

AMENDMENT TO AGREEMENT

THIS AMENDMENT TO AGREEMENT ("Amendment") is entered into by and between THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), and KNOWLEDGE LEARNING CORPORATION, a Delaware corporation ("KLC," California Secretary of State No. C1617156), to be effective as of November 1, 2007 (the "Effective Date"), upon execution by the parties and approval by the San Diego City Attorney, as follows:

RECITALS

- A. CITY and KLC are parties to that certain AGREEMENT by and between CITY and KNOWLEDGE BEGINNINGS CORPORATE SOLUTIONS, INC., a Delaware corporation ("Knowledge Beginnings"), dated December 2, 2000 (the "Operating Agreement," San Diego City Clerk Document No. C-11846, filed December 20, 2002, and attached hereto as **Exhibit A: Operating Agreement**), relating to the operation of CITY'S Employees' Child Care facility (the "Operations Center") located at 9192 Topaz Way, San Diego, California 92123, and CITY'S Employees' Child Care facility ("Kiddie Hall") comprising the third floor of the building (the "Building") located at 600 B Street in San Diego, California 92101.
- B. CITY consented to KLC'S assumption of Knowledge Beginnings' position under the Operating Agreement by that certain CONSENT TO ASSIGNMENT dated February 13, 2004.
- C. CITY, as lessor, and KLC, as lessee, have entered into that certain CITY OF SAN DIEGO FLAT RATE SUBLEASE ("Sublease") dated June 1, 2007, relating to CITY'S subleasing of the third floor of the Building to KLC. CITY and KLC agreed that solely as to any reference to Kiddie Hall, the Operating Agreement would be terminated, effective as of June 1, 2007, upon execution and delivery of the Sublease.
- D. By this Agreement, CITY and KLC will terminate the Operating Agreement solely as it relates to Kiddie Hall, and continue it in full force and effect as it relates to the Operations Center.

FOR VALUABLE CONSIDERATION, the sufficiency of which is hereby acknowledged, the parties agree as follows:

- 1. Exclusion of Kiddie Hall. The Operating Agreement is hereby amended to delete all references to Kiddie Hall and all provisions related solely to Kiddie Hall, for the purpose of terminating the Operating Agreement solely as it relates to Kiddie Hall (the "Kiddie Hall Termination") and such deleted portions shall be void and of no effect except as to any compensation which may have accrued, and as otherwise provide herein. The Operating Agreement shall continue in full force and effect as it relates solely to the Operations Center.
 - 1.1 Notice Waiver. KLC expressly waives notice of the Kiddie Hall Termination provided under Operating Agreement section XVII. Termination.

- 1.2 CITY'S Rights & Remedies. The Kiddie Hall Termination shall not result in a waiver of any right or remedy accrued to CITY under the Operating Agreement prior to the execution of this Amendment.
- 1.3 No Prior Assignments. KLC represents and warrants that prior to the execution of this Amendment it has not assigned, transferred, or purported to have assigned or transferred, in any manner, any right or obligation under the Operating Agreement. KLC shall protect, defend, indemnify, and hold CITY harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including without limitation injury to KLC'S officers, employees, agents, or contractors, which arise out of or are in any manner directly or indirectly connected with any person or legal entity claiming to hold any right under the Operating Agreement, and all expenses of investigating and defending against same, including without limitation attorney fees and costs. CITY may, at its election, conduct the defense or 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, KLC shall pay all of the costs related thereto, including without limitation reasonable attorney fees and costs.
2. Construction. The provisions of this Amendment, or this Amendment as a whole, shall not be construed against the drafting party.
3. Waiver. No breach of any provision of this Amendment shall be waived unless in writing. Waiver of any one breach of any provision of this Amendment shall not be deemed to be a waiver of any other breach of the same or any other provision.
4. Governing Law. This Amendment shall be governed by, construed, interpreted and enforced in accordance with the laws of the State of California.

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5. **Authority.** Each individual executing this Amendment on behalf of another person or legal entity represents and warrants that he/she is authorized to execute and deliver this Amendment on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions which are necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Amendment is binding upon such person or entity in accordance with its terms. Each person executing this Amendment on behalf of another person or legal entity shall provide CITY with evidence, satisfactory to CITY, that such authority is valid and that such entity is a valid, qualified corporation, limited liability company, partnership, or other unincorporated association in good standing in its home state and that such entity is qualified to do business in California.

IN WITNESS WHEREOF, this Amendment shall be effective as of the Effective Date.

Date: _____

KNOWLEDGE LEARNING CORPORATION, a
Delaware corporation (California Secretary of State
No. C1617156)

APPROVED BY LEGAL DEPARTMENT

DATE: 11/1/07

SIGNATURE: [Signature]

BY: [Signature]

Name: Bill Robards

Title: Sr. VP Real Estate Development

Date: 11/5/07

THE CITY OF SAN DIEGO, a California municipal
corporation

BY: [Signature]

Name: James F. Barwick, CCIM

Title: Director, Real Estate Assets

APPROVED AS TO FORM AND LEGALITY:

Date: 11/5/07

MICHAEL J. AGUIRRE, City Attorney

BY: [Signature]

Name: Brock Green

Title: CHIEF DEPUTY CITY ATTORNEY

[Handwritten mark]

• **Exhibit A: Operating Agreement**

Incorporated herein by reference.





**CITY OF SAN DIEGO
FLAT RATE SUBLEASE**

BETWEEN

THE CITY OF SAN DIEGO,
A California municipal corporation, as sublessor

AND

KNOWLEDGE LEARNING CORPORATION,
a Delaware corporation (California Secretary of State No. C1617156), as sublessee

CITY OF SAN DIEGO
FLAT RATE SUBLEASE

THIS CITY OF SAN DIEGO FLAT RATE SUBLEASE ("Sublease") is entered into by and between THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), as lessor, and KNOWLEDGE LEARNING CORPORATION, a Delaware corporation (California Secretary of State No. C1617156, "SUBLESSEE"), as sublessee, to be effective as of **November 1, 2007** (the "Effective Date"), upon execution by the parties and approval by the San Diego City Attorney, as follows:

RECITALS

- A. CITY and KOWA REAL ESTATE CALIFORNIA, INC., a California corporation ("KOWA"), entered into that certain OFFICE LEASE (the "Master Lease," attached hereto as **EXHIBIT A: MASTER LEASE**, and as may be amended from time to time), dated October 17, 1991, filed in the Office of the City Clerk, San Diego, California, on November 25, 1991, as Document No. OO-17718, as amended by:
- 1) AMENDMENT TO LEASE, dated October 17, 1991, (City Clerk Document No. O-17718);
 - 2) SECOND AMENDMENT TO OFFICE LEASE, dated September 18, 1997, (City Clerk Document No. RR-289265);
 - 3) THIRD AMENDMENT TO OFFICE LEASE, dated January 10, 2000, (City Clerk Document No. OO-18805);
 - 4) FOURTH AMENDMENT TO OFFICE LEASE, dated March 29, 2001, (the "Fourth Amendment," City Clerk Document No. OO-18947);
 - 5) FIFTH AMENDMENT TO OFFICE LEASE, dated September 26, 2001, (City Clerk Document No. OO-19122);
 - 6) SIXTH AMENDMENT TO OFFICE LEASE, dated October 8, 2001, (City Clerk Document No. OO-19037); and
 - 7) SEVENTH AMENDMENT TO OFFICE LEASE, dated April 12, 2003, (City Clerk Document No. OO-19229).
- B. The Master Lease relates to space within the building (the "Building") located at 600 B Street, San Diego, California.
- C. SUBLESSEE currently operates CITY'S Employees' Child Care facility known as "Kiddie Hall," consisting of approximately 14,239 rentable square feet located on the third floor of the Building (the "Sublease Premises", as more particularly described in **EXHIBIT B:**

SUBLEASE PREMISES, attached hereto) pursuant to that certain AGREEMENT by and between CITY and KNOWLEDGE BEGINNINGS CORPORATE SOLUTIONS, INC., a Delaware corporation ("Knowledge Beginnings"), dated December 2, 2000 (City Clerk Document No. C-11846) (the "Operating Agreement").

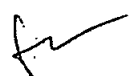
- D. CITY consented to SUBLESSEE'S assumption of Knowledge Beginnings' rights and obligations under the Operating Agreement by that certain CONSENT TO ASSIGNMENT dated February 13, 2004.
- E. Under to the Operating Agreement, SUBLESSEE also operates CITY'S Employees' Child Care facility located at 9192 Topaz Way, San Diego, California 92123 (the "Operations Center").
- F. Concurrently with the execution and delivery of this Sublease, CITY and SUBLESSEE shall execute an amendment to the Operating Agreement terminating the Operating Agreement solely as it relates to the Sublease Premises, but continuing the Operating Agreement as it relates to the Operations Center.
- G. It is expected that this Sublease will be executed on or about November 1, 2007. SUBLESSEE will pay the regular monthly rent for November 2007 and December 2007, and the rent due for the first five (5) months of the term of this Sublease (i.e., June 2007 through October 2007) will be spread evenly over the last sixty-five (65) months of the term, starting with January 2008. If the Sublease is terminated prior to the end of the term, the unpaid balance of the rent for the first five months will be immediately due and payable.
- H. Under the terms and conditions of this Sublease, CITY will sublease to SUBLESSEE the Sublease Premises solely for use as a children's day care facility.

FOR VALUABLE CONSIDERATION, the sufficiency of which is hereby acknowledged, the parties agree as follows:

- 1. **Sublease Premises.** CITY hereby leases to SUBLESSEE and SUBLESSEE leases from CITY the Sublease Premises. SUBLESSEE acknowledges and agrees that the square footage figures set forth herein are approximations only for reference, and that such approximations are reasonable and shall not be subject to revision.
- 2. **Subordination.** This Sublease shall be subject to and subordinate to the terms, covenants and conditions of the Master Lease. All terms and conditions of the Master Lease shall control and supersede each provision of this Sublease contrary to or in conflict with the Master Lease.
- 3. **Status of Master Lease.** CITY represents and warrants to SUBLESSEE that as of the Effective Date: (a) CITY holds the only valid and existing leasehold interest in the Sublease Premises pursuant to the Master Lease; (b) the Master Lease is in full force and effect; and (c) CITY is not in default of the Master Lease.



