

**THIS PRINT COVERS CALENDAR ITEM NO. : 10.7**

**SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY**

**DIVISION:** Finance and Information Technology

**BRIEF DESCRIPTION:**

Authorize the Director of Transportation to execute the First Amendment to the Restated and Amended Towing Agreement and Property Use License Agreement between the SFMTA and San Francisco AutoReturn.

**SUMMARY:**

- The 2005 Towing Contract with San Francisco AutoReturn included use of a portion of Pier 70 as a long-term vehicle storage facility and location for vehicle auctions.
- Because the Port announced its plans to redevelop Pier 70, the SFMTA leased space for the storage and auction facility at 2650 Bayshore Avenue.
- To document the long-term storage facility's move from Pier 70 to the Bayshore location, the previous MOU with the Port of San Francisco needs to be updated. In addition, modifications will be made to the Agreement to reflect the change in financial assurance requirements.
- The new license agreement includes a rent adjustment to reflect space reduction (offset by facility upgrades) at Bayshore in comparison to the Pier 70 location. This will result in a net monthly rent reduction of \$2,450.47.
- Financial assurances will be modified from a \$1 million letter of credit and a \$1 million performance bond to a single \$2 million performance bond
- The new agreement also carries insurance coverage that matches or exceeds the requirements of the Bayshore Lease between the SFMTA and the Bayshore property owner.

**ENCLOSURES:**

1. SFMTAB Resolution
2. Amendment

**APPROVALS:**

**DATE**

DIRECTOR \_\_\_\_\_

1/13/14

SECRETARY \_\_\_\_\_

1/13/14

**ASSIGNED SFMTAB CALENDAR DATE:** January 21, 2104

## **PURPOSE**

Authorizing the Director of Transportation to execute the First Amendment to the Restated and Amended Towing Agreement and Property Use License Agreement between SFMTA and AutoReturn.

## **GOAL**

Approving the towing amendment and license agreement will assist the SFMTA in meeting Strategy Goal #2., Objective 2.2: Improve transit performance and Objective 2.4: Improve parking utilization and manage parking demand.

## **DESCRIPTION**

San Francisco AutoReturn has been the contractor for towing services since 2004, and is currently under an agreement for services through August 2015, including management of a long-term vehicle storage facility and vehicle auction area. At the time of contract award, a portion of Pier 70 served as the location of this facility. However, in 2011 the Port announced that a developer had been chosen to redevelop Pier 70, which necessitated relocating the long-term storage and auction facility.

In 2012, the SFMTA entered into a lease for occupation of property located at 2650 Bayshore Blvd., and in May 2013 exercised its right to move the long-term vehicle storage facilities to the Bayshore location. AutoReturn will share the property with other SFMTA operations, including the Signal Shop and employee training facilities.

To document the long-term towing storage facility's move from Pier 70 to the Bayshore location, two appendices to the towing agreement – the previous MOU with the Port of San Francisco (Appendix C) and the existing license agreement (Appendix D) – will be deleted and Appendix H will be added to reflect the new license agreement for the Bayshore facility. In addition, modifications will be made to the Amended and Restated Towing Agreement to reflect changes in financial assurance requirements.

The proposed amendment to the towing contract and license agreement documents modifications that were negotiated between SFMTA and AutoReturn. It includes the following:

- Modifying the per month rent amount from \$150,378.75 to \$147,928.28 resulting in a net monthly reduction of \$2,450.47. The new amount reflects both the reduction in space from 519,328 sq. ft. at Pier 70 to approximately 330,771 sq. ft. at the Bayshore facility. The reduction in space is offset by significantly improved facilities, including permanent office space with indoor plumbing and vehicle auction space free of roof leaks that will better accommodate the general public in a safe and secure environment.
- At AutoReturn's request, modifying the current contract's financial assurances of a \$1 million Letter of Credit and \$1 million Performance Bond to a single \$2 million Performance Bond. The Letter of Credit had been required by the Port out of an abundance of caution due the proximity of Pier 70 to the San Francisco Bay. The Bayshore location is inland on the border between San Francisco and Daly City and chances of a major environmental incident

are substantially reduced. In addition, the lease with the Bayshore property owner did not require a letter of credit and insurance requirements have been increased to match the SFMTA's Bayshore lease insurance requirements.

The City Attorney's Office has reviewed the item.

### **ALTERNATIVES CONSIDERED**

Regarding Facility Move: The alternative to moving the facility would be to remain at Pier 70. This option was discarded when alternate space was acquired because the Port would eventually require the space to be vacated for redevelopment.

Financial Assurance Modification: The alternative was to keep the \$2 million letter of credit. However, because, 1) AutoReturn requested the modification, 2) service contracts usually provide financial assurance through performance bonds and 3) insurance, including environmental protection was augmented to meet or exceed the Bayshore property owner's requirements, this option was rejected.

### **FUNDING IMPACT**

There are no major funding impacts from the modifications proposed.

### **OTHER APPROVALS RECEIVED OR STILL REQUIRED**

Board of Supervisors approval is required for amendment and license because of the modification in the type of financial assurance provided by the contractor.

### **RECOMMENDATION**

The SFMTA recommends that the SFMTA Board authorize the Director of Transportation to execute the First Amendment to the Restated and Amended Towing Agreement and Property Use License between SFMTA and San Francisco AutoReturn and requests that the SFMTA Board urge the Board of Supervisors to approve the amendment.

SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY  
BOARD OF DIRECTORS

RESOLUTION No. \_\_\_\_\_

WHEREAS, San Francisco AutoReturn has acted as contractor for towing services for the SFMTA since 2004 and is currently under an agreement for services through August 2015, including management of a long-term vehicle storage facility and vehicle auction area; and,

WHEREAS, At the time of contract award, a portion of the Port of San Francisco's Pier 70 served as the location of this facility; and,

WHEREAS, In 2011 the Port announced that a developer had been chosen to redevelop Pier 70, which necessitated relocating the long-term storage and auction facility; and,

WHEREAS, In 2012 the SFMTA entered into a lease for occupation of property located at 2650 Bayshore Blvd., and in May 2013 exercised its right to move the long-term vehicle storage facility to the Bayshore location; and,

WHEREAS, To document the long-term towing storage facility's move from Pier 70 to the Bayshore location, the contract and license agreement will be updated; and,

WHEREAS, The proposed amendment to the towing agreement modifies the current contract's financial assurances of a \$1 million letter of credit and \$1 million performance bond to a \$2 million performance bond; and;

WHEREAS, The lease between the SFMTA and the Bayshore property owner does not require a letter of credit, and the performance bond, along with substantial insurance more accurately reflects that the towing agreement is primarily a service contract; and

WHEREAS, The Pier 70 per month rent amount of \$150,378.75 will be reduced to \$147,928.28 resulting in a net monthly reduction of \$2,450.47; and

WHEREAS, The new amount was negotiated to reflect the reduction in space from 519,328 to approximately 330,771 sq. ft., offset by the significantly improved facilities, including permanent office space with indoor plumbing and vehicle auction space free of roof leaks which will better accommodate the general public in a safe and secure environment; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation to execute the First Amendment to the Restated and Amended Towing Agreement and Property Use License for Towing, Storage and disposal of Abandoned and Illegally Parked Vehicles by and between the San Francisco Municipal Transportation Agency and TEGSCO, LLC d.b.a. San Francisco AutoReturn until July 31, 2015 to reduce the monthly rent by \$2,450.47 and change the financial assurance requirement from \$1 million in a letter of credit and \$1 million in a performance bond to a \$2 million performance bond; and be it further

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors urges the Board of Supervisors to approve the first amendment to the towing agreement and the associated revised license agreement.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of January 21, 2014.

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Secretary to the Board of Directors  
San Francisco Municipal Transportation Agency

**City and County of San Francisco  
Municipal Transportation Agency  
One South Van Ness Ave. 7<sup>th</sup> floor  
San Francisco, California 94103**

**First Amendment to Amended and Restated Service Agreement and Property Use License for  
Towing, Storage and Disposal of Abandoned and Illegally Parked Vehicles**

THIS AMENDMENT (this “Amendment”) is made as of \_\_\_\_\_, in San Francisco, California, by and between TEGSCO, LLC, a California limited liability company doing business as San Francisco AutoReturn (“Contractor”), and the City and County of San Francisco, a municipal corporation (“City”), acting by and through its Municipal Transportation Agency (“SFMTA”).

**RECITALS**

- A. City and Contractor have entered into the Agreement (as defined below).
- B. City and Contractor desire to modify the Agreement on the terms and conditions set forth herein to reflect the relocation of the Secondary Storage Facility and one of the Designated Facilities from property owned by the Port of San Francisco at Pier 70 in San Francisco to a portion of the premises at 2650 Bayshore Boulevard in Daly City that City leases from Prologis, L.P.

**NOW, THEREFORE,** Contractor and the City agree as follows:

**1. Definitions.** The following definitions shall apply to this Amendment:

- a. **Agreement.** The term “Agreement” shall mean the Amended and Restated Service Agreement and Property Use License for Towing, Storage and Disposal of Abandoned and Illegally Parked Vehicles dated July 31, 2010 between Contractor and City.
- b. **Other Terms.** Terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Agreement.

**2. Modifications to the Agreement.** The Agreement is hereby modified as follows:

a. **Section 1.29**

**Section 1.29 of the Agreement is deleted in its entirety:**

b. **Section 1.42**

**Section 1.42 of the Agreement is amended in its entirety to read as follows:**

**1.42 Performance Bond:** The Performance Bond which Contractor is required to maintain to guarantee the performance of Contractor's obligations under this Agreement, as further described in Section 12.1 and 12.2 of this Agreement. The Performance Bond and all replacement Performance Bonds provided by Contractor during the Term of this Agreement shall be attached hereto as Appendix F and incorporated by reference as though fully set forth herein.

**c. Section 1.44**

**Section 1.44 of the Agreement is deleted in its entirety.**

**d. Section 1.45**

**Section 1.45 of the Agreement is deleted in its entirety.**

**e. Section 1.48**

**Section 1.48 of the Agreement is amended in its entirety to read as follows:**

**1.48 Property, Properties:** Real property owned or leased by the City and licensed to Contractor for the purpose of this Agreement, including a portion of the leased premises at 2650 Bayshore Boulevard in Daly City, and any other properties that may be licensed to Contractor by City for the purpose of this Agreement during its Term.

**f. Section 1.57**

**Section 1.57 of the Agreement is amended in its entirety to read as follows:**

**1.57 Secondary Storage Facility:** The facility primarily used for long term storage of impounded vehicles, located at 2650 Bayshore Boulevard in Daly City, California, as further described in Appendix A, Section 11.1(c).

