply with California Labor Code section 1775 in the event a worker is paid less than the prevailing wage rate for the work or craft in which the worker is employed. This shall be in addition to any other applicable penalties allowed under Labor Code sections 1720 – 1861.
- (c) Payroll Records. LESSEE, its contractors, and its subcontractors shall comply with California Labor Code section 1776, which generally requires keeping accurate payroll records, verifying and certifying payroll records, and making them available for inspection. LESSEE, its contractors, and its subcontractors shall comply with California Labor Code section 1776, including having provisions requiring such compliance in all contracts with contractors or subcontractors. Any requirement to submit certified payroll records to DIR shall include, without limitation, submitting certified payroll records to DIR through its online system for submission of certified payroll records, as required by DIR. Further, LESSEE, its contractors, and its subcontractors shall furnish the records specified in California Labor Code section 1776 directly to the Labor Commissioner in the manner required in California Labor Code section 1771.4. LESSEE is responsible for ensuring that each of its contractors and subcontractors submits certified payroll records to CITY, the Labor Commissioner and DIR.
- (d) Apprentices. LESSEE and its contractors and subcontractors shall comply with California Labor Code sections 1777.5, 1777.6, and 1777.7 concerning the employment and wages of apprentices. LESSEE shall be held responsible for the compliance of their contractors and subcontractors with sections 1777.5, 1777.6, and 1777.7.
- (e) Working Hours. LESSEE and its contractors and subcontractors shall comply with California Labor Code sections 1810 through 1815, including but not limited to: (i) restrict working hours on public works contracts to eight hours a day and forty hours a week, unless all hours worked in excess of 8 hours per day are compensated at not less than 1½ times the basic rate of pay; and (ii) specify penalties to be imposed on design professionals and subcontractors of \$25 per worker per day for each day the worker works more than 8 hours per day and 40 hours per week in violation of California Labor Code sections 1810 through 1815.
- (f) Required Provisions for Subcontracts. LESSEE shall include at a minimum a copy of the following provisions in any contract they enter into with a contractor and subcontractor: California Labor Code sections 1771, 1771.1, 1775, 1776, 1777.5, 1810, 1813, 1815, 1860, and 1861.
- (g) Labor Code Section 1861 Certification. LESSEE in accordance with California Labor Code section 3700 is required to secure the payment of compensation of its employees and by signing this Lease, LESSEE certifies that “I am aware of the provisions of Section 3700 of the California Labor

Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this Lease."

- (h) Contractor and Subcontractor Registration Requirements. All work is subject to compliance monitoring and enforcement by DIR. A contractor or subcontractor shall not be qualified to bid on, be listed in a bid proposal subject to the requirements of Public Contract Code section 4104, or engage in the performance of any contract for public work, as defined in California prevailing wage law, unless currently registered and qualified to perform the work pursuant to California Labor Code section 1725.5. In accordance with California Labor Code section 1771.1(a), "[i]t is not a violation of this section for an unregistered contractor to submit a bid that is authorized by section 7029.1 of the Business and Professions Code or by section 10164 or 2103.5 of the Public Contract Code, provided the contractor is registered to perform public work pursuant to section 1725.5 at the time the contract is awarded."
- (i) A contractor's inadvertent error in listing a subcontractor who is not registered pursuant to Labor Code section 1725.5 in a response to a the Request for Proposals related to this Lease shall not be grounds for filing a protest or grounds for considering the proposal non-responsive provided that any of the following apply: (1) the subcontractor is registered prior to the proposal due date identified in the Request for Proposals related to this Lease; (2) within twenty-four hours after the proposal due date, the subcontractor is registered and has paid the penalty registration fee specified in Labor Code section 1725.5; or (3) the subcontractor is replaced by another registered contractor pursuant to Public Contract Code section 4107.
- (ii) A contract entered into with any contractor or subcontractor in violation of Labor Code section 1771.1(a) shall be subject to cancellation, provided that a contract for public work shall not be unlawful, void, or voidable solely due to the failure of the awarding body, contractor, or any subcontractor to comply with the requirements of section 1725.5 of this section.
- (iii) By entering into this Lease, LESSEE is certifying that it has verified or will verify that its subcontractors used on work subject to California prevailing wage law are registered with the DIR in compliance with Labor Code sections 1771.1 and 1725.5, and shall provide proof of such registration to CITY.
- (i) Filing of Form PWC-100. LESSEE shall timely file a PWC-100 Form (or other form required by DIR) with DIR, as and when required by California

prevailing wage law, and concurrently deliver a copy of such filed form to CITY.