4. Term. The term of this Sublease ("Term") shall be five (5) years and seven (7) months commencing on the Effective Date and expiring on **May 31, 2013**.
5. Use. SUBLESSEE shall use the Sublease Premises solely as a children's day care facility ("Kiddie Hall") in accordance with, and meeting or exceeding all requirements of, all federal, state and local laws, rules and regulations affecting such day care facility, and the qualification and direction of all licensing agencies to which SUBLESSEE and Kiddie Hall are or may become subject, and for no other purpose.
6. Playgrounds. SUBLESSEE shall have exclusive use of the "Terrace" and "Park Area," as described in the Fourth Amendment, to be used as playgrounds as and to the extent provided by the Master Lease. At no time shall CITY take the entire playground areas out of service unless CITY has obtained the prior written consent of SUBLESSEE.
7. Hours of Operation. SUBLESSEE shall operate Kiddie Hall, at a minimum, from 6:30 a.m. to 6:00 p.m. Mondays through Fridays during the Term.
8. Discontinued Operation. If SUBLESSEE wishes to discontinue its operation of Kiddie Hall prior to the end of the Term, SUBLESSEE shall notify CITY of such intent at least six (6) months prior to such discontinuation. Upon such notice, CITY may elect, in its sole discretion, to terminate this Sublease as of any date prior to SUBLESSEE'S noticed date of discontinued operation (the "Discontinuance Date"). If CITY does not exercise such power of termination prior to the Discontinuance Date, this Sublease shall continue in full force and effect, except SUBLESSEE shall not be obligated to operate Kiddie Hall after the Discontinuance Date, and notwithstanding any other provision of this Sublease to the contrary, shall not be in default of this Sublease for failure to continuously operate Kiddie Hall during the Term.
9. San Diego's Strong Mayor Form of Governance; CITY'S Consent, Discretion. All references in this Sublease to "Mayor" may be deemed to refer to either the Mayor of San Diego or the San Diego City Manager and their respective designees, depending upon CITY'S form of governance. As of the Effective Date, CITY operates under a mayor-council (commonly referred to as "strong mayor") form of governance pursuant to Article XV of the San Diego City Charter. Whenever required or permitted under this Sublease, CITY'S consent or approval shall mean the written consent or approval of the Mayor, unless otherwise expressly provided. CITY'S discretionary acts hereunder shall be made in the Mayor's discretion, unless otherwise expressly provided.
10. Marketing; Priority Enrollment; License to Use Name. SUBLESSEE may market its Kiddie Hall child care services to CITY'S employees. CITY shall distribute brochures to new employees and shall advise its employees of the availability SUBLESSEE'S Kiddie Hall child care services through CITY'S usual and customary communications media (e.g., newsletters, website, etc.). In exchange for such marketing access, SUBLESSEE shall offer priority enrollment at Kiddie Hall to CITY'S employees on a first-come, first-served basis. CITY hereby grants to SUBLESSEE a license, during the Term, to use the name "Kiddie Hall" in its marketing materials, solely in referring to the Sublease Premises.



11. Rent. SUBLESSEE shall pay rent monthly in the amount of Twenty-Two Thousand Two Hundred Ninety-Five Dollars and Thirty-One Cents (\$22,295.31), due and payable in advance on the first (1st) day of each month during the Term. Rent payable for the first five (5) months of the Term (the "Arrearage"), in the amount of One Hundred Eleven Thousand Four Hundred Seventy-Six Dollars and Fifty-Five Cents (\$111,476.55), shall be paid in sixty-five (65) equal monthly installments of One Thousand Seven Hundred Fifteen Dollars and Three Cents (\$1,715.03), beginning on January 1, 2008, together with the regular monthly rent. Upon termination of this Sublease prior to the expiration of the Term, SUBLESSEE shall immediately pay to CITY the entire unpaid balance of the Arrearage.
12. Refurbishment. If and to the extent CITY receives a refurbishment allowance from the Master Lease landlord, as provided in the Master Lease, CITY shall allocate to SUBLESSEE a refurbishment allowance (the "Sublease Refurbishment Allowance") based on the rentable square feet of the Sublease Premises, less an amount equal to the cost of tenant improvements made to the Sublease Premises by CITY prior to the Effective Date that exceeded prior refurbishment allocations under the Master Lease (the "Excess Refurbishment"). The parties acknowledge and agree that the Excess Refurbishment is Thirty-Six Thousand Eighty-Eight Dollars and Thirty Cents (\$36,088.30).
- 12.1 Sublease Refurbishment Allowance. The parties acknowledge and agree that the Sublease Refurbishment Allowance shall not in any event exceed seventy-three percent (73%) of CITY'S refurbishment allowance applicable to the Sublease Premises and actually received from the Master Lease landlord. The Sublease Refurbishment Allowance shall be an amount not to exceed Fifteen Thousand Eight Hundred Eighty-Four Dollars and Five Cents (\$15,884.05) *[i.e., \$51,972.35 (i.e., 73% of CITY'S potential allocation applicable to the Sublease Premises (73% of Five Dollars (\$5.00) per rentable square foot of the Sublease Premises (i.e., .73 x \$5 x 14,239 square feet = \$51,972.35), LESS \$36,088.30 (i.e., the Excess Refurbishment) EQUALS \$15,884.05]*.
- 12.2 Use of Sublease Refurbishment Allowance. SUBLESSEE shall use the Sublease Refurbishment Allowance solely for improvements to and refurbishment of the Sublease Premises. All improvements and refurbishments made to the Sublease Premises under this section shall require CITY'S prior written approval.
- 12.3 Reimbursement for Expenses under Operating Agreement. SUBLESSEE may deduct from the first month's rent due hereunder all expenses related to the Sublease Premises and payable by CITY under the Operating Agreement, but actually paid by SUBLESSEE. The items for which reimbursement is due are listed on **EXHIBIT C: REIMBURSEMENT ACCOUNTING**, attached hereto. Such reimbursement shall be in addition to the Sublease Refurbishment Allowance.
13. Time and Place of Payment. SUBLESSEE shall pay rent monthly in advance on or before the first day of each calendar month during the Term. Checks shall be made payable to "City Treasurer" and delivered to the Office of the City Treasurer, Civic Center Plaza Building, 1200 Third Avenue, First Floor, San Diego, CA 92101, or mailed with an invoice to:

THE CITY OF SAN DIEGO
Office of the City Treasurer
P.O. Box 122289
San Diego, CA 92112-4165

14. Delinquent Rent. If SUBLESSEE fails to pay rent when due, SUBLESSEE shall pay the delinquent rent plus a late fee equal to five percent (5%) of the delinquent rent. If rent remains unpaid after fifteen (15) days past due, the late fee shall be increased to an amount equal to ten percent (10%) of the delinquent rent, which SUBLESSEE shall pay in addition to the delinquent rent. The parties agree that such late fees are appropriate to compensate CITY for loss resulting from rental delinquency and the cost of servicing a delinquent account. In no event shall a late fee be less than Five Hundred Dollars (\$500). All late fees shall be immediately due and payable as and when incurred.
15. Holdover. Any holding over by SUBLESSEE after the expiration or earlier termination of this Sublease shall be at will, shall not be construed as a renewal or extension of this Sublease, and all other terms and conditions of this Sublease shall continue in full force and effect. CITY may then increase the rent to fair market value, as determined by an appraisal prepared by CITY'S Real Estate Assets Department in accordance with its then-current standard practices, and retroactive to the first day of the holdover period, with any such retroactive increase in rent due and payable ten (10) business days after demand. CITY may terminate the holdover tenancy at will upon notice to SUBLESSEE.
16. Prohibited Uses. SUBLESSEE shall not: (a) use the Sublease Premises except as permitted under this Sublease; (b) allow or permit any liens or encumbrances to be placed on any portion of the Sublease Premises; (c) operate or use any machine or device which results in excess use of utilities; (d) use the Sublease Premises in any manner which may create a health, safety, or fire hazard; (e) fail to pay all taxes assessed against SUBLESSEE related to its occupancy, development, use or maintenance of the Sublease Premises; or (h) fail to obey any rule or regulation, as may be amended from time to time, concerning the occupancy and use of the Building and promulgated by either the Master Lease landlord or CITY, provided such rules and regulations have been delivered to SUBLESSEE. SUBLESSEE acknowledges receipt of a copy of the Master Lease, which contains the current rules and regulations affecting the Sublease Premises and the Building.
17. Services; Maintenance and Repairs.
- 17.1 Full Service Lease. The rent payable under this Sublease shall include payment for utilities, janitorial services, maintenance, repairs and replacements to the Sublease Premises, taxes, property insurance, and other services as and to the extent provided by the Master Lease landlord pursuant to the Master Lease.
- 17.1.1 Janitorial Services. To the extent that janitorial services provided to SUBLESSEE pursuant to this Sublease exceed janitorial services provided by the Master Lease landlord pursuant to the Master Lease, SUBLESSEE shall

reimburse CITY for the cost of such additional services within 30 days after receiving an itemized invoice describing such additional services.

17.1.2 Utilities. To the extent that utilities provided to SUBLESSEE pursuant to this Sublease exceed utilities provided by the Master Lease landlord pursuant to the Master Lease, SUBLESSEE shall reimburse CITY for the cost of such additional services within 30 days after receiving an itemized invoice describing such additional services.

17.2 Maintenance and Repairs. CITY shall repair and maintain the Sublease Premises in good order and condition as and to the extent provided by the Master Lease landlord pursuant to the Master Lease. CITY shall ensure that such repairs and maintenance are performed with as little inconvenience as reasonably possible to SUBLESSEE and its operations on the Sublease Premises. All such repairs shall be done in a workmanlike manner, free from any mechanic's lien claims, as promptly as reasonably possible. CITY shall ensure that all work ceases if safety becomes an issue in SUBLESSEE'S judgment, and shall not recommence until all safety issues have been resolved to SUBLESSEE'S satisfaction. CITY shall ensure the removal of all excess materials and debris from any area accessible to children every day prior to 6:30 a.m. (except weekends). CITY shall ensure that no unreasonably loud construction operations take place during "nap time," as designated by SUBLESSEE. CITY shall ensure reasonable vehicular and pedestrian access to the Sublease Premises during SUBLESSEE'S hours of operation.