**g. Section 1.62**

**Section 1.62 of the Agreement is amended in its entirety to read as follows:**

**1.62 Term:** The duration of this Agreement as established in Section 2 herein, and any additional period during which Contractor completes repair, remediation or other work required for the termination of the License agreement for 2650 Bayshore Boulevard in Daly City, as set forth in Appendix H of this Amendment ("the Bayshore License"), and the tasks listed in Section 54 of this Agreement for transition to a successor contractor or successor agreement.

**h. Section 2**

**Section 2 of the Agreement is amended in its entirety to read as follows:**

**2. Term of the Agreement**

The Term of this Agreement shall be five years, from the July 31, 2010 through July 31, 2015.

**i. Section 4**

**Section 4 of the Agreement is amended in its entirety to read as follows:**

**4. Services Contractor Agrees to Perform**

The Contractor shall tow and store any vehicles that SFMTA, DEPTH or the SPED orders removed from any public street or highway or from private property within the City, in accordance with the requirements of the San Francisco Transportation Code and the Vehicle Code, and shall perform such other related services as are described in this Agreement, in accordance with Appendix A, "Scope of Work," and Appendix B "Operations Plan". Appendix A, Appendix B, and the Operations Plan to be adopted and amended as provided in Section 14 of Appendix A are all attached hereto and incorporated by reference as though fully set forth herein. Rates and charges to the public for services under this Agreement shall be as set forth in Appendix F, attached hereto and incorporated by reference as though fully set forth herein.

All vehicle handling and storage required by this Agreement shall be conducted at one of the Designated Facilities. As of the Effective Date of the First Amendment to this Agreement and pursuant to the Bayshore License, City hereby licenses to Contractor the use of one of the real properties on which the Designated Facilities are currently located -- a portion of the premises at 2650 Bayshore Boulevard in Daly City. The Bayshore License is attached to the First Amendment to this Agreement as Appendix H and is incorporated by reference as though fully set forth herein. The parties acknowledge that Contractor's Customer Service Center and Primary Storage Facility operations are conducted at a property owned by Caltrans and leased by Contractor -- 450 7<sup>th</sup> Street. Should City cease to use Contractor for towing services, the terms for the City's continued use of the 450 7<sup>th</sup> Street property are attached hereto as Appendix G and are incorporated by reference as though fully set forth herein.

City hereby consents to Contractor's towing and storage of vehicles that are not towed or stored pursuant to a Tow Request with the prior written approval of City and subject to any conditions imposed in such written approval; provided however, that (i) Contractor shall at all times conduct itself in accordance with the Customer service standards of this Agreement so as not create any negative effect on Contractor's public image and reputation as the City's towing contractor, and (ii) Contractor's operations with respect to such vehicles shall not create any adverse impact on its performance of all requirements of this Agreement. City may revoke its consent at any time without cause by written notice to Contractor. The following sections of this Agreement shall apply to any towing or storage of vehicles by Contractor within the City and County of San Francisco that are not towed or stored pursuant to a Tow Request: Amended and Restated Service Agreement Sections 8, 9, 11, 12, 13, 14, 15, 16, 17, 20, 22, 26, 27, 28, 29, 31, 32, 35, 37, 38, 40, 41, 42, 50; Appendix A Sections 1, 3, 4, 5, 6, 7, 9, 11, 12.1(b), 12.3, 12.5, 12.6, 13, 14; Appendix B, Appendices E and F, and the Bayshore License during its term, if such towed or stored vehicle is taken to the Secondary Storage Facility.

**j. Section 11**

**Section 11 of the Agreement is amended in its entirety to read as follows:**

**11. Required Insurance**



Subject to approval by the City's Risk Manager of the insurers and policy forms, Contractor shall place and maintain throughout the Term of this Agreement, and pay the cost thereof, the following insurance policies:

**11.1.** Comprehensive general liability insurance with limits not less than \$2,000,000 (such limit may be provided through a primary and excess policy) each Occurrence, combined single limit for bodily injury and property damage, or in such greater amount and limits as SFMTA may reasonably require from time to time, including coverage for contractual liability, personal injury, broad form property damage, products and completed operations, independent contractors (excluding towing and dismantling subcontractors), and mobile equipment.

**11.2.** Sudden and accidental pollution insurance with limits not less than \$1,000,000 for each occurrence.

**11.3.** Comprehensive business/commercial automobile liability insurance with limits not less than \$2,000,000 for each Occurrence combined single limit for bodily injury and property damage, including coverage for owned, non-owned and hired automobiles. If Contractor does not own or lease company vehicles that are subject to motor vehicle registration, then only non-owned and hired coverage is required.

**11.4.** Garage-keeper's legal liability insurance with limits not less than \$5,000,000 (such limit may be provided through a primary and excess policy) for each Occurrence combined single limit for loss and damage to vehicles in Contractor's care, custody or control caused by fire, explosion, theft, riot, civil commotion, malicious mischief, vandalism or collision, with any deductible not to exceed \$25,000 for each Occurrence. Contractor may insure or self-insure loss of non-automobile property in the care, custody, or control of the garage keeper with a limit of \$5000.

**11.5.** Workers' Compensation Insurance, including Employers' Liability, with limits not less than \$1,000,000 for each accident, covering all Employees employed by Contractor in the performance of this Agreement to provide statutory benefits as required by the laws of the State of California. Said policy shall be endorsed to provide that the insurer waives all rights of subrogation against the City.