- (j) Filing of Notice of Completion. LESSEE shall record a notice of completion in accordance with California Civil Code section 8182, et seq., with the Recorder for the County of San Diego, California, and concurrently deliver a copy of such recorded notice of completion to CITY.
- (k) Stop Order. For LESSEE, its contractors or its subcontractor(s) engaging in the performance of any public work contract without having been registered in violation of Labor Code sections 1725.5 or 1771.1, the Labor Commissioner shall issue and serve a stop order prohibiting the use of the unregistered contractor or unregistered subcontractor(s) on ALL public works until the unregistered contractor or unregistered subcontractor(s) is registered. Failure to observe a stop order is a misdemeanor.
- (l) List of all Subcontractors. CITY may ask LESSEE for the most current list of contractors and subcontractors (regardless of tier), along with their DIR registration numbers, utilized pursuant to this Lease at any time during the Term, and LESSEE shall provide the list within ten (10) working days of CITY's written request in accordance with Labor Code section 1776.
- (m) Indemnification for Nonpayment of Prevailing Wages. LESSEE shall protect, defend, indemnify, and hold CITY and its elected officials, officers, employees, representatives, and agents harmless from and against any and all claims asserted or liability established for damages by any person, including without limitation any damages, fees, and penalties claimed or assessed by the State of California - Director of Industrial Relations, which arise out of or are in any manner directly or indirectly connected with LESSEE's, its contractors', subcontractors', or other applicable parties' decision(s) to not pay prevailing wages for activities performed under this Lease, and all expenses of investigating and defending against same, including without limitation attorney fees and costs.
- (n) Exemptions for Small Projects. There are limited exemptions for installation, alteration, demolition, or repair work done on projects of \$25,000 or less. LESSEE shall still comply with Labor Code sections 1720 et seq. The only recognized exemptions are listed below:
 - (i) Registration. LESSEE will not be required to register with the DIR for small projects. (Labor Code section 1771.1.)
 - (ii) List of all Subcontractors. LESSEE shall not be required to hire only registered subcontractors and is exempt from submitting the list of all subcontractors that is required above. (Labor Code section 1773.3.)

9.14 Signs. LESSEE shall not erect or display any permanent banners, pennants, flags, posters, signs, decorations, marquees, awnings, or similar devices, or advertising without CITY's prior written consent, which will not be unreasonably withheld, delayed, or conditioned; provided that signs on the interior of the Premises that are not visible from the exterior of the Premises shall not require CITY's consent. CITY hereby confirms its consent to all existing signs visible from the exterior of the Premises as of the Effective Date, which are as follows: signage displaying the name of the Sports Arena and a large banner for each Tenant Team. If any such unauthorized item is found on the Premises, LESSEE shall remove the item at its expense within five (5) working days after receipt of written notice from CITY, or CITY may thereafter remove the item at LESSEE's cost.

9.15 Ownership of Improvements and Personal Property.

- (a) Improvements. LESSEE shall own all improvements, fixtures, structures, installations, and additions constructed or installed on the Premises by LESSEE. Upon expiration or termination of this Lease, all such improvements, fixtures, structures, installations, and additions shall be deemed a part of the Premises and owned by CITY. Notwithstanding the foregoing, CITY may, upon notice to LESSEE at the time CITY's consent to such improvement, fixture, structure, installation, or addition was requested, elect to have part or all of such improvement, fixture, structure, installation or addition removed by LESSEE at the end of the Term. In that case, LESSEE shall, at LESSEE's sole cost and expense, remove those items designated for removal in CITY's notice, but in no event later than sixty (60) days after the expiration or earlier termination of this Lease. LESSEE, at its sole cost and expense, shall be responsible for the repair of any and all damage (ordinary wear and tear excepted) resulting from the removal of such items. If LESSEE fails to remove the items as required herein, CITY may, at its option, remove them at LESSEE's sole cost and expense.
- (b) Personal Property. LESSEE shall remove LESSEE-owned machines, appliances, equipment, trade fixtures, and other items of personal property upon the expiration of the Term, or as soon as practicable after termination, but in no event later than thirty (30) days after the expiration or earlier termination of this Lease. Any such items which LESSEE fails to so remove shall be deemed abandoned and become CITY's property free of all claims and liens of LESSEE, or CITY may, at its option, remove such items at LESSEE's sole cost and expense. LESSEE, at its sole cost and expense, shall be responsible for the repair of any and all damage (ordinary wear and tear excepted) resulting from the removal of its personal property from the Premises.
- (c) Late Removal. Notwithstanding any provision of this Lease to the contrary, LESSEE shall pay rent to CITY for any period of time after the expiration or termination of this Lease needed to remove improvements required to be

removed by LESSEE under Section 9.15(a). Such rent shall be calculated on a per diem basis using the then-current fair market rental rate as determined by an appraisal prepared by qualified CITY staff, in its sole but reasonable discretion.

- (d) CITY's Right to Acquire Personal Property. If LESSEE wants to dispose of any of its personal property used in its operations on the Premises upon expiration of this Lease, LESSEE shall notify CITY at least one hundred twenty (120) days before the expiration of this Lease of its desire to dispose of such personal property and the then-unamortized value of such personal property (it being understood that the current value of such personal property is being amortized on a straight-line basis over five years commencing on the Effective Date). CITY shall have the right, exercisable within thirty (30) days after receipt of notice from LESSEE, to notify LESSEE in writing of its intent to acquire some or all of such personal property (if such personal property is less than all of such personal property, specifically identify such personal property) for the applicable then-unamortized value and, upon the expiration of this Lease, CITY shall purchase all such personal property for such value pursuant to a customary bill of sale. If CITY purchases any such personal property in accordance with this Section 9.15(c), LESSEE may leave all such personal property in place on the Premises upon the expiration of this Lease. If CITY does not exercise its right in accordance with this Section 9.15(c), LESSEE will be free to retain some or all of such personal property or sell some or all of such personal property to a third party.

- 9.16 Permits and Approvals. Prior to commencing any construction or improvements on the Premises, LESSEE shall (1) submit development plans and all documents required by the applicable CITY departments (e.g., Development Services Department); and (2) secure all required permits and approvals from competent governmental authorities for all planned construction and improvements, including final review pursuant to CEQA.