17.3 Repair and Maintenance Indemnity. CITY shall protect, defend, indemnify, and hold SUBLESSEE harmless from and against any and all claims, liabilities, demands, suits, and actions arising out of or in connection with the maintenance and repairs required in this section, and all damages, costs and expenses relating thereto, including without limitation all court costs and reasonable attorney fees; provided, however, that CITY'S duty to indemnify and hold harmless shall not include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of SUBLESSEE, its officers, representatives, agents and employees.

17.4 SUBLESSEE'S Maintenance Obligations. Except to the extent CITY is obligated to maintain, repair and replace the Sublease Premises under this Sublease, SUBLESSEE shall maintain the Sublease Premises in good order and condition during the Term, wear and tear customary to properties used as child care facilities or for any other permitted use actually occurring within the Sublease Premises, and damage by fire, casualty, or other insured loss excepted.

17.4.1 Emergency Repairs. In case of an emergency requiring immediate repairs that CITY would otherwise be obligated to perform under this Sublease, SUBLESSEE may make such repairs to minimize immediate damage to SUBLESSEE'S goods, supplies and equipment or to the Sublease Premises, and to minimize an immediate hazard to the health and safety of persons on the Sublease Premises, and CITY shall reimburse SUBLESSEE for the

reasonable costs of such repairs.

- 17.4.2 Condition at Surrender. At the expiration or earlier termination of this Sublease, SUBLESSEE shall surrender the Sublease Premises broom clean and in good condition and repair, wear and tear customary to properties used as child care facilities or for any other permitted use actually occurring on the Sublease Premises, and damage by the elements, or by fire or casualty excepted.
18. Keys. SUBLESSEE has possession of keys to the Sublease Premises. Keys shall not be duplicated except by CITY at SUBLESSEE'S sole cost and expense. SUBLESSEE assumes the risk of lost keys. SUBLESSEE shall pay CITY all costs necessitated by a loss of any of SUBLESSEE'S keys, including without limitation changing locks. Upon expiration or earlier termination of the Sublease, SUBLESSEE shall deliver to CITY all keys to the Sublease Premises.
19. Signs. SUBLESSEE shall not erect or display any banners, pennants, flags, posters, signs, decorations, marquees, awnings, or similar devices or advertising on the exterior of the Sublease Premises ("External Advertising") without CITY'S prior written consent. If any such unauthorized item is found on the Sublease Premises, SUBLESSEE shall remove the item at its expense within 24 hours after receipt of notice by CITY, or CITY may remove the item at SUBLESSEE'S sole cost and expense. All External Advertising in place on the Effective Date and authorized by the Master Lease landlord is hereby approved by CITY.
20. SUBLESSEE'S Acceptance of Sublease Premises. SUBLESSEE acknowledges that the Sublease Premises are in good order and condition and shall take possession of the Sublease Premises "as is." CITY has not made and makes no representation or warranty as to the condition or suitability of the Sublease Premises for SUBLESSEE'S intended use, and assumes no obligation to alter or improve the Sublease Premises. SUBLESSEE has relied solely on its own independent investigations of the condition and suitability of the Sublease Premises, and is satisfied with the condition thereof.
21. Entry and Inspection. CITY reserves and shall always have the right, but not the obligation, to enter the Sublease Premises for the purpose of viewing and ascertaining the condition of the Sublease Premises, to protect its interests in the Sublease Premises, or to inspect the operations conducted on the Sublease Premises. If CITY determines that the Sublease Premises are not in a decent, safe, healthy and sanitary condition, CITY may, after ten (10) days prior notice to SUBLESSEE, have any necessary maintenance work done at SUBLESSEE'S sole cost and expense. SUBLESSEE shall pay CITY on demand any and all costs to put the Sublease Premises in a decent, safe, healthy, and sanitary condition. The rights reserved in this section shall not create any obligation on CITY or increase any of CITY'S obligations under this Sublease.
22. Reports. SUBLESSEE shall, within three (3) business days after receipt, deliver to CITY a copy of each report, notice, citation, or other written correspondence from any and all governmental agencies, accrediting bodies or other certifying entities and related to the

physical condition of the Sublease Premises or SUBLESSEE'S competence to operate Kiddie Hall.

23. Improvements/Alterations. SUBLESSEE may neither construct any improvement, structure, or installation on the Sublease Premises, nor alter the Sublease Premises without CITY'S prior written approval. Notwithstanding the foregoing, SUBLESSEE may make cosmetic changes to the interior of the Sublease Premises (i.e., the interior space limited by the surfaces of ceilings, walls, floors, and support posts) without CITY'S prior written approval, provided: (a) the commercial value of such work does not exceed Five Thousand Dollars (\$5,000); and (b) SUBLESSEE notifies CITY at least ten (10) days prior to commencement of such work.
24. Compliance with Law. SUBLESSEE shall at all times in its occupancy, use, development, and maintenance of the Sublease Premises comply with all applicable municipal, county, state and federal laws, statutes, ordinances, and regulations at SUBLESSEE'S sole cost and expense.
25. Mutual Hold Harmless. SUBLESSEE shall protect, indemnify, defend and hold CITY harmless for damages caused by the acts or omissions of SUBLESSEE'S officers, employees, and agents occurring in the performance of this Sublease. CITY shall protect, indemnify, defend and hold SUBLESSEE harmless for damages caused by the acts or omissions of CITY'S officers, employees, and agents occurring in the performance of this Sublease. It is the intention of SUBLESSEE and CITY that the provisions of this paragraph be interpreted to impose on each party responsibility for the acts of their respective officers, employees and agents. It is also the intention of SUBLESSEE and CITY that where comparative negligence is determined to have been contributory, principles of comparative negligence will be followed and each party will bear the proportionate cost of any damage attributable to the negligence of that party, its officers, employees and agents.
26. Insurance. SUBLESSEE shall deliver to CITY a certificate of insurance showing coverage as of the Effective Date for:
- a) Commercial General Liability Insurance, providing coverage for bodily injury, including death, personal injury, and property damage with limits of at least Two Million Dollars (\$2,000,000) per occurrence (the first \$1,000,000 of such coverage shall be specific, primary insurance and the balance may be provided under an umbrella policy), subject to an annual aggregate of at least Four Million Dollars (\$4,000,000); and
 - b) Workers' Compensation Insurance, as required by the laws of the State of California for all of SUBLESSEE'S employees who are subject to this Sublease, with Employers' Liability coverage with limits not less than statutorily required.
- 25.1 Additional Insureds. Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], "The City of San Diego, its elected officials, officers, employees, representatives, and agents" shall be named as additional insureds in all policies.

- 25.2 Primary & Non-Contributory. Insurance policies shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by CITY. The policies shall be kept in force for the duration of the Term and any extended use. The certificate(s) of insurance shall be filed with CITY'S Real Estate Assets Department.
- 25.3 Qualified Insurer(s). All insurance required by the terms of this Sublease must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to CITY. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet CITY requirements.
- 25.4 Deductibles/Retentions. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of SUBLESSEE and must be disclosed and acceptable to CITY at the time evidence of insurance is provided.
- 25.5 Continuity of Coverage. All policies shall be in effect on or before the first day of the Term, except "course of construction fire insurance" shall be in force on commencement of all authorized construction, and full applicable fire insurance coverage shall be effective upon completion of each insurable improvement. At least thirty (30) days prior to the expiration of each insurance policy, SUBLESSEE shall furnish a certificate(s) showing that a new or extended policy has been obtained which meets the requirements of this Sublease.
- 25.6 Modification. To assure protection from and against the kind and extent of risk existing on the Sublease Premises, CITY, at its discretion, may require the reasonable revision of amounts and coverage at any time during the Term by giving SUBLESSEE thirty (30) days prior written notice. SUBLESSEE shall also obtain any reasonable additional insurance required by CITY for new improvements, changed circumstances, or CITY'S reasonable re-evaluation of risk levels related to SUBLESSEE'S use of the Sublease Premises.
- 25.7 Accident Reports. SUBLESSEE shall report to CITY any accident causing property damage or injury to persons on the Sublease Premises. Such report shall contain 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, and other pertinent information.
- 26.1 Failure to Comply. Notwithstanding any other provision of this Sublease, SUBLESSEE failure or refusal to obtain or maintain insurance as required by this Sublease, or failure to provide proof of insurance, shall be a default of this Sublease.
- 26.2 Causes of Loss - Special Form Property Insurance. SUBLESSEE shall obtain and maintain, at its sole cost, Causes of Loss - Special Form Property Insurance on all of SUBLESSEE'S insurable property on the Sublease Premises in an amount to cover

100 percent (100%) of the replacement cost. SUBLESSEE shall deliver to CITY a certificate of such insurance.

27. Hazardous Substances. SUBLESSEE shall not allow the installation or release of hazardous substances in, on, under, or from the Sublease Premises by SUBLESSEE, its officers, employees, invitees, guests, agents, or contractors ("SUBLESSEE Parties"). SUBLESSEE Parties shall not store, utilize, or sell any hazardous substance on the Sublease Premises without CITY'S prior written consent. For the purposes of this provision, a release shall include but not be limited to any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or otherwise disposing of hazardous substances. "Hazardous substances" shall mean those hazardous substances listed by the Environmental Protection Agency in regularly released reports and any other substances incorporated into the State of California's list of hazardous substances. A copy of the presently effective EPA and the State lists is on file in the Office of the City Clerk as Document 769704 and by this reference is incorporated into this Sublease.
- 27.1 Remediation. If any release of a hazardous substance occurs as a result of SUBLESSEE'S use, development or maintenance of the Sublease Premises ("SUBLESSEE'S Operations"), SUBLESSEE shall pay all costs of remediation and removal of the hazardous substance in accordance with all applicable laws and rules and regulations of governmental authorities.
- 27.2 Indemnity. SUBLESSEE shall protect, defend, indemnify, and hold CITY harmless from any and all claims, costs, and expenses related to environmental liabilities resulting from SUBLESSEE'S Operations, including but not limited to costs of environmental assessments, costs of remediation and removal, any necessary response costs, damages for injury to natural resources or the public, and costs of any health assessment or health effect studies.
- 27.3 Notice of Release. If SUBLESSEE knows or has reasonable cause to believe that any hazardous substance has been released on or within the Sublease Premises, SUBLESSEE shall give written notice to CITY within three (3) business days after receipt of such knowledge or cause for belief. If SUBLESSEE knows or has reasonable cause to believe that such substance is an imminent and substantial danger to public health and safety, SUBLESSEE shall notify CITY by the most immediate means available and immediately upon receipt of such knowledge or belief and shall take all actions necessary to minimize the danger. SUBLESSEE shall notify CITY immediately of any notice of violation received or initiation of environmental actions or private lawsuits related to the Sublease Premises.
- 27.4 Environmental Assessment. Upon reasonable cause to believe that SUBLESSEE'S use, development, or maintenance of the Sublease Premises ("SUBLESSEE'S Operations"), resulted in a hazardous substance being released on or from the Sublease Premises, CITY may cause an environmental assessment of the Sublease Premises 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 SUBLESSEE'S sole cost and expense, and shall establish what, if any, hazardous substances were caused by SUBLESSEE'S Operations and in what quantities. If any such hazardous substances exist in quantities greater than allowed by municipal, county, state, or federal laws, statutes, ordinances, or regulations, then the environmental assessment shall include a discussion of such substances with recommendations for remediation and removal necessary to effect compliance with those laws or statutes, and estimates of the cost of such remediation or removal. SUBLESSEE shall cause, or if SUBLESSEE fails to do so within a reasonable period of time, CITY may cause, the remediation and/or removal recommended in the environmental assessment such that compliance with environmental law is achieved, and SUBLESSEE shall pay all costs and expenses therefor. If the environmental assessment conclusively establishes that SUBLESSEE'S Operations did not result in a hazardous substance being released on or from the Sublease Premises, CITY shall reimburse SUBLESSEE for the cost of the assessment.