**11.6.** Environmental impairment liability insurance with limits not less than \$1,000,000 each occurrence, covering the sudden and accidental release of hazardous materials and the resulting costs of clean up.

Except as set forth above, any deductibles in the policies listed above shall not exceed \$25,000 each occurrence. The insurance policies shall be endorsed to name as an additional insured the City and County of San Francisco and its respective departments, commissioners, officers, agents and employees.

The agreements between the Contractor and its towing and dismantling subcontractors (as applicable) shall require that reasonable insurance is maintained and that the City will be named as an additional insured on the general liability policy.

**11.7.** Commercial General Liability and Commercial Automobile Liability Insurance policies must be endorsed to provide:

Name as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees.

That such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Agreement, and that insurance applies

separately to each insured against whom claim is made or suit is brought, but the inclusion of more than one insured shall not operate to increase the insurer's limits of liability.

Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general annual aggregate limit shall be double the occurrence or claims limits specified above.

**11.8.** Regarding Workers' Compensation, Contractor hereby agrees to waive subrogation which any insurer of Contractor may acquire from Contractor by virtue of the payment of any loss. Contractor agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the Contractor, its employees, agents and subcontractors.

**11.9.** Should any of the required insurance be provided under a claims-made form, Contractor shall maintain such coverage continuously throughout the term of this Agreement and, without lapse, for a period of three years beyond the expiration of this Agreement, to the effect that, should occurrences during the contract term give rise to claims made after expiration of the Agreement, such claims shall be covered by such claims-made policies.

**11.10.** Subject to the provisions of Section 18.1, should any required insurance lapse during the term of this Agreement, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this Agreement, effective as of the lapse date. If insurance is not reinstated, the City may, at its sole option, terminate this Agreement effective on the date of such lapse of insurance.

**11.11.** Before commencing any operations under this Agreement, Contractor shall furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to City, in form evidencing all coverages, including additional insured endorsements and the policy declaration page for any umbrella policies, set forth above. Failure to maintain insurance shall constitute a material breach of this Agreement.

**11.12.** Approval of the insurance by City shall not relieve or decrease the liability of Contractor hereunder.

#### **k. Section 12.2**

**Section 12.2 of the Agreement is amended in its entirety to read as follows:**

### **12.2 Performance Bond**

**12.2.1 Performance Guarantee.** Upon the Effective Date of this Agreement, Contractor shall provide to the City, and shall maintain throughout the Term of this Agreement and for a period of at least ninety (90) days after expiration or termination of this Agreement, or until all of Contractor's obligations have been performed under this Agreement, whichever date is later, a performance guarantee of two million dollars (\$2,000,000), which shall consist of a Performance Surety Bond of two million dollars (\$2,000,000) in favor of the City and County of San Francisco, a municipal corporation, acting by and through its Municipal Transportation Agency, guarantying the faithful performance by Contractor of this Agreement and of the covenants, terms and conditions of

this Agreement, including all monetary obligations set forth herein, and including liquidated damages and any dishonesty on the part of Contractor.

The City may draw upon such Performance Surety Bond in circumstances which include, but are not limited to:

- a. To ensure regulatory compliance in the event that Contractor receives a notice of violation or other regulatory order from a governmental or regulatory agency with jurisdiction over Contractor's operations or the Properties used by Contractor for the performance of this Agreement and Contractor does not achieve compliance with the notice of violation or order to the satisfaction of the issuing agency within the time specified by the agency or by the City if the agency does not specify a timeframe.
- b. To reimburse the City for any fine or other charge assessed against the City related to any notice of violation or other regulatory order issued to Contractor.
- c. To reimburse the City for costs associated with City's environmental assessments or corrective action related to Contractor's violation of any of the requirements of Appendix H, which may be performed at the City's sole discretion.
- d. To satisfy any overdue payment obligations owed by Contractor to City pursuant to the Bayshore.
- e. To satisfy fines assessed by City against Contractor pursuant to the Bayshore License.
- f. To compensate City for losses or damage to property caused by Contractor.

**12.2.2 Performance Surety Bond Requirements.** The Performance Surety Bond required by this Section 12 shall be issued on a form and issued by a financial institution acceptable to the City in its sole discretion, which financial institution shall (a) be a bank, insurance or trust company doing business and having an office in the State of California, (b) have a combined capital and surplus of at least \$25,000,000, and (c) be subject to supervision or examination by federal or state authority. If Contractor defaults with respect to any provision of this Agreement, City may, but shall not be required to, make its demand under said Performance Surety Bond for all or any portion thereof, to compensate City for any loss or damage which City may have incurred by reason of Contractor's default or dishonesty, including (but not limited to) any claim for fines or liquidated damages; provided, however, that City shall present its written demand to said bank, insurance or trust company for payment under said Performance Surety Bond only after City first shall have made its demand for payment directly to Contractor, and five (5) full days have elapsed without Contractor having made payment to City.