- 9.17 Contractor Requirements. All construction work performed by or at the direction of LESSEE shall be performed only by competent and qualified contractors duly licensed under the laws of the State of California pursuant to written contracts with such contractors. LESSEE further warrants and represents that it will require any contractor or subcontractor to maintain their license in an active status and in good standing for the term of any contract related to work subject to this Lease. CITY shall have the right to demand production of and to inspect the contractor's or subcontractor's license, and LESSEE agrees to produce said documentation within two (2) working days of such a request. LESSEE shall notify CITY within two (2) working days after it becomes aware that a contractor or subcontractor is unlicensed, or that said license has been suspended or revoked, and LESSEE further represents and warrants that it will not allow said contractor or subcontractor to enter onto the Premises or perform work subject to the Lease until LESSEE has demonstrated to CITY's satisfaction that the license is active and in good standing.

10. GENERAL PROVISIONS

- 10.1 **Notices.** Any notice required or permitted to be given under this Lease shall be in writing and may be served personally, by nationally recognized overnight courier, or by United States mail, postage prepaid, addressed as follows:

If to LESSEE:

AEG MANAGEMENT SD, LLC
Attention: Charles H. Steedman, COO
800 West Olympic Blvd, Ste 305
Los Angeles, California 90015

If to CITY:

THE CITY OF SAN DIEGO
Attention: Director, Real Estate Assets Department
1200 Third Avenue, Suite 1700 (MS 51A)
San Diego, California 92101
(619) 236-6020

- 10.2 **Compliance with Law.** LESSEE shall at all times in the construction, maintenance, occupancy, restoration, and operation of the Premises comply with all applicable laws, rules, regulations, and requirements of competent legal authority at LESSEE's sole cost and expense. LESSEE shall promptly deliver to CITY copies of all documentary evidence of such compliance received by or otherwise reasonably available to LESSEE (e.g., validation of periodic inspection of LESSEE's fire-suppression equipment in the Premises) following CITY's written request. In addition, LESSEE shall comply with any and all notices issued by CITY under the authority of any law, statute, ordinance, or regulation. CITY shall comply with all applicable laws, rules, regulations, and requirements of competent legal authority at CITY's sole cost and expense in connection with exercising its rights and performing its obligations under this Lease.
- 10.3 **California Public Records Act.** CITY will make its best efforts to notify LESSEE promptly following receipt of a request for disclosure under the California Public Records Act (CPRA) of this Lease or any information provided to CITY by LESSEE in connection with this Lease. If LESSEE notifies CITY that it objects to the disclosure of such information to a third party, LESSEE shall deliver to CITY, with such notice, specific and detailed legal grounds, including any applicable case law, upon which CITY may rely for withholding any information requested pursuant to the CPRA. If CITY withholds disclosure of information in reliance on such legal analysis provided by LESSEE, LESSEE shall protect, defend, indemnify, and hold CITY and its elected officials, officers, employees, representatives, and agents harmless for and from legal actions or challenges seeking to obtain the information from CITY and all costs incurred by CITY associated therewith, and shall defend, at LESSEE's sole expense, any action

brought against CITY resulting from CITY's nondisclosure of the information. CITY may, at its election, conduct the defense or participate in the defense of any claim related in any way to this indemnification at its own cost and expense. If CITY chooses at its own election to conduct its own defense, participate in its own defense, or obtain independent legal counsel in defense of any claim related to this indemnification because CITY reasonably concludes that there are legal defenses available to it that are different or in addition to those available to LESSEE or there is otherwise a conflict of interest, LESSEE shall pay all costs related thereto, including without limitation reasonable attorney fees and costs.

- (a) CITY shall not be liable or obligated for any burden or loss (financial or otherwise) incurred by LESSEE as a result of CITY's disclosure of LESSEE information required pursuant to the CPRA.
- (b) LESSEE's Waiver. LESSEE EXPRESSLY WAIVES ANY CLAIM AGAINST CITY AND ITS ELECTED OFFICIALS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AND AGENTS FOR ANY BURDEN, EXPENSE OR LOSS THAT LESSEE INCURS AS A RESULT OF CITY'S DISCLOSURE OF LESSEE INFORMATION REQUIRED PURSUANT TO THE CPRA.

The obligations under this Section 10.3 shall survive the expiration or earlier termination of this Lease.

- 10.4 Equal Opportunity. LESSEE shall comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Act; and any other applicable federal and state laws and regulations. LESSEE shall not discriminate against any employee or applicant for employment based on race, religion, color, ancestry, age, gender, gender identity, gender expression, sexual orientation, disability, medical condition, or place of birth. Upon CITY's request, LESSEE shall submit a current Workforce Report and, if required, an Equal Opportunity Plan which set forth the actions LESSEE will take to achieve the CITY's goals for the employment of African Americans, Native Americans, Asians, Latinos, women, and people with disabilities. LESSEE shall cause the foregoing provisions to be inserted in all subleases and all contracts for any work covered by this Lease so that such provisions will be binding upon each sublessee and contractor. LESSEE acknowledges that failure to comply with the requirements of this section and/or submitting false information in response to these requirements may result in termination of this Lease and debarment from participating in CITY contracts for a period of not less than one (1) year.
- 10.5 Equal Benefits. LESSEE shall comply with San Diego Municipal Code sections 22.4301-22.4308, which require lessees of CITY-owned property to offer the same employment benefits to employees with spouses and employees with domestic partners. LESSEE shall certify that it will maintain such equal benefits throughout the Term. LESSEE's failure to maintain equal benefits shall be a default of this Lease.