28. Asbestos Disclosure. Portions of the structural components of the Sublease Premises may contain asbestos. SUBLESSEE acknowledges receipt of notice from CITY of the presence of such asbestos in accordance with Health and Safety Code Section 25915. SUBLESSEE shall disclose to the appropriate parties the existence of asbestos on the Sublease Premises, as required by Health and Safety Code Section 25915.
29. Asbestos. If either CITY or SUBLESSEE makes improvements, alterations, or repairs to the Sublease Premises, the party causing such improvements, alterations, or repairs shall be responsible for all required asbestos removal, management, or containment, and shall pay all costs associated therewith. Asbestos removal, management, or containment shall be conducted in accordance with all applicable laws and as approved by CITY. CITY reserves the right to inspect any improvements, alterations, or repairs to the Sublease Premises made by SUBLESSEE. CITY may, at its discretion, station supervisory personnel at the work site to ensure that SUBLESSEE'S obligations under this section are fulfilled. Each party shall coordinate with the other any improvement, alteration, or repair, and, except in the event of an emergency, the party responsible for such work shall provide written notice to the other party at least fifteen (15) business days prior to commencing the work.
30. Common Areas. The term "common areas" shall mean all areas and facilities outside the Sublease Premises and within the exterior boundary line of the Building as and to the extent provided in the Master Lease and otherwise designated by the Master Lease landlord from time to time for the non-exclusive use of tenants of the Building.
- 30.1 SUBLESSEE'S Rights. CITY grants to SUBLESSEE during the Term, the non-exclusive sublicense to use the common areas.
- 30.2 Rules and Regulations. The Master Lease landlord shall have exclusive control and management of the common areas and may, from time to time, establish, modify, amend, and enforce reasonable rules and regulations with respect to the common areas, as set forth in the Master Lease. CITY shall deliver to SUBLESSEE a copy of

all such rules and regulations, after which SUBLESSEE shall abide by the rules and regulations, and shall cause its employees, agents, vendors, customers, contractors, and invitees to abide by such rules and regulations. CITY shall not be responsible to SUBLESSEE for any other tenant's non-compliance with the rules and regulations.

31. Mandatory Disclosure of Business Interests. Pursuant to San Diego City Charter section 225, SUBLESSEE and each of its sublessees, if any, shall make a full and complete disclosure of the name and identity of each and every person directly or indirectly involved in the transaction contemplated by this Sublease and the precise nature of all interests of all persons therein. Notwithstanding any other provision of this Sublease, SUBLESSEE'S failure to fully disclose all of the information required by Charter section 225, or SUBLESSEE'S failure to require each of its sublessees to fully disclose such information, shall be a default of this Lease.
32. Assignment and Subletting. SUBLESSEE shall not assign this Sublease or any interest in this Sublease, and shall not sublet the Sublease Premises or any part of the Sublease Premises, or any right or privilege appurtenant to the Sublease Premises, or allow any other person, except employees, agents, and guests of SUBLESSEE, to use or occupy the Sublease Premises or any part of the Sublease Premises, without CITY'S prior written consent, in each instance. CITY'S consent to any assignment, subletting, occupation, or use by any other person shall not be deemed to be consent to any subsequent assignment, subletting, occupation, or use by another person. Any assignment or subletting without CITY'S consent shall be void and, notwithstanding any other provision of this Sublease, shall be a default of this Sublease. This Sublease shall not, nor shall any interest in this Sublease, be assignable as to the interest of SUBLESSEE by operation of law, without CITY'S written consent. For the purposes of this section, "assignment" shall include without limitation the transfer of a controlling interest in SUBLESSEE and the transfer of any interest in SUBLESSEE'S leasehold.
33. Nondiscrimination. SUBLESSEE shall not discriminate in any manner against any person or persons on account of race, color, religion, gender, sexual orientation, medical status, national origin, age, marital status, or physical disability in SUBLESSEE'S use of the Sublease Premises, including without limitation the provision of goods, services, facilities, privileges, advantages, and accommodations, and the obtaining and holding of employment.
34. Equal Opportunity. SUBLESSEE shall comply with Title VII of the Civil Rights Act of 1964, as amended, the California Fair Employment Practices Act, and any other applicable federal and state laws and regulations. SUBLESSEE shall not discriminate against any employee or applicant for employment based on race, religion, color, ancestry, age, gender, sexual orientation, disability, medical condition, or place of birth. Upon CITY'S request, SUBLESSEE shall submit an Equal Employment Report relating to the Sublease Premises which shall identify the demographics of SUBLESSEE'S workforce at this location. SUBLESSEE shall cause the foregoing provisions to be inserted in all subleases and all contracts for any work covered by this Sublease so that such provisions will be binding upon each sublessee and contractor. Notwithstanding any other provision of this Sublease,

SUBLESSEE'S failure to comply with the requirements of this section and/or submitting false information in response to these requirements shall be a default of this Sublease.

35. Taxes. SUBLESSEE shall pay, before delinquency, all taxes, assessments, and fees assessed or levied upon SUBLESSEE'S business and property located on the Sublease Premises, including any taxes levied by reason of the business or other SUBLESSEE activities related to the Sublease Premises, including without limitation all licenses and permits. SUBLESSEE acknowledges that this Sublease may create a possessory interest subject to property taxation, and that SUBLESSEE may be subject to the payment of taxes levied on that interest. SUBLESSEE shall pay all such possessory interest taxes. SUBLESSEE'S payment for such taxes, fees, and assessments shall not reduce any rent due CITY.
36. Standard of Employees. SUBLESSEE and its employees shall at all times conduct themselves and the operations on the Sublease Premises in a creditable manner.
37. CITY Employee Participation Policy. Notwithstanding any other provision of this Sublease, CITY may unilaterally and immediately terminate this Sublease if SUBLESSEE employs an individual who, within the twelve (12) months immediately preceding such employment did, in his/her capacity as a CITY officer or employee, participate in negotiations with or otherwise have an influence on the recommendation made to the San Diego City Council related to the selection of SUBLESSEE for this Sublease. This provision shall not apply to members of the City Council.
38. Drug-free Workplace. SUBLESSEE shall comply with 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 is prohibited on the Sublease Premises and specifying the actions that will be taken against employees for violations of the prohibition; and
 - 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. SUBLESSEE'S policy of maintaining a drug-free workplace;
 - iii. any available drug counseling, rehabilitation, and employee assistance programs; and
 - iv. penalties that may be imposed upon employees for drug abuse violations; and
 - c. Include in each sublease language indicating the sublessee's agreement to abide by these provisions for a drug-free workplace.

SUBLESSEE and its sublessees shall each be responsible for their own drug-free workplace program.

39. Disabled Access Compliance. SUBLESSEE'S obligations under this section shall apply to SUBLESSEE'S use, development, and maintenance of the Sublease Premises; SUBLESSEE shall not be responsible for modifications to structural components of the Sublease Premises or the Building not installed by SUBLESSEE. SUBLESSEE shall comply with Title 24 of the California Code of Regulations (i.e., the "Building Code", as defined in Title 24 of the California Health and Safety Code), the Americans with Disabilities Act of 1990 ("ADA"); and any other applicable state and federal laws and regulations enacted protecting the rights of people with disabilities. SUBLESSEE'S compliance shall include without limitation the following:

- a) SUBLESSEE shall not discriminate against qualified persons with disabilities in any aspect of employment, including recruitment, hiring, promotions, any 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, SUBLESSEE'S services, programs, or activities;
- c) SUBLESSEE shall post a statement addressing the requirements of the ADA in a prominent place at the work site;
- d) When required by law, SUBLESSEE shall, at SUBLESSEE'S sole cost and expense and in conformance with all applicable building codes, comply with CITY'S disabled access requirements by making accessible any areas of the Sublease Premises to which disabled persons would otherwise be denied access; and
- e) SUBLESSEE shall include language in each sublease indicating the sublessee's agreement to abide by these provisions.

SUBLESSEE and each of its sublessees shall be individually responsible for their own ADA compliance program. Notwithstanding any other provision of this Sublease, SUBLESSEE'S failure to comply with these requirements and/or submitting false information in response to these requirements shall be a default of this Sublease.

40. SUBLESSEE'S Default and CITY'S Remedies.

1.1 SUBLESSEE'S Default. SUBLESSEE shall be in default of this Sublease if any of the following occurs:

- a) SUBLESSEE fails to make any payment required under this Sublease when due;

- b) SUBLESSEE breaches any of its obligations under this Sublease, other than those requiring payment to CITY, and fails to correct the breach within thirty (30) days following written notice thereof from CITY, or if not correctible within thirty (30) days, fails to commence to correct the breach within thirty (30) days and diligently pursue the correction to completion;
- c) SUBLESSEE voluntarily files or involuntarily has filed against it any petition under any bankruptcy or insolvency act or law;
- d) SUBLESSEE is adjudicated a bankrupt; or
- e) SUBLESSEE makes a general assignment for the benefit of creditors.