**12.2.3 Expiration or Termination of Performance Surety Bond.** The term of the Performance Surety Bond shall apply for individual one-year periods, and may be extended by the insurance, bank or trust company by Continuation Certificate. The insurance, bank or trust company herein may, if it so elects, terminate its obligation under this bond by serving at least forty five (45) days written notice of its intention to do so upon the SFMTA. In the event the City receives notice from the issuer of the Performance Surety Bond that the Performance Surety Bond will be terminated, not renewed or will otherwise be allowed to expire for any reason during the

period from the commencement of the Term of this Agreement to ninety (90) days after the expiration or termination of this Agreement or the conclusion of all of Contractor's obligations under the Agreement, whichever occurs last, and Contractor fails to provide the City with a replacement Performance Surety Bond (in a form and issued by a financial institution acceptable to the City) within ten (10) days following the City's receipt of such notice, such occurrence shall be an Event of Default as defined in Section 18 of this Agreement. However, neither nonrenewal by the insurance, bank or trust company, nor the failure or inability of the Contractor to file a replacement bond in the event of nonrenewal, shall itself constitute a loss to the City recoverable under the Performance Surety Bond or any renewal or continuation thereof. Insurance, bank or trust company's liability under the Performance Surety Bond and all continuation certificates issued in connection therewith shall not be cumulative and shall in no event exceed the amount as set forth in the Performance Surety Bond or in any additions, riders, or endorsements properly issued by the insurance, bank or trust company as supplements thereto.

**12.2.5 Demands Upon Performance Surety Bond.** City may use all or any portion of the Performance Surety Bond to compensate City for any loss or damage that it may have incurred by reason of Contractor's negligence or breach. Such loss or damage may include without limitation any damage to or restoration of the Properties for which Contractor is responsible, and claims for fines and/or liquidated damages. Should the City terminate this Agreement due to a breach by Contractor, the City shall have the right to draw from the Performance Surety Bond those amounts necessary to pay any fees or other financial obligations under the Agreement or the Bayshore License, and perform the towing and storage services described in this Agreement until such time as the City procures another contractor and the agreement between the City and that contractor becomes effective.

**12.2.6 Depletion of Performance Surety Bond.** If any portion of the Performance Surety Bond is used by City, Contractor shall provide written proof that the Performance Surety Bond has been restored to its initial value, which shall require a replacement Performance Surety Bond in the face amount of the required Performance Surety Bond. Contractor's failure to do so within the time limits specified in Section 18.1.1(f) shall constitute an Event of Default as defined in Section 18 of this Agreement.

**12.2.7 Dispute Resolution.** In the event that a dispute arises between the City and Contractor concerning this Agreement or the use or maintenance of the Performance Surety Bond, Contractor may appeal to the Director of Transportation within fourteen (14) days of demand on the Performance Surety Bond with evidence supporting Contractor's claim for relief from the demand on the Performance Surety Bond. The Director of Transportation will respond within fourteen (14) days. Any failure of the Director of Transportation to respond within fourteen (14) days shall be deemed a rejection of Contractor's claim for relief from the demand on the Performance Surety Bond. Contractor's claim for relief from demands on the Performance Surety Bond and the Director of Transportation's response to such demand shall constitute the administrative remedy for Agreement interpretation described in Section 46 herein. Each party reserves its remedies in equity and law. No decision by the City concerning the Performance Surety Bond shall prevent Contractor from seeking restoration of the funds by appropriate legal action.

## **I. Section 12.5**

**Section 12.5 of the Agreement is amended in its entirety to read as follows:**

**12.5 Environmental Oversight Deposit.** Upon the Effective Date of this Agreement, Contractor shall provide to the City, and shall maintain and replenish throughout the term of the Bayshore License and for a period of at least ninety (90) days after termination or expiration of the Bayshore License, an Environmental Oversight Deposit in the amount of ten thousand dollars (\$10,000), which shall be deposited in an account specified by City. If Contractor receives a notice of violation or other regulatory order from a governmental or regulatory agency with jurisdiction over 2650 Bayshore Boulevard, Daly City, California and or its operations), and such notice is not cured within fourteen (14) days, the City may draw from this deposit to reimburse the City for staff costs incurred by the City while inspecting site conditions and enforcing and administering the Hazardous Materials provisions of the Bayshore License. If Contractor receives a notice of violation or other regulatory order from a governmental or regulatory agency with jurisdiction over the site and or its operations, and such notice is cured within fourteen (14) days, the City may draw from this deposit in an amount not to exceed \$500 to reimburse the City for staff costs incurred by the City. The City will submit an invoice to Contractor for any such costs, and Contractor will pay such invoiced amounts within thirty (30) days to replenish the Environmental Oversight Deposit. Contractor's failure to pay such costs within thirty (30) days, or to replenish the Environmental Oversight Deposit if drawn upon, will constitute an Event of Default.

**m. Section 13**

**Section 13 of the Agreement is amended in its entirety to read as follows:**

**13. Insurance and Performance Guarantee Requirements**

All insurance policies and Performance Surety Bonds obtained pursuant to this Agreement shall be endorsed to provide that thirty (30) days prior written notice of cancellation, non-renewal or reduction in coverage or limits shall be given to SFMTA in the manner and at the addresses specified below.

Two copies of any Performance Surety Bond, and two copies of each original policy or policy endorsement of insurance shall be provided to SFMTA upon the Effective Date of this Agreement, and complete copies of any insurance policies obtained pursuant to this Agreement shall be provided to SFMTA if requested at any time.

**13.1** Upon City's request, Contractor shall provide satisfactory evidence that Contractor has adequately provided for Social Security and Unemployment Compensation benefits for Contractor's Employees.