10.6 **Disabled Access Compliance.** LESSEE shall, as applicable to the Premises and LESSEE's possession, use, and occupancy thereof, comply with the California Government Code Sections 11135-11139.5; the Federal Rehabilitation Act of 1973, Section 504, Title V; the Americans with Disabilities Act of 1990 (ADA); California Building Code (CBC) Title 24; and any other applicable state and federal laws and regulations hereafter enacted protecting the rights of people with disabilities. When a conflict exists between any federal or state accessibility requirements, LESSEE will follow the most restrictive accessibility requirement (i.e., that which provides the most access). LESSEE's compliance shall include but not necessarily be limited to the following:

- (a) LESSEE shall not discriminate against qualified persons with disabilities in any aspects of employment, including recruitment, hiring, promotions, conditions and privileges of employment, training, compensation, benefits, discipline, layoffs, and termination of employment.
- (b) No qualified individual with a disability may be excluded on the basis of disability from participation in, or be denied the benefits of, services, programs, or activities of LESSEE.
- (c) LESSEE shall post a statement addressing the requirements of the ADA in a prominent place at the Premises.
- (d) Where required by law, any improvements, fixtures, structures, or installations on the Premises shall comply with municipal, state, and federal accessibility requirements by bringing up to code and making accessible any areas of the Premises which deny access to disabled persons. All improvements and alterations shall be at the sole cost of LESSEE.
 - (i) LESSEE shall include language in each sublease agreement which indicates the sublessee's agreement to abide by the foregoing provisions. LESSEE and sublessees shall be individually responsible for their own ADA employment programs.
 - (ii) LESSEE understands that failure to comply with the above requirements and/or submitting false information in response to these requirements shall constitute a default under this Lease.

10.7 **Accessibility Assessment.** In accordance with California Civil Code section 1938, CITY hereby states that the Premises have not been inspected by a Certified Access Specialist (CASp). Further pursuant to California Civil Code section 1938(e), CITY is required to state: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential

occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.”

10.8 Drug-free Workplace. LESSEE shall abide by the omnibus drug legislation passed by Congress on November 18, 1988, by adopting and enforcing a policy to maintain a drug-free workplace by doing all of the following:

- (a) Publish a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of controlled substances are prohibited on the Premises and specifying the actions that will be taken against employees for violations of the prohibition.
- (b) Establish a drug-free awareness program to inform employees about all of the following:
 - (i) The dangers of drug abuse in the workplace;
 - (ii) LESSEE’s policy of maintaining a drug-free workplace;
 - (iii) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (iv) The penalties that may be imposed upon employees for drug abuse violations.
- (c) LESSEE shall include in each of its subleases and contracts related to this Lease language obligating each sublessee and contractor to comply with the provisions of this section to maintain a drug-free workplace. LESSEE, and each of its sublessees and contractors, shall be individually responsible for their own drug-free workplace program.

10.9 CITY Employee Participation Policy. CITY may terminate this Lease if LESSEE knowingly employs an individual who, within the twelve (12) months immediately preceding such employment did, in their capacity as a CITY officer or employee, participate in negotiations with or otherwise have an influence on the selection of LESSEE for this Lease, and LESSEE does not terminate such individual promptly following written notice from CITY. It is not the intent of this policy that these provisions apply to members of the City Council.

10.10 Local Business and Employment. LESSEE acknowledges that CITY seeks to promote employment and business opportunities for local residents and firms in all CITY contracts. For work associated with this Lease and to the extent legally possible, LESSEE shall use commercially reasonable efforts to solicit applications for employment and bids and proposals for contracts from local residents and firms

as opportunities occur. LESSEE shall use commercially reasonable efforts to hire qualified local residents and firms whenever practicable.

10.11 Water Quality Assurances. CITY and LESSEE are committed to the implementation of controls (best management practices, or BMPs) to manage activities on the Premises in a manner which aids in the protection of the City of San Diego's precious water resources. It is LESSEE's responsibility to identify and implement an effective combination of BMPs so as not to cause pollutant discharges to the storm drain system in violation of San Diego Storm Water Management and Discharge Control Ordinance (San Diego Municipal Code Sections 43.0301 to 43.0312). Therefore, LESSEE shall implement and comply, as applicable, with the Minimum Industrial and Commercial BMPs adopted under the San Diego Municipal Code Section 43.0307(a).

10.12 Stormwater Best Management Practices. LESSEE shall, at its own cost and expense, comply with Part 2 of the current City of San Diego Storm Water Standards Manual, Section 1000 and 1001 of the City Supplement to Standard Specifications for Public Works Construction (The Whitebook), and any and all applicable Minimum Best Management Practice requirements, as defined in the CITY's Jurisdictional Runoff Management Plan, in performing or delivering services at the Premises.

(a) LESSEE shall comply with the current CITY's Jurisdictional Runoff Management Plan encompassing city-wide programs and activities designed to prevent and reduce storm water pollution within CITY boundaries.

(b) LESSEE shall comply with the Storm Water Pollution Prevention Plan for the Premises, as applicable, and institute all controls needed while completing the services to minimize any negative impact to the storm water collection system and environment. It is important that any dry-weather controls put in place are removed prior to a rain event to eliminate the chance for clogging the storm drain system. After a rain event, all controls must be reinstalled, refreshed, and maintained by LESSEE, if necessary. The current City's Storm Water Standards Manual and other reference material can be found at: <https://www.sandiego.gov/planning/programs/landdevcode/landdevmanual/#SWstandards2018>.