1.2 CITY'S Remedies. If SUBLESSEE is in default of this Sublease, CITY may, at any time thereafter, deliver to SUBLESSEE a notice of default. If SUBLESSEE fails to cure the default within ten (10) days after receipt of such notice of default, CITY may terminate this Sublease and all rights of SUBLESSEE, and all persons claiming rights through SUBLESSEE, to the Sublease Premises or to possession of the Sublease Premises. Upon termination, CITY may enter and take possession of the Sublease Premises, and may recover from SUBLESSEE the sum of:

- a) the worth at the time of award of any unpaid rent that was due at the time of termination;
- b) the worth at the time of award of the amount by which the unpaid rent that would have been earned after termination until the time of award exceeds the amount of rental loss, if any, that SUBLESSEE affirmatively proves could have been reasonably avoided;
- c) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss, if any, that SUBLESSEE affirmatively proves could be reasonably avoided;
- d) any other amount necessary to compensate CITY for all the detriment proximately caused by SUBLESSEE'S breach and default, or that in the ordinary course of things, would be likely to result; and
- e) all other amounts in addition to or in lieu of those previously stated as may be permitted from time to time by California law.

As used in clauses (a) and (b), above, the "worth at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in clause (c), above, the "worth at the time of award" is computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus two percent (2%). As used in this section, the term "rent" shall include rent and any other amounts payable by SUBLESSEE under this Sublease.

1.3 Default if Leasehold is Encumbered. If there is a CITY-approved deed of trust or mortgage on the leasehold interest, CITY shall give the mortgagee or beneficiary written notice of SUBLESSEE'S default under this Sublease, 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:

- a) CITY may cure the default and charge the costs to the account of SUBLESSEE, which charge shall be due and payable on the date that rent is next due after CITY'S notice of such costs to SUBLESSEE, and mortgagee or beneficiary;
- b) CITY may cure the default and pay the costs from the proceeds of any insurance fund held by CITY, CITY and SUBLESSEE, 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 cure the default or to pay the costs of correction performed by or at the direction of CITY; and
- c) CITY may terminate this Sublease as to the rights of SUBLESSEE by assuming or causing the assumption of liability for any trust deed or mortgage. SUBLESSEE shall assume and pay any and all penalties or bonuses 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 SUBLESSEE with a new SUBLESSEE reasonably satisfactory to the mortgagee or beneficiary. SUBLESSEE shall pay to CITY all reasonable costs incurred by CITY in re-leasing to a new SUBLESSEE.

If the default is non-curable by SUBLESSEE, then any lender holding a beneficial interest in the Sublease Premises, whose qualifications as an assignee have been approved by CITY, shall have the absolute right to substitute itself to the estate of SUBLESSEE hereunder and to commence performance of this Sublease. 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 Sublease 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 Sublease with all the rights, privileges, and obligations of SUBLESSEE, subject to the curing of the default, if possible, by mortgagee or beneficiary. In that event, SUBLESSEE shall assign to mortgagee or beneficiary all of its interest in and to the leasehold estate under this Sublease.

1.4 Abandonment by SUBLESSEE. If SUBLESSEE abandons the Sublease Premises, this Sublease shall continue in effect as long as CITY does not terminate this

Sublease, and CITY may enforce all of its rights and remedies under this Sublease, including but not limited to the right to recover rent as it becomes due, plus damages.

- 1.5 Waiver by CITY. Any waiver by CITY of a breach or default by SUBLESSEE 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 Sublease. 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 rents shall not be a waiver of any default preceding such payment. SUBLESSEE acknowledges that the Sublease Premises is CITY-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 correction of any breach or the cure of any default, shall not result in an equitable estoppel, but CITY shall at all times, have the legal right to require such correction or cure. CITY'S acceptance of a partial payment of any amount due and owing under this Sublease shall not constitute a waiver of the remaining balance due.

38. CITY'S Default and SUBLESSEE'S Remedies.

- 38.1 CITY'S Default. CITY shall be in default of this Sublease if any of the following occurs:
- 38.1.1 The Master Lease is terminated due to CITY'S default; or
 - 38.1.2 Without SUBLESSEE'S prior written consent, CITY executes an amendment to the Master Lease which shortens the term, releases any part of the Sublease Premises from the Master Lease, or otherwise substantially negatively impacts SUBLESSEE'S rights under this Sublease; or
 - 38.1.3 CITY breaches any of its obligations under this Sublease and fails to correct the breach within thirty (30) days following written notice thereof from SUBLESSEE, or if not correctible within thirty (30) days, fails to commence to correct the breach within thirty (30) days and diligently pursue the correction to completion.
- 38.2 SUBLESSEE'S Remedies. Upon CITY'S default, SUBLESSEE may: (a) terminate this Sublease; or (b) enforce the provisions of this Sublease in law or in equity; and (c) seek such damages as may be permitted from time to time by California law. Each such remedy shall be distinct, separate, and cumulative.
- 38.3 Waiver by SUBLESSEE. Any waiver by SUBLESSEE of a breach or default by CITY shall not be a waiver of any other breach or default. No waiver shall be valid and binding unless in writing and executed by SUBLESSEE. SUBLESSEE'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 Sublease. 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. .

39. Notices. Each notice required or permitted to be given under this Sublease shall be in writing and addressed to the recipient at the address stated below, and by any of the following means: (a) by deposit with the United States Postal Service and mailed postage-prepaid with a return receipt requested; (b) by personal service; or (c) by a nationally recognized overnight courier. Delivery by any other means shall be effective only upon actual receipt.

THE CITY OF SAN DIEGO
Attn: Real Estate Assets Department
1200 Third Avenue, Suite 1700
M. S. 51A
San Diego, CA 92101

With a copy by First Class Mail to: San Diego City Attorney
Attn: Real Property Section
1200 Third Avenue, Suite 1100
San Diego, CA 92101-4106

KNOWLEDGE LEARNING CORPORATION
Attn: Real Estate Assets
650 NE Holladay Street, Suite 1400
Portland, OR 97232

Notices to any mortgagee, trustee, or beneficiary, as applicable, shall be sent to the appropriate address designated in writing by that party. Any party entitled or required to receive notice under this Lease may by like notice designate a different address to which notices shall be sent.

40. Partial Invalidity. If any term, covenant, condition, or provision of this Sublease is found invalid, void, or unenforceable by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect.
41. Consent. Whenever either party's consent, approval, or judgment is required or allowed under this Sublease, such consent or approval may not be unreasonably withheld, conditioned, or delayed, and such judgment may not be unreasonable.
42. Number and Gender. Words of any gender used in this Sublease shall include any other gender, and words in the singular number shall include the plural, when the tense requires.
43. Captions. The section headings and captions for various articles and paragraphs shall not be held to define, limit, augment, or describe the scope, content, or intent of any or all parts of this Sublease. The numbers of the paragraphs and pages of this Sublease may not be consecutive. The lack of consecutive numbers shall have no effect on the enforceability of this Sublease.

44. Sublease Modifications. Any modification, alteration, or amendment of this Sublease shall be in writing and signed by all the parties hereto.
45. Time is of the Essence. Time is of the essence to the performance of each and every obligation under this Sublease.
46. Survival. Any obligation which accrues under this Sublease prior to its expiration or termination shall survive the expiration or earlier termination of this Sublease.
47. Governance. This Sublease shall be governed, construed, and enforced in accordance with the laws of the State of California.
48. Counterparts. This Sublease may be executed in any number of counterparts, each of which when executed shall be deemed an original, but all of which together shall constitute one and the same instrument.
49. Successors and Assigns. Except as otherwise provided in this Sublease, all of the terms, covenants, and conditions of this Sublease shall apply to, benefit, and jointly and severally bind the successors and assigns of the respective parties.
50. Attorney Fees. If any party brings an action or proceeding against another party under this Sublease, the prevailing party shall be entitled to recover from the non-prevailing party all reasonable costs and expenses thereof, including without limitation reasonable attorney fees and costs. The "prevailing party" shall be that party who obtains substantially the result sought, whether by settlement, dismissal, or judgment. If, as a result of an action brought by or against SUBLESSEE relating to SUBLESSEE'S leasehold or otherwise in connection with this Sublease, and CITY intervenes therein, becomes a party, or is made a party thereto, SUBLESSEE shall pay all of CITY'S cost and expenses thereof, including without limitation reasonable attorney fees and costs.
51. Entire Understanding. This Sublease contains the entire understanding of the parties. There is no other written or oral understanding between the parties with respect to this Sublease or the Sublease Premises. Each party has relied solely on its own examination of the Sublease Premises and advice from its own attorneys and experts in entering into this Sublease. No other party, agent, or attorney of any other party has made any promise, representation, or warranty whatsoever which is not contained in this Sublease.

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52. Authority. Each individual executing this Sublease on behalf of another person or legal entity represents and warrants that he/she is authorized to execute and deliver this Sublease on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Sublease is binding upon such person or entity in accordance with its terms. Each person executing this Sublease on behalf of SUBLESSEE shall provide CITY with evidence, satisfactory to CITY, that such authority is valid, and such entity is a valid, qualified corporation, limited liability company, partnership, or other unincorporated association in good standing in its home state and that such entity is qualified to do business in California.