Contractor shall comply with the provisions of any insurance policy covering Contractor or the City, and with any notices, recommendations or directions issued by any insurer under such insurance policies so as not to adversely affect the insurance coverage.

**n. Section 15.**

**Section 15 of the Agreement is amended in its entirety to read as follows:**

**15. Indemnification**

Contractor shall indemnify and save harmless City and its officers, agents and employees from, and, if requested, shall defend them against any and all loss, cost, damage, injury, liability, and claims thereof for injury to or death of a person, including Employees of Contractor or loss of or damage to property, resulting directly or indirectly from Contractor's performance of this Agreement, including, but not limited to, the use of Contractor's facilities or equipment provided by City or others, regardless of the negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on City, except to the extent that such indemnity is void or otherwise unenforceable under applicable law in effect on or validly retroactive to the date of this Agreement, and except where such loss, damage, injury, liability or claim is the result of the active negligence or willful misconduct of City and is not contributed to by any act of, or by any omission to perform some duty imposed by law or agreement on Contractor, its subcontractors or either's agent or employee. The foregoing indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and City's costs of investigating any claims against the City. The foregoing indemnification does not include the limitations on Contractor's liability described in Sections 24.3 and 24.8 of the Bayshore License.

In addition to Contractor's obligation to indemnify City, Contractor specifically acknowledges and agrees that it has an immediate and independent obligation to defend City from any claim which actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false or fraudulent, which obligation arises at the time such claim is tendered to Contractor by City and continues at all times thereafter.

As to any intellectual property that Contractor provides to the City in the performance of this Agreement, Contractor shall indemnify and hold City harmless from all loss and liability, including attorneys' fees, court costs and all other litigation expenses for any infringement of the patent rights, copyright, trade secret or any other proprietary right or trademark, and all other intellectual property claims of any person or persons, arising as a consequence of the use by City of the intellectual property supplied by the Contractor, or any of its officers or agents.

**o. Section 18.1.6**

**Section 18.1.6 of the Agreement is amended in its entirety to read as follows:**

**18.1.6** Failure of Contractor to timely perform its obligations under the Bayshore License.

**p. Section 19.3**

**Section 19.3 of the Agreement is amended in its entirety to read as follows:**

**19.3 Duties Upon Termination.** Upon termination of this Agreement, the City and Contractor shall promptly pay to the other, as soon as is determinable after the effective date of termination, all amounts due each other under the terms of this Agreement, and upon such payment neither shall have any further claim or right against the other, except as expressly provided herein.

Upon the effective date of termination, Contractor shall deliver to the SFMTA the originals of all books, permits, plans, Records, licenses, contracts and other documents pertaining to Contractor's operation under this Agreement, any insurance policies, bills of sale or other documents evidencing title or rights of the City, and any and all other Records or documents pertaining to Contractor's operation under this Agreement, any insurance policies, bills of sale or other documents evidencing title or rights of the City, and any and all other Records or documents pertaining to the Designated Facilities, whether or not enumerated herein, which are requested by the City or necessary or desirable for the ownership, leasing and operation of the Designated Facilities, which are then in possession of Contractor. Contractor further agrees to do all other things reasonably necessary to cause an orderly transition of the management and operation of the services provided by Contractor under this Agreement without detriment to the rights of the City or to the continued operation of such services.

**q. Section 54.2**

**Section 54.2 of the Agreement is amended in its entirety to read as follows:**

**54.2** Contractor agrees to take all actions as may be necessary or as the City may direct for the protection and preservation of any property related to this Agreement that is in the possession of Contractor and in which City has or may acquire an interest, including any environmental remediation required under Appendix H. Contractor acknowledges that City has a vested interest for payment of fees for vehicles that Contractor has towed and/or is storing, and Contractor shall not impair said interest and shall take all actions reasonably necessary to safeguard City's interest in said towed and stored vehicles.

**r. Section 4.5**

**Section 4.5 of Appendix A to the Agreement is amended in its entirety to read as follows:**

**4.5 No ID Vehicles**

(a) **NO ID Designation.** All vehicles with no visible VIN shall be impounded under a "NO ID" number and shall be designated as a vehicle subject to Investigative Police Hold and held for inspection by the SFPD Auto Detail regardless of which City agency initiated the Tow Request. NO ID vehicles shall be included in regular reports to the SFPD of Police Hold vehicles as specified in Sections 4.6(d) and 13 of this Appendix A. Contractor shall keep NO ID vehicles within the NO ID area (excluding oversized vehicles), with the exception that Contractor shall move a NO ID vehicle out of the NO ID area within twenty-four (24) hours of receiving a request to do so by the SFPD.

(b) **NO ID Procedure.** If a VIN is found following inspection by the SPED, Contractor shall follow applicable lien sale provisions of the Vehicle Code for processing that vehicle. Otherwise, Contractor shall designate the vehicle as an "Unable to Identify" or "UNTIDY" vehicle and, after receipt of a written release by the SPED (DMV Form 462, "Public Agency Authorization of Disposal of Vehicle" or successor form), such UTID vehicle shall be disposed of as required by the Vehicle Code and in accordance with instructions on DMV Form 462 or

successor form.