10.13 Nondiscrimination. This Lease is made and accepted upon and subject to the covenant and condition, which shall run with the land, that LESSEE or any person claiming under or through LESSEE shall not establish or cause any discrimination against or segregation of any person or group of persons on account of race, color, religion, gender, gender expression, gender identity, disability, sexual orientation, marital status, national origin, ancestry, familial status, or source of income in the possession, use, and occupancy of the Premises or in the selection, location, number, use, or occupancy of tenants, subtenants, or vendees in the Premises.

- 10.14 Cumulative Remedies. CITY's and LESSEE's rights and remedies under this Lease are cumulative and shall not limit or otherwise waive or deny any of CITY's or LESSEE's rights or remedies at law or in equity.
- 10.15 Survival. Any obligation which accrues under this Lease prior to its expiration or termination shall survive such expiration or termination.
- 10.16 Intentionally Omitted.
- 10.17 No Affiliation. Nothing contained in this Lease shall be deemed or construed to create a partnership, joint venture, fiduciary, or other affiliation between CITY and LESSEE or between CITY or LESSEE and any third party, or cause CITY or LESSEE to be responsible in any way for the debts or obligations of the other or any third party.
- 10.18 Entire Agreement. This Lease constitutes the entire agreement between the parties and supersedes any and all prior understandings, representations, warranties, and agreements between them pertaining to LESSEE's occupancy, use, redevelopment, maintenance, and restoration of the Premises, including the San Diego Sports Arena Operating Sublease dated August 6, 1971, as amended and assigned; Sublease Agreement dated March 29, 1993, as amended and assigned; and Second Amended and Restated Memorandum of Understanding dated July 24, 1995, as amended and assigned. Any modification, alteration, or amendment of this Lease shall be in writing and signed by all the parties hereto. Each party has relied on its own examination of the Premises, advice from its own attorneys, and the warranties, representations, and covenants of the Lease itself. Each of the parties in the Lease agrees that no other party, agent, or attorney of any other party has made any promise, representation, or warranty whatsoever which is not contained in this Lease. The failure or refusal of any party to read the Lease or other documents, inspect the Premises, and obtain legal or other advice relevant to this transaction constitutes a waiver of any objection, contention, or claim that might have been based on these actions.
- 10.19 Partial Invalidity. If any term, covenant, condition, or provision of this Lease is found invalid, void, or unenforceable by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect.
- 10.20 Taxes. Subject to the provisions of Article XIII, Section 3(d) of the California Constitution and Section 202.2 of the California Revenue and Taxation Code, LESSEE shall pay, before delinquency, all taxes, assessments, and fees assessed or levied upon the Premises or upon LESSEE's use and occupancy of the Premises, including without limitation taxes upon licenses and permits, and including taxes upon the land and any improvements or fixtures installed or maintained by LESSEE thereon. LESSEE acknowledges that this Lease may create a possessory interest subject to property taxation and that LESSEE may be subject to the payment of taxes levied on that possessory interest. LESSEE alone shall pay all such possessory interest taxes. LESSEE's payment of taxes, fees, and assessments shall not reduce

any Rent due to the CITY. CITY shall not incur or assume any responsibility for any taxes whatsoever resulting from LESSEE's possession, use, or occupancy of the Premises.

- 10.21 Hazardous Substances. LESSEE shall not allow the illegal installation, storage, utilization, generation, sale, or release of hazardous or otherwise regulated substances in, on, under, or from the Premises. LESSEE and LESSEE's agents and contractors shall not install, store, utilize, generate, or sell any hazardous substance on the Premises in violation of applicable law. LESSEE shall obtain and maintain all required licenses and permits from applicable regulatory agencies, including without limitation the San Diego County Department of Environmental Health, local fire agencies, the San Diego County Department of Weights and Measures, the San Diego County Air Pollution Control District, and the San Diego Regional Water Quality Control Board. Installing, utilizing, storing, or any other presence of a hazardous substance includes boxes, bags, bottles, drums, cylinders, above or below ground tanks, equipment with tanks, or any other type of container, equipment, or device which holds or incorporates a hazardous substance or hazardous waste.
- (a) Release. A release shall include without limitation any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or otherwise disposing of hazardous substances. "Hazardous Substances" shall mean any hazardous liquid, solid, or gaseous material or waste substances listed by the Environmental Protection Agency or the State of California as a hazardous substance, and any type of petroleum-related substances and their chemical constituents.
 - (b) Remediation. If LESSEE's occupancy, use, development, maintenance, or restoration of the Premises results in a release of a Hazardous Substance in violation of applicable law, LESSEE shall pay all costs of remediation and removal as required under, and in accordance with, all applicable laws, rules, and regulations of governmental authorities.
 - (c) Removal. If LESSEE or LESSEE's contractor or agent has received approval and permits to store, utilize, generate, or install, or otherwise bring Hazardous Substances onto the Premises, LESSEE shall remove or cause to be removed all Hazardous Substances from the Premises immediately upon or prior to the expiration or earlier termination of this Lease. CITY reserves the right to conduct inspections of the Premises and/or request documentation demonstrating the legal removal and/or disposal of the Hazardous Substances from the Premises. LESSEE shall be responsible for any and all costs incurred by CITY to remove or cause the removal of such Hazardous Substances from the Premises.
 - (d) Indemnity. LESSEE shall protect, defend, indemnify, and hold CITY harmless from any and all claims (other than direct claims between CITY and LESSEE) related to environmental liabilities resulting from LESSEE's

occupancy, use, redevelopment, maintenance, or restoration of the Premises and all costs and expenses in connection therewith, including without limitation: (i) costs of environmental assessments; (ii) costs of regulatory remediation oversight; (iii) costs of remediation and removal; (iv) any necessary CITY response costs; (v) all fines, penalties, or fees assessed by any regulatory agency; (vi) damages for injury to natural resources, LESSEE's officers, employees, invitees, guests, agents, or contractors, or the public; and (vii) all costs of any health assessments or health effect studies.