IN WITNESS WHEREOF, this Sublease is executed to be effective as of the Effective Date:

Date: _____

KNOWLEDGE LEARNING CORPORATION, a
Delaware corporation (California Secretary of State
No. C1617156)

APPROVED BY LEGAL DEPARTMENT
DATE: 11/2/07
SIGNATURE: [Signature]

BY: [Signature]

Name: Bill Robards,
Title: Sr. VP Real Estate Development

Date: 11/5/07

THE CITY OF SAN DIEGO, a California municipal
corporation

BY: [Signature]
Name: James F. Barwick, CCIM
Title: Director, Real Estate Assets

APPROVED AS TO FORM AND LEGALITY:

Date: 11/5/07

MICHAEL LAGUIRRE, City Attorney

BY: [Signature]
Name: Brock Ladewig
Title: CHIEF DEPUTY CITY ATTORNEY

Exhibits:

EXHIBIT A: MASTER LEASE
EXHIBIT B: SUBLEASE PREMISES
EXHIBIT C: REIMBURSEMENT ACCOUNTING

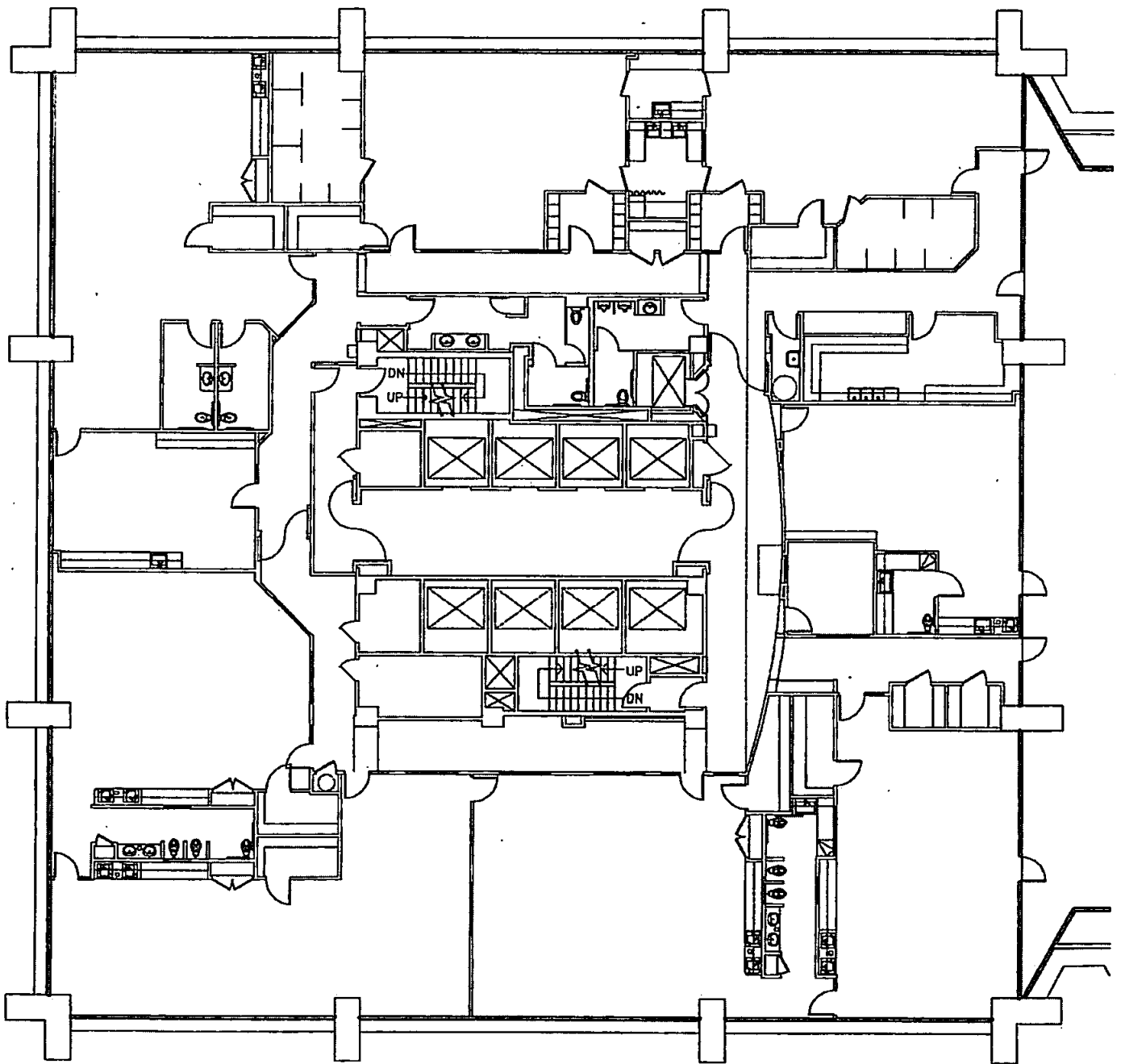
[Handwritten mark]

EXHIBIT A: MASTER LEASE

Incorporated herein by reference.



EXHIBIT B: SUBLEASE PREMISES



[Handwritten signature]

EXHIBIT C

Reimbursement Accounting

Pursuant to the provisions of Section 10.3 of the Agreement, the parties agree that the amount CITY will reimburse SUBLESSEE for expenses under the Operating Agreement is \$7,683.01. This amount shall be deducted from the first monthly Rent payment made by SUBLESSEE to CITY.

TERMINATED

ASSIGNMENT OF AGREEMENT FOR OPERATION OF
CHILD CARE CENTER

Knowledge Beginnings Corporate Solutions, Inc., a Delaware, corporation ("Assignor"), the operator pursuant to Agreement dated December 2, 2002 between the CITY OF SAN DIEGO and KNOWLEDGE BEGINNINGS CORPORATE SOLUTIONS, INC., relating to the operation and management of a child care located at 9192 Topaz Way, San Diego, CA and 600 B Street, San Diego, CA, (the "Premises"), a true, complete and correct copy of which, including any and all amendments and addenda thereto, is attached hereto as Exhibit A (the "Agreement"), does hereby sell, assign, and convey all of its right, title and interest in and to the Agreement, together with any and all options and security deposits relating thereto, the ("Assignment") to KNOWLEDGE LEARNING CORPORATION ("KLC") (formerly known as Children's Discovery Center of America), a Delaware corporation ("Assignee"). This Assignment shall not be effective until the date the Transfer actually occurs (the "Effective Date").

Dated as of the ____ day of _____, 2004.

"ASSIGNOR"

KNOWLEDGE BEGINNINGS CORPORATE SOLUTIONS,
INC., a Delaware corporation

By: _____
Its: President

ASSUMPTION OF AGREEMENT FOR OPERATION OF
CHILD CARE CENTER BY ASSIGNEE

IN CONSIDERATION OF THE ABOVE ASSIGNMENT BY ASSIGNOR, subject to the occurrence of the Transfer, Assignee assumes and agrees to make all the payments, and to perform all of the terms, covenants and conditions of the Lease, arising on or after the Effective Date, which Assignor agreed to make and perform as provided in the Agreement.

Dated as of the ____ day of _____, 2004

"ASSIGNEE"

KNOWLEDGE LEARNING CORPORATION, a Delaware
corporation

By: _____
Its: President

CONSENT TO ASSIGNMENT

The undersigned hereby consents to the foregoing Assignment (including all options and security deposits relating thereto).

Date as of the 13 day of February, 2004.

CITY OF SAN DIEGO
A municipal corporation

By: Bruce A. Haring
Its: Deputy City Manager

Approved as to form and legality
this 17th day of February, 2004.
CASEY GWINN, City Attorney

By: Don Foster
Deputy City Attorney

COPY

0200

AGREEMENT

THIS AGREEMENT is made between THE CITY OF SAN DIEGO, a municipal corporation, herein referred to as "City", and KNOWLEDGE BEGINNINGS, herein referred to as "KB".

RECITALS

WHEREAS, City has recognized the need for high quality, affordable child care for City employees' children, and

WHEREAS, City desires to engage KB in rendering certain of its services in connection therewith, and, more particularly, to operate the existing City Employees' Child Care facility located at 9192 Topaz Way, San Diego, California, herein called the "Operations Center", and a new City Employees' Child Care facility located at 600 B Street, San Diego, California, to be known as "Kiddie Hall".

NOW THEREFORE, in consideration of the recitals and the mutual obligations of the parties as herein expressed, City and KB agree as follows:

Section I. GENERAL PURPOSE:

- A. City and KB agree to work together to provide high quality, affordable child care for City employees, in accordance with the attached scope of services.

Section II. DEFINITIONS:

As used in the Agreement:

- A. "KB" means KNOWLEDGE BEGINNINGS
- B. "City" means the Council of the City of San Diego, acting through its chief administrative officer, the City Manager.
- C. "Site" means the City Employees' Child Care facility located at 9192 Topaz Way in the Metropolitan Operations Center facility and Kiddie Hall Child Care Center located at 600 B Street, Suite 300.
- D. "Contractor" means any entity, other than KB (except as noted in the Labor Standards Provision) that furnished to City or to KB, services or supplies (other than standard commercial supplies and materials).
- E. "NAEYC" means the National Association for the Education of Young Children, responsible agency for accreditation of high quality programs.
- F. "Center(s)" means the Child Care Center services and daily operation of the City Employees' Child Care Center and Kiddie Hall Child Care.
- G. "PAC" means the Child Care Parents Advisory Committee(s).

DOCUMENT NO. C-11846

FILED DEC 20 2002

Section III. CONTRACTOR RESPONSIBILITIES:

KB shall:

- A. Establish and maintain a high quality child care program consistent with the City's desired program, meeting or surpassing all State of California requirements, and directed toward attaining and maintaining accreditation by the National Association for the Education of Young Children (NAEYC). KB will be responsible for funding, equipping, furnishing, supplying and administering the Center(s).

KB will be expected to develop and maintain a child care program of which the City can be proud. The Center(s) are expected to reflect consideration of, and sensitivity to the cultural, racial, and ethnic diversity of the City workforce.

- B. Establish and maintain a child care program with effective procedures to ensure the health, safety, and security for all persons while they are involved in the Center(s) program.
- C. Establish and maintain such a program funded from (1) KB's own resources; (2) the rent-free facility provided by the City; (3) the City provided services and utilities; and (4) fees from the user-parents of the program.
- D. Meet at least 3 times per year with the PAC created for each center.
- E. Establish and maintain policies and procedures that will:
- (1) Establish and maintain a system of quality control.
 - (2) Foster and attain a close-knit and effective working relationship between the Center(s) staff and the user-parent.
 - (3) Ensure: (a) the selection of qualified staff to meet the requirements of the contract and all licensure and permit requirements and (b) the training of staff, including aides, through on-going, in-service training techniques to attain a maximum of professionalism in the delivery of child care services.
 - (4) Ensure compliance with all nondiscrimination laws and regulations applying to the services and employment.
 - (5) Ensure protection of the personal rights of the children served, with special attention to such rights as set forth in Title 22, CCR, Section 101223, titled: "Personal Rights".
 - (6) Ensure that maintenance and repair of equipment used by the Center(s) is performed by either KB or the City, as agreed upon.
 - (7) Be applicable in an emergency and during other disruptive occurrences. These policies and procedures shall supplement the

"Disaster and Mass Casualty Plan" required by Title 22, CCR, Section 1011774.