(c) **SFPD Access to NO ID Vehicles.** Contractor shall allow SFPD personnel with written authorization from the Chief of Police or an officer designated by the Chief of Police to remove parts from any NO ID vehicle, except as prohibited by Appendix H.

s. **Section 10.2**

**Section 10.2 of Appendix A to the Agreement is amended in its entirety to read as follows:**

**10.2 Network Connections.** Within thirty (30) days of the Effective Date of the Agreement, or other date approved in writing by City, the Contractor shall provide data lines to connect the following locations to the Contractor's TVMS:

<b>Contractor Division</b>	<b>Location</b>
Customer Service Center	450 7th Street
Primary Storage Facility	450 7th Street
Secondary Storage Facility	2650 Bayshore Boulevard, Daly City

Note: Alternate sites may be approved by the City.

Contractor shall provide T1 Internet data lines that connect the Customer Service Center and Primary Storage Facility to the Contractor's TVMS. Contractor shall provide data connections to the Primary and Secondary Storage Facilities using a T1 data line. Contractor shall install a firewall at all locations where there is a direct connect to the Internet to ensure the security of the data.

Within thirty (30) days of the Effective Date of this Agreement, or other date approved in writing by City, Contractor shall provide a T1 data line that connects the Customer Service Center with the SFMTA server headquarters at 1 South Van Ness Avenue. This connection will be used to provide a connection to the Contractor's TVMS for City staff and create a pathway for the Contractor's staff and systems to access the City's CMS. At any time during the Term of this Agreement, with the City's prior, written approval, and subject to all the conditions contained in such approval, the parties may agree to eliminate the requirement for the T1 data line that connects the networks of the City and Contractor. Because both the CMS and TVMS systems can now be accessed directly via the Internet, the parties may agree to eliminate the T1 data line to simplify the systems administration for the City and Contractor, and to eliminate the monthly costs of both the data connection and the associated networking equipment (see Section 10.1).

Contractor shall provide the following City locations with real-time access to the Contractor's TVMS within thirty (30) days of the Effective Date of this Agreement:

<b>City Division</b>	<b>Location</b>
SFMTA Enforcement	505 7th Street
SFMTA Citation Division	11 South Van Ness Avenue
SFMTA Hearing Division	11 South Van Ness Avenue
SFMTA Administration	1 South Van Ness Avenue, 8 <sup>th</sup> Floor
SFPD NOID Office	850 Bryant Street
SFPD STOP Program	850 Bryant Street

For users located at the City locations listed above who cannot connect to the Contractor's system using either a direct connection to the Internet or the data line connecting the Customer Service Center to 1 South Van Ness Avenue, Contractor shall configure a single Virtual Private



Network (VPN) utilizing 3DES encryption per location. Remote clients shall be able to connect to Contractor's network through remote VPN client software and DSL Internet connections. Contractor shall bear only the cost of the DSL Internet services and the corresponding DSL modems and/or routers. City shall identify and provide a computer (Windows XP, or later version) in each location on which the VPN client software will be installed, for which the DSL Internet service will be established, and for which the access to the Contractor's TVMS will be provided. The City shall also be responsible for any telecommunications cabling that is required for the DSL connections to be established in each location.

**t. Section 11.1**

**Section 11.1 of Appendix A to the Agreement is amended in its entirety to read as follows:**

**11.1 Designated Facilities.** Contractor shall use the Designated Facilities for all service requirements of this Agreement, except as otherwise approved in advance in writing by City. The location or relocation of any Designated Facility shall be subject to prior written approval by City. City hereby approves the current location of all Designated Facilities. Contractor may use Designated Facilities for towing and storing vehicles that are not towed or stored at the request of the City with the prior written approval of City and subject to any conditions imposed in such approval. Contractor may allow Employee and vendor parking at Designated Facilities, subject to any limitations set forth in the Bayshore License, so long as it does not interfere with Contractor's performance of towing and impound services to all standards and requirements of this Agreement.

**(a) Customer Service Center.** The Customer Service Center shall provide a location for Customers recovering vehicles in person to pay for towing and storage charges, Citation fees and penalties, and other applicable fees, and/or to process any documentation required for vehicle release. The Customer Service Center shall be open to the public twenty-four (24) hours per day, 365 days per year. If the Customer Service Center is relocated outside of the Hall of Justice at 850 Bryant Street, Contractor shall provide a security guard in any area open to the public at all times that such facility is open to the public at its sole expense. The Customer Service Center must be located at or near the Primary Storage Facility.

**(b) Primary Storage Facility**

**(i) Authorized Facility.** City hereby approves the lot at 450 7th Street as a Primary Storage Facility.

**(ii) Vehicle Storage and Retrieval.** Contractor must provide a covered area at the Primary Storage Facility where Customers can wait while their vehicle is being retrieved. The Primary Storage Facility shall be open twenty-four (24) hours per day, 365 days per year.

**(iii) Tows to Primary Storage.** Contractor shall take all towed vehicles to the Primary Storage Facility for short-term storage if they are not subject to a Police Hold or are not taken directly to the Secondary Storage Facility. Contractor shall store all towed vehicles at the Primary Storage Facility for twenty-four (24) hours after being towed, unless vehicles are required by this Agreement to be directly towed to the Secondary Storage Facility. Vehicles stored at the Primary Storage Facility may be moved to the Secondary Storage Facility after the first twenty-four (24) hours. Contractor shall ensure that it transfers vehicles from Primary to Secondary Storage frequently enough to ensure that there is, at all times, sufficient space for newly-towed vehicles to be received at the Primary Storage Facility. Contractor shall not conduct any vehicle maintenance or vehicle parts sales at the Primary Storage Facility, except for maintenance of forklifts or other lot operations equipment.