- (e) Notice of Release. If LESSEE knows or has reasonable cause to believe that a Hazardous Substance has been released on, from, or beneath the Premises in violation of applicable law, LESSEE shall within three (3) working days notify CITY and any appropriate regulatory or reporting agency per California Administrative Code Title 19 and any other applicable laws or regulations. LESSEE shall deliver a written report thereof to CITY within three (3) working days after receipt of the knowledge or cause for belief and submit any required written reports to regulatory or reporting agencies as required by regulation or law. If LESSEE knows or has reasonable cause to believe that such substance is an imminent release or is an imminent substantial danger to public health and safety, LESSEE shall use commercially reasonable efforts to alleviate the danger. LESSEE shall within three (3) working days notify CITY in writing of any violation, notice to comply, or notice of violation received or the initiation of environmental actions or private suits related to the Premises.
- (f) Environmental Assessment. Upon reasonable cause to believe that LESSEE's occupancy, use, redevelopment, maintenance, or restoration of the Premises ("LESSEE's Operations") resulted in any Hazardous Substance being released on, from or beneath the Premises in violation of applicable law, CITY may cause an environmental assessment under regulatory oversight of the suspect area to be performed by a professional environmental consultant registered with the State of California as a Professional Engineer, Certified Engineering Geologist, or Registered Civil Engineer. The environmental assessment shall be obtained at LESSEE's sole cost and expense, and shall establish what, if any, Hazardous Substances have more likely than not been caused by LESSEE's Operations on, in, from or under the Premises, and in what quantities. If any such Hazardous Substances exist in quantities greater than allowed by laws, rules and regulations of competent governmental authorities or require future restricted re-use of the Premises, then the environmental assessment shall include a discussion of such substances with recommendations for remediation and removal necessary to effect unrestricted re-use and in compliance with those laws, rules and regulations, and estimates of the cost of such remediation or removal. LESSEE shall cause, or if LESSEE fails to do so within a reasonable period of time, as determined by CITY in its sole discretion, CITY may cause the remediation and/or removal recommended

in the environmental assessment such that unrestricted re-use of the Premises and compliance with the laws, rules and regulations of competent governmental authority is achieved, and LESSEE shall pay all costs and expenses therefor.

- 10.22 Unavoidable Delay. If the performance of an act required by this Lease is directly prevented or delayed by a cause beyond the reasonable control of the party required to perform the act, that party shall be excused from performing the act for a period equal to the period of the prevention or delay. This provision shall not apply to obligations to pay Rent. The party claiming a delay shall notify the other party in writing within ten (10) days after the beginning of any claimed delay.
- 10.23 Authority to Contract. Each party represents and warrants that the individual executing this Lease on its behalf is authorized to do so in accordance with duly adopted resolutions or other authorizing actions which are necessary and proper and under such party's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Lease is binding upon such party in accordance with its terms (subject to creditors rights and equitable principles). LESSEE represents and warrants it is a duly formed limited liability company in good standing in Delaware and qualified to do business in California.
- 10.24 Controlling Law/Venue. This Lease and all Lease documents shall be deemed to be made under, and shall be construed in accordance with and governed by, the laws of the State of California without regard to the conflicts or choice of law provisions thereof. The venue for any suit or proceeding concerning this Lease, including the interpretation or application of any of its terms or any related disputes, shall be in the County of San Diego, State of California.
- 10.25 Equal Pay Ordinance. Unless an exception applies, LESSEE shall comply with the Equal Pay Ordinance codified in San Diego Municipal Code sections 22.4801 through 22.4809. By signing this Lease, LESSEE certifies that it will comply with the requirements of the Equal Pay Ordinance throughout the Term.
- (a) LESSEE and Sublessee Requirement. The Equal Pay Ordinance applies to any sublessee of the Premises to the same extent as it would apply to LESSEE. LESSEE shall require sublessees to certify compliance with the Equal Pay Ordinance in their subleases.
- (b) Notice Requirement. LESSEE must post a notice at the Premises informing its employees of their rights under the Equal Pay Ordinance.
- 10.26 Single Use Plastic Reduction Ordinance. Unless an exception applies, LESSEE will comply with the Single Use Plastic Reduction Ordinance codified in San Diego Municipal Code sections 66.0901 through 66.0907. By signing this Lease, LESSEE certifies that it will comply with the requirements of the Single Use Plastic Reduction Ordinance throughout the Term unless an exception applies.