- (8) Provide a system for receiving and releasing the children which guarantees their safety and security, including the "express drop-off" procedures at Kiddie Hall.
- (9) Provide a parent/emergency contact list of names and telephone numbers for each child, including multiple contacts with the extended family and all available medical/emergency contact information.

F. Actively seek new and innovative ways to improve the programs at both centers in terms of:

- (1) The quality and the variety of services provided.
- (2) The health, safety and security of the children involved in the program.
- (3) The general public's and user-parents' perception and image of the program.
- (4) The cost of the program to the user-parents.

G. Report program activities on a monthly basis to the City's designated administrative liaison and to each Center's PAC.

H. Administration

- (1) Report to the designated administrative liaison, providing a monthly enrollment report, including staffing, enrollment levels and operating activities.
- (2) Access and collect fees from the user-parents.
- (3) Actively recruit new enrollees, as needed, in accordance with the guidelines established by the City.
- (4) Keep financial records and report quarterly to the City's administrative liaison on the finances.
- (5) Immediately provide City's designated administrative liaison with a copy of any reports KB submits to the California State Department of Social Services or the licensing agency pursuant to Title 22, CCR section 101213, titled, "Finances".
- (6) Meet 3 times annually with each Center's PAC.
- (7) Obtain all required licenses and permits, which City has not agreed in writing to provide. When applicable, all licenses and permits will permit services to non-ambulatory children.
- (8) Obtain all insurance and bonds required by the contract with the City, and any requirements of law or regulations.
- (9) Maintain a policy and procedure manual. The manual is to be updated as necessary and reviewed annually by the designated administrative liaison and each Center's PAC.

I. Delivery of Service

- (1) Operate the Center(s) during the agreed upon hours and days of program operation.
- (2) Kiddie Hall will provide day care services from 6:30 a.m. to 6:00 p.m., Monday through Friday.
- (3) The Operations Center will provide day care services from 6:30 a.m. to 6:00 p.m., Monday through Friday.
- (4) KB may elect to close the Center(s) on New Year's Day, Martin Luther King Day, Presidents Day, Cesar Chavez Day, Memorial Day, July 4th, Labor Day, Veterans Day, Thanksgiving Day and Christmas. Any change in this schedule for the Center(s) operating hours must be mutually agreed upon by KB and the City administrative liaison.
- (5) Develop, implement, and maintain admission procedures in compliance with Title 22, CCR, including but not limited to: obtaining signatures of the parent(s) / guardian(s) acknowledging receipt of a child abuse prevention pamphlet furnished by the State.
- (6) Develop and maintain a developmentally appropriate program curriculum, in consultation with each Center's PAC and the designated City administrative liaison.
- (7) Provide nutritional snacks in the morning and afternoon plus a hot lunch at mid-day. Appropriate consideration should be given for ethnic and cultural preferences, and for special diets.
- (8) Administer prescription and non-prescription medication to children with appropriately signed parental authorization and in accordance with Title 22, CCR, Section 101326, titled "Health Related Services".
- (9) Provide no water activities, which fall within the restrictions of Title 22, CCR, Section 101316.8, titled "Staffing for Water Activities".
- (10) Not be responsible for transportation arrangements for the children to or from the Center(s), except for scheduled field trips.

J. Staffing and Staff Training

- (1) Assure that when the Director of the Center(s) are temporarily away from the center, arrangements are made for a fully qualified teacher to act as a substitute. If the absence is for more than 30 consecutive calendar days, the substitute Director shall meet the qualifications of a Director.
- (2) Maintain, as a minimum, the staffing ratios required by law and this contract with the City.
- (3) Assure that the staff assignments reflected in the work schedule meet or surpass the minimum staffing ratios, as identified above, at

all times. There shall be provision for an overlap of staff for different shifts so that continuity of care is assured.

- (4) Establish and maintain in-house training of staff, including aides.
 - (5) Require all teaching staff and director to become certified in CPR and first aid and to continually renew such certification, as required to remain certified.
-

K. Quality Control

- (1) Maintain a system to assure continuation of all required licenses and permits. When an "evaluator" provides a notice of deficiency to the licensee, as provided for in Title 22, CCR, Section 101203, titled "Deficiencies in Compliance", KB must immediately notify City's administrative liaison and provide him/her any follow-up reports as may be requested.
- (2) For Kiddie Hall, actively work to achieve accreditation by the National Association for the education of Young Children (NAEYC) within three years of operation. The first step in this process, the program self study, shall be conducted during or before the second year of operation. Once accreditation is achieved at Kiddie Hall, assure retention of accreditation status.
- (3) Assure retention of current NAEYC accreditation status at the Operations Center.
- (4) Establish and maintain a system of quality control. The contractor must, on a scheduled basis, review and reanalyze the Center(s) activities, particularly the program curriculum, to assure that optimum use is made of the KB's resources to accomplish the Center(s) child development goals.

L. Fees, Tuition, Enrollment

- (1) City employees will be given first priority in enrollment at both Centers. At Kiddie Hall, second priority is for children of employee's of tenants of the Comerica Building at 600 B Street in San Diego. If there are any open spaces not desired by City employees or employees of such tenants, KB may market to surrounding companies.
- (2) As the Center enrollment increases at either Center, a waiting list will be maintained. At each Center, priority for the next available opening shall be given to (1) a sibling of a child already enrolled at the Center(s), (2) City employees' children, (3) at Kiddie Hall, children of tenants at the Comerica Building and (4) at both Centers, children of non-employees.
- (4) During Kiddie Hall's first operational year, KB will charge \$ 166.00 per week for infants; \$ 162.00 per week for toddlers; \$ 138.00 per week for two-year olds; \$116.00 per week for

preschoolers; \$ 116.00 per week for pre-kindergarten; and \$90.00 per week (\$20 per day) for school-age drop-in care during summer and school breaks at Kiddie Hall.

- (5) During the period of September 2002 through September 2003, at the Operations Center, KB will charge \$ 130.00 per week for toddlers and \$ 110.00 per week for preschool, subject to change.
- (6) Thereafter, KB will, at each Center, maintain affordable rates for City employees that are at least 10% below market rate. Fees for non-employees may be higher than market rate.
- (4) The tuition rates for children will be reviewed annually by each Center's PAC. Any increase should not exceed 5% annually for City employees, except as mutually agreed to by the City and KB.

M. Physical Plant, Equipment and Supplies

- (1) Establish and operate child care facilities which are clean, safe, secure, and comfortable, in addition to being a pleasant and creative environment for children.
- (2) Establish and maintain a system to assure maintenance and repair of equipment and an adequate inventory of supplies.
- (3) Provide diapers as needed when the parent(s) fail to provide an adequate supply. This does not preclude an arrangement for the parent(s) to replenish the supply or reimburse KB.
- (4) Obtain and maintain first aid supplies which meet or surpass the requirements set out in Title 22, CCR, Section 101326, titled "Health Related Services".
- (5) Provide and maintain telephone installation and monthly fees at Center(s).
- (6) Other authorized designee when some City action is needed to attain City's compliance with a responsibility the City has agreed to assume regarding the facility, equipment, utility services, or other services identified in this agreement.
- (7) KB will perform, at its cost all necessary maintenance, including replacement, if necessary, every 2-5 years of Sof-Fall zone on Kiddie Hall playground.

SECTION IV. CITY'S RESPONSIBILITIES

City shall:

- A. Make available each Center site at no cost to KB for the term of this agreement.
- B. Provide all utilities, heating, electrical and water at no cost to KB.

- C. Provide landscaping services, weekly sweeping of playgrounds, and maintenance of parking area.
- D. Provide janitorial services See Exhibit A
- E. ~~Provide fire extinguishers and annual maintenance.~~
- F. Provide 24-hour security patrol and response.
- G. Be responsible for the cost of all maintenance, repair and upkeep of the Facility to include painting, carpeting and appliances.
- H. Provide trash collections and disposal.

Specifically at Kiddie Hall:

- I. Design and build out Kiddie Hall with all interior tenant improvements and permanent fixtures to meet licensing requirements and State Fire Marshall regulation.
- J. Design and complete equipping and construction of three playgrounds (infants, toddlers, and preschoolers).
- K. Within 30 days following the commencement of operation, at Kiddie Hall, pay KB a subsidy of \$20,000. It is the City's intention to provide this Kiddie Hall related subsidy to KB on an annual basis, pending annual approval of this expenditure by the City.

SECTION V. TIME OF PERFORMANCE

Performance of services as described in this Agreement shall commence the date Kiddie Hall is licensed and terminate on that date ten years later. The contract shall automatically be renewed for terms of three years unless written notice of intent not to renew is given by either party to the other 60 days prior to termination date.

SECTION VI. INDEPENDENT AGENCY:

KB is and shall be an independent contractor and not an agent of the City herein under.

SECTION VII. RIGHTS OF ENTRY:

KB shall allow City to enter the Center(s) area at any time during the course of this agreement.

SECTION VIII. RIGHTS OF INSPECTION:

KB agrees to permit City to inspect all books, records and site activities, and to perform or require site audits which the City may reasonable desire.

SECTION IX. ASSIGNABILITY

Neither party may assign its interest in this Agreement to another entity without the other party's prior written approval, which approval shall not be unreasonably withheld and shall be provided in writing within 30 days of other party's request. No assignment shall relieve or release either party from any obligation or liability under this agreement.

SECTION X. INDEMNIFICATION AND HOLD HARMLESS AGREEMENT:

KB agrees to defend, indemnify, protect and hold City and its agents, officers and employees harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including injury to City's employees, agents or officers, which arise from or are connected with or are caused or claimed to be caused by the acts or omissions of KB, and its agents, officers or employees, in performing the work or services herein, and all expenses of investigating and defending against same; provided, however, that KB's duty to indemnify and hold harmless shall not include any claims or liability arising from the established sole negligence or willful misconduct of the City, its agents, officers or employees.