- 10.28 Time of the Essence. Time is of the essence of each term, covenant, and condition of this Lease.
- 10.29 Successors. Each term, covenant, and condition of this Lease shall inure to the benefit of and bind the successors and assigns of the respective parties.
- 10.30 Noise Disturbances: LESSEE shall not use the Premises in any manner that violates CITY's Noise Abatement and Control Ordinance (Chapter 5, Article 9.5 of the San Diego Municipal Code, as amended from time to time).
- 10.31 Living Wages. This Lease is subject to the City's Living Wage Ordinance (LWO), codified in San Diego Municipal Code Chapter 2, Article 2, Division 42. LESSEE shall require all of its contractors, sublessees, operators, licensees, and concessionaires subject to the LWO to comply with the LWO and all applicable regulations and rules.
- (a) Payment of Living Wages. Pursuant to San Diego Municipal Code section 22.4220(a), LESSEE and its contractors, subcontractors, sublessees, operators, licensees and concessionaires shall ensure that all workers who perform work under this Lease are paid not less than the required minimum hourly wage rates and health benefits rate unless an exemption applies.
 - (i) Copies of such living wage rates are available on the City website at <https://www.sandiego.gov/purchasing/programs/livingwage/>. LESSEE and its contractors, subcontractors, sublessees, operators, licensees and concessionaires shall post a notice informing workers of their rights at each job site or a site frequently accessed by covered employees in a prominent and accessible place in accordance with San Diego Municipal Code section 22.4225(e).
 - (ii) LWO wage and health benefit rates are adjusted annually in accordance with San Diego Municipal Code section 22.4220(b) to reflect the Consumer Price Index. Service contracts, financial assistance agreements, and City facilities agreements must include this upward adjustment of wage rates to covered employees on July 1 of each year.
 - (b) Compensated Leave. Pursuant to San Diego Municipal Code section 22.4220(c), LESSEE and its contractors, subcontractors, sublessees, operators, licensees and concessionaires shall provide a minimum of eighty (80) hours per year of compensated leave. Part-time employees must accrue compensated leave at a rate proportional to full-time employees.
 - (c) Uncompensated Leave. LESSEE and its contractors, subcontractors, sublessees, operators, licensees and concessionaires must also permit workers to take a minimum of eighty (80) hours of uncompensated leave per year to be used for the illness of the worker or a member of his or her

immediate family when the worker has exhausted all accrued compensated leave.

- (d) Enforcement and Remedies. CITY will take any one or more of the actions listed in San Diego Municipal Code section 22.4230 should LESSEE or its contractors, subcontractors, sublessees, operators, licensees and concessionaires be found to be in violation of any of the provisions of the LWO.
- (e) Payroll Records. LESSEE and its contractors, subcontractors, sublessees, operators, licensees and concessionaires shall submit weekly certified payroll records online via the City's web-based Labor Compliance Program. LESSEE is responsible for ensuring its contractors, subcontractors, sublessees, operators, licensees and concessionaires submit certified payroll records to the CITY.
- (f) Certification of Compliance. San Diego Municipal Code section 22.4225 requires LESSEE to fill out and file a living wage certification with the Living Wage Program Manager within thirty (30) days of the Effective Date. Each contractor, subcontractor, sublessee, operator, licensee and concessionaire must fill out and file a living wage certification with the Living Wage Program Manager within thirty (30) days of contracting for the work or services at the Premises.
- (g) Annual Compliance Report. LESSEE and its contractors, subcontractors, sublessees, operators, licensees and concessionaires must file an annual report documenting compliance with the LWO pursuant to San Diego Municipal Code section 22.4225(d). Records documenting compliance must be maintained for a minimum of three (3) years after LESSEE's final payment under this Lease.
- (h) Exemption from Living Wage Ordinance. Pursuant to San Diego Municipal Code section 22.4215, this Lease may be exempt from the LWO. For a determination on this exemption, LESSEE must complete the Living Wage Ordinance Application for Exemption.

10.33 Highest Wage Rate Applies. LESSEE is required to pay the highest applicable wage rate where more than one wage rate applies.

10.34 Hours of Operation. A regular schedule of days and hours of operation shall be established by LESSEE. The schedule shall be subject to prior approval by the CITY, such approval not to be unreasonably withheld, conditioned, or delayed. Notwithstanding such schedule, LESSEE will have the right to operate outside of such schedule as necessary in connection with special events and other activities in the reasonable discretion of LESSEE and without CITY's prior approval.

10.35 Rate of Charges. All prices of merchandise, equipment, and services in LESSEE's control shall be comparable with the prices of like merchandise, equipment, and

services offered in the San Diego County area. If no other similar venues are found within San Diego County, comparables from other geographic regions can be used to determine pricing.

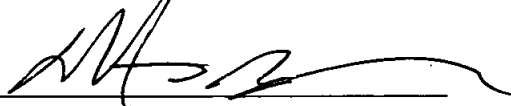
- 10.36 LESSEE's Risk. Excepts as otherwise set forth in this Lease and except for such risks and liability arising from the gross negligence or willful misconduct of CITY or any of its employees, contractors, or agents, as between CITY and LESSEE, LESSEE shall bear all risks and liability arising out of LESSEE's use or occupancy of the Premises.
- 10.38 Memorandum of Lease. LESSEE shall prepare, CITY and LESSEE shall execute, and LESSEE shall record a memorandum of this Lease in a form mutually agreed upon by the Parties.
- 10.39 Liability for Contractors, Etc. Wherever in this Lease LESSEE has an obligation to cause, or otherwise is responsible for, any act or failure to act by any of LESSEE's contractors, subcontractors, licensees, operators, concessionaires, or any other third parties (each, a "Third Party"), LESSEE shall have satisfied such obligation if LESSEE (i) shall have required such Third Party to take or refrain from such action in the applicable contract between LESSEE and such Third Party (each, a "Required Provision") and (ii) is reasonably enforcing or shall have reasonably enforced such contract if LESSEE becomes aware of any default under any Required Provision by any Third Party.

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IN WITNESS WHEREOF, this Lease is executed to be effective as of the Effective Date.

AEG MANAGEMENT SD, LLC, a Delaware
limited liability company

Date: July 29, 2021

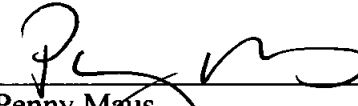
By: 

Name: MARIE D. RUSSELL

Title: CFO

THE CITY OF SAN DIEGO, a California municipal
corporation

Date: July 29, 2021

By: 

Penny Maus
Director, Real Estate Assets Department

Approved as to form this 29th day of July, 2021:

MARA W. ELLIOTT, CITY ATTORNEY

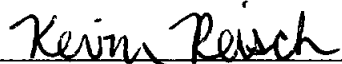
By: 
Kevin Reisch
Senior Chief Deputy City Attorney

Exhibit A: Depiction of the Premises

Exhibit B: Environmental Determination

Exhibit A: Depiction of the Premises



EXHIBIT A

**Depiction of
the Premises**

SPORTS ARENA



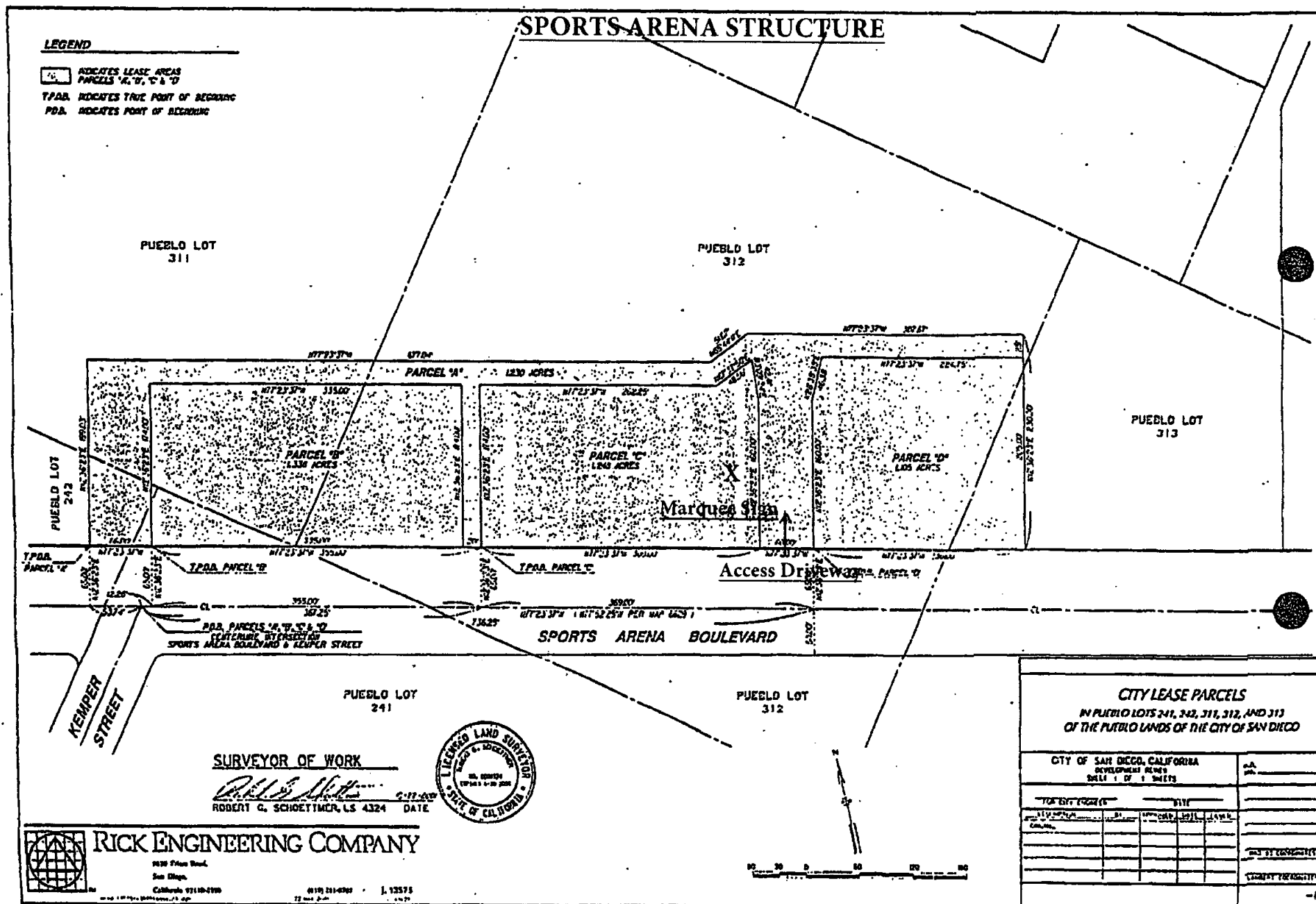
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SanGIS
We Have San Diego Covered

Map Date: 7/20/21
Aerial Photo: 2019
sat

EXHIBIT A



07/06/2021



EXHIBIT B

Environmental Determination (NORA)	
Environmental Planner	Sureena Basra SBasra@sanidiego.gov
Environmental Determination	This activity is categorically exempt from CEQA pursuant to CEQA Guidelines Section 15301 (Existing Facilities).
Date NORA Posted	06/22/2021
Date NORA Removed	06/29/2021