SECTION XI. INSURANCE:

KB shall indemnify and hold City harmless from all claims and demands of any description arising out of performance of this Agreement, including reasonable attorneys' fees and court costs in the defense of any action, to the extent that such claims or demands are the result of an error, omission or negligent act of KB or any person employed by KB. KB shall obtain and maintain, in full force throughout the term of this Agreement, professional liability insurance policy, in the sum of not less than Five MILLION DOLLARS (\$ 5,000,000.00) in a combination of single or multiple policies, a certificate of which shall be furnished to City prior to the commencement of the Agreement. The certificate shall provide that the insurance company shall not terminate, cancel, or limit said policy in any manner without at least fifteen (15) days prior written notice thereof to the City.

SECTION XII. SUB-CONTRACTS:

No portion of the scope of services may be subcontracted without the express written consent of the City.

SECTION XIII. COMPLIANCE WITH APPLICABLE LAWS:

KB agrees to comply fully with all applicable Federal, State, and local laws, ordinances, regulations and permits, including, but not limited to, Title XXII, Child Care Licensing.

SECTION XIV. EQUAL OPPORTUNITY PROGRAM REQUIREMENTS:

KB hereby agrees to comply with Title VII of the Civil Rights Acts of 1964, as any other applicable federal and state laws and regulations hereinafter enacted. KB will not discriminate against any employee or applicant for employment based on race, religion, color, ancestry, age, sexual orientation, disability, medical condition or place of birth.

Upon request by the City of San Diego, KB will submit a current Work Force Report and, if required, an Equal Employment Opportunity (EEO) Plan which sets forth the actions that the consultant will take to achieve the City's goals for the employment of African Americans, American Indians, Asians, Filipinos, Latinos, women and people with disabilities.

KB acknowledges that the City of San Diego seeks to promote employment and business opportunities for local residents and firms on all City contracts. KB will, to the extent legally possible, solicit applications for employment for work associated with this Agreement from local residents as opportunities occur.

KB understands that failure to comply with the above requirements, and/or submitting false information in response to these requirements, may result in termination of this Agreement, and/or suspension from participating in future City contracts for a period of not less than One (1) year.

SECTION XV. POLITICAL AFFAIRS OR ACTIVITIES:

KB Shall not use project funds, personnel, or materials to advocate or support any particular position on any matter that is being proposed by a vote of the people, or is being considered for enactment by any legislative body of the City of County of San Diego, State of California, or the Federal Government. Neither will KB use project funds, personnel, or materials to influence an officer or employee of any Legislative body or an elected official or an employee of any governmental agency in the awarding of any contract, loan, cooperative agreement, or the extension, continuation, renewal, amendment or modification of any contract, grant, loan, or cooperative agreement. KB will disclose any funding from other sources that has been paid or will be paid to any person for influencing or attempting to influence an elected official or a public agency, complete, sign and submit Standard Form-LLL, "Disclosure Form to Report Lobbying" in accordance with its instructions. KB will also require this certification language be included in the award documents for all sub-awards, including sub-contracts, sub-grants, loans, and cooperative agreements, and that sub-recipients shall

certify and disclosed accordingly.

SECTION XVI. DRUG-FREE WORKPLACE/CITY AGENCY:

Substance abuse is a major concern in our community. In order to address these concerns, KB shall provide substance abuse education and/or referral for staff and clients as necessary. KB is also encouraged to support the omnibus drug legislation passed by Congress on November 18, 1988 by adopting and enforcing a policy to maintain a drug-free work place.

- a. The issue of substance abuse, the misuse of both legal and illegal drugs, has been identified as a major problem. It is well documented that substance abuse in the workplace can negatively impact employee performance, worker safety and the safety of the general public.
- b. "Drug-free workplace" means a site for the performance of work done in connection with a contract let by City of San Diego, at which employees are prohibited from engaging in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance.
- c. "Employee" means the employee of an agency directly engaged in the performance of work pursuant to a contract.

SECTION XVII. TERMINATION:

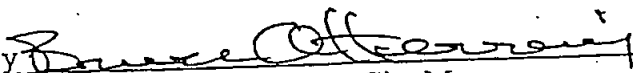
The City shall evaluate the program at least annually. The evaluations will include a program operations and budget review, as well as a tuition rate review of each Center. Whenever deficiencies are found, the contractor will be given an opportunity to correct them. Thereafter, if the deficiencies are not corrected, a recommendation will be made to the City Council to terminate this Agreement.

City reserves the right to terminate this Agreement for any reason upon sixty (60) days' notice to KB. KB has the right to terminate this agreement for any reason with a ninety (90) days' notice to the City.

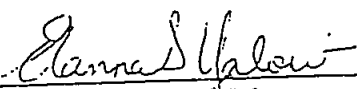
IN WITNESS WHEREOF, this Agreement is executed by the City of San Diego, acting
by and through its City Manager, pursuant to Resolution No. 0-18902 dated
Dec 5, 2000, authorizing such execution, and by Contractor.

Dated this 2nd day of December

THE CITY OF SAN DIEGO.

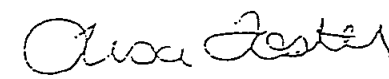
By 
Deputy City Manager

KNOWLEDGE BEGINNINGS

By 
Elanna S. Yalow
President and Chief Operating Officer

I HEREBY APPROVE the form and legality of the foregoing Agreement this 18th day
of DEC., 2002.

CASEY GWINN, City Attorney

By 
Lisa A. Foster
Deputy City Attorney



THE CITY OF SAN DIEGO
EQUAL OPPORTUNITY CONTRACTING
1010 SECOND AVENUE, SUITE 500
SAN DIEGO, CA 92101
PHONE (619) 533-4464 • FAX (619) 533-4474

WORK FORCE REPORT

The objective of the Equal Employment Opportunity is to ensure that contractors doing business with the City, or receiving funds from the City, will not engage in unlawful discriminatory employment practices prohibited by State and Federal law. Such employment practices include, but are not limited to the following: employment, promotion or upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rate of pay or other forms of compensation and selection for training, including apprenticeship.

NO OTHER FORMS WILL BE ACCEPTED

CONTRACTOR IDENTIFICATION

Type of Contractor: ☐ Construction ☒ Vendor/Supplier ☐ Financial Institution ☐ Lessor/Lessor
☐ Consultant ☐ Grant Recipient ☐ Insurance Company ☐ Other

Name of Company: Children's Discovery Centers of America, Inc.
ADA/DBA: Knowledge Beginnings
Address (Corporate Headquarters, where applicable): 4340 Redwood Highway, Building B
City San Rafael County Marin State CA Zip 94903
Telephone Number: (415) 444-1600 Fax Number: (415) 444-1664
Name of Company CEO: Elanna S. Yalow
Address(es), phone and fax number(s) of company facilities located in San Diego County (if different from above):
Address: 9192 Topaz Way - and - 600 B Street
City San Diego County San Diego State CA Zip 92121
Telephone Number: (619) 576-4387 and Fax Number: (619) 576-4459
Type of Business: Child Care Type of License: community care licensing
The Company has appointed: Naudia Ibanez
As its Equal Employment Opportunity Officer (EEOO). The EEOO has been given authority to establish, disseminate and enforce equal employment and affirmative action policies of this company. The EEOO may be contacted at:
Address: 501 Lakeville St., Suite D Petaluma, CA 94952
Telephone Number: (707) 765-8705 Fax Number: (707) 765-8724

I, The undersigned representative of Knowledge Beginnings
(Firm Name)

Marin
(County)

CA
(State)

I hereby certify that information provided herein is true and correct. This document was executed on this day of 12/13, 2002

[Signature]
(Authorized Signature)

[Signature]
(Print Authorized Signature Name)

SUBCONSULTANTS LIST

INFORMATION REGARDING SUBCONSULTANTS PARTICIPATION:

1. Subconsultant's List shall include name and complete address of all Subconsultants who will receive more than one half of one percent (0.5%) of the Prime Consultant's fee.
2. Proposer shall also submit subconsultant commitment letters on subconsultant's letterhead, no more than one page each, from subconsultants listed below to acknowledge their commitment to the team scope of work, and percent of participation in the project.
3. Subconsultants shall be used for scope of work listed. No changes to this Subconsultants List will be allowed without prior written City approval.

NAME	ADDRESS	PHONE	FAX	EMAIL	PERCENT
N/A	N/A	N/A	N/A	N/A	N/A

*For information only. As appropriate, Proposer shall identify Subconsultants as:

Certified Minority Business Enterprise	MBE
Certified Woman Business Enterprise	WBE
Certified Disadvantaged Business Enterprise	DBE
Certified Disabled Veteran Business Enterprise	DVBE
Other Business Enterprise	OBE

**For information only. As appropriate, Proposer shall indicate if Subconsultant is certified by:

City of San Diego	CITY
State of California Department of Transportation	CALTRANS

WORK FORCE REPORT - Page 2

NAME OF FIRM: Knowledge Beginnings

DATE: 12/13/02

INSTRUCTIONS: For each occupational category, indicate number of males and females in every ethnic group. Total column row provided. Sum of all totals should be equal to your total work force. Include all those employed by your company on both full or part-time basis. The following groups are to be included in ethnic categories listed in columns below:

- | | |
|--|--|
| (1) African-American, Black | (5) Filipino |
| (2) Latino, Hispanic, Mexican-American, Puerto Rican | (6) Caucasian |
| (3) Asian, Pacific Islander | (7) Other ethnicity; not falling into other groups |
| (4) American Indian, Eskimo | |

OCCUPATIONAL CATEGORY										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Total		
Executive, Administrative, Managerial		2								
Professional Specialty		4		1		1			6	
Engineers/Architects										
Technicians and Related Support										
Sales										
Administrative Support/Clerical										
Services										
Precision Production, Craft and Repair										
Machine Operators, Assemblers, Inspectors										
Transportation and Material Moving										
Handlers, Equipment Cleaners, Helpers and Non-construction Laborers		1		1					1	
*Construction laborers and other field employees are not to be included on this page										
TOTALS EACH COLUMN		7		2		1			7	

GRAND TOTAL ALL EMPLOYEES

17

INDICATE BY GENDER AND ETHNICITY THE NUMBER OF ABOVE EMPLOYEES WHO ARE DISABLED:

DISABLED										
NON-PROFIT ORGANIZATIONS ONLY:										
BOARD OF DIRECTORS										
VOLUNTEERS										
ARTISTS										