**(c) Secondary Storage Facility**

**(i) Authorized Facility.** City hereby grants Contractor a license to occupy and use the Property at 2650 Bayshore Boulevard, Daly City as a Secondary Storage Facility as of the Effective Date of the Agreement during the Term of and so long as the Contractor complies with the terms and conditions of Appendices C and D.

**(ii) Vehicle Storage and Retrieval.** Contractor shall use the Secondary Storage Facility to store vehicles, including vehicles towed directly to the Secondary Storage Facility and most vehicles which are not picked up by the public within twenty-four (24) hours. Contractor shall conduct vehicle lien sales at this location. This facility shall be open to the public from 8:00 a.m. to 6:00 p.m. Monday through Friday. Outside of operating hours, Contractor shall secure the Secondary Storage Facility using security personnel. All vehicles must be available for retrieval from the Secondary Storage Facility by Contractor's staff twenty-four (24) hours per day, 365 days per year, with the exception of the following categories of vehicles: (1) type II vehicles (more than 8,500 lbs. but less than 26,500 lbs., trucks, buses, and unattached trailers); (2) type V vehicles (more than 26,500 lbs., trucks, buses, and unattached trailers); (3) stolen recovery vehicles (vehicles stolen and recovered by SFMTA or SFPD); (4) hit and run vehicles (vehicles involved in hit and run accidents); (5) accident vehicles (vehicles involved in accidents and towed by the SFMTA or the SFPD); and (6) abandoned/missing parts vehicles (vehicles abandoned by owner/driver and missing parts).

**(iii) Tows to Secondary Storage.** Contractor shall tow all Scofflaw, arrest, accident, Abandoned, recovered stolen vehicles, oversized vehicles, SFPD STOP Administrative Police Hold vehicles, disabled vehicles, dilapidated vehicles and other vehicles as directed by the City directly to the Secondary Storage Facility. The specific policies for whether vehicles are towed to the Primary Storage Facility or directly to the Secondary Storage Facility may be changed at any time subject to City's prior written agreement.

**(iv) Facility Management.** Contractor agrees to assume all responsibilities for use of storage facilities at 2650 Bayshore Boulevard, Daly City in accordance with the Bayshore License attached as Appendix H to the First Amendment to this Agreement and incorporated by reference herein .

Contractor shall manage the Secondary Storage Facilities, in compliance with the Bayshore License, to meet the following guidelines:

**(1)** Contractor shall remove vehicles that have been legally cleared for disposal on a weekly basis.

**(2)** Contractor shall, at a minimum, hold a vehicle lien sale auction once a week.

**(3)** Vehicles shall be placed in such a way that no more than four (4) vehicles shall need to be moved to clear a passage for any vehicle.

**(4)** Two (2) feet of clearance space shall be maintained between the sides of all vehicles.

**(5)** The Secondary Storage Facility personnel shall comply with all municipal, state, and federal codes and safety regulations at all times.

(6) The Secondary Storage Facility shall be clean and maintained at all times.

(7) Facilities shall be screened from public view except for necessary gates.

(8) Gates shall be at least eight (8) feet high and maintained in good condition.

(9) The parking and storage surface shall be maintained in accordance with all requirements of Appendices B and the Bayshore License Agreement.

(10) Security systems, including ample lighting and a surveillance system, shall be in place and operational at all times for the entire area occupied by Contractor under the Bayshore.

(11) Contractor shall not permit the public to walk through the lot unescorted by an employee of Contractor.

(d) **Central Dispatch.** Contractor's Central Dispatch facility shall operate twenty-four (24) hours per day, 365 days per year. City hereby approves any location of Central Dispatch at the Primary Storage Facility or at Contractor's Headquarters Office, so long as Central Dispatch is located within the City and County of San Francisco.

(e) **Changes in Facilities**

(i) **Approval.** City may approve relocation of Designated Facilities, including shifting Contractor's operations between existing Designated Facilities, terminating the use of one or more Designated Facilities, or adding new Designated Facilities. Any such relocation or change to Designated Facilities shall require prior written approval of City.

(ii) **Service Standards.** In the event that City approves the relocation of any Designated Facility, the parties acknowledge that certain response times and maximum charges contemplated by this Agreement may require modification to take into account the changed geographic circumstances of Contractor's operations. Any written approval of a change to the Designated Facilities listed in this Agreement shall include a revised schedule of fees and/or response times to which the parties have agreed as part of the relocation, if necessary.

(iii) **Consolidation.** Contractor has relocated the Customer Service Center and Primary Storage Facility to a single location at the 450 7th Street site. Should City cease to use Contractor for towing services prior to February 28, 2015, the terms for City's continued use of the 450 7th Street property are set forth in Appendix G.

u. **Section 11.2**

**Section 11.2 of Appendix A to the Agreement is amended in its entirety to read as follows:**

**11.2 Property Maintenance Requirements.** All costs associated with maintenance of Designated Facilities shall be the sole responsibility of the Contractor.

All open areas within the Designated Facilities used for vehicle storage shall be maintained in a clean, secure, neat, and visually presentable manner. Contractor shall not dismantle or crush vehicles or remove vehicle fluids on the any of the facilities to be used in the performance of this Agreement except in compliance with environmental regulations and the applicable requirements of Appendices B and the Bayshore License Agreement. Any removal of fluids from vehicles shall be conducted in a manner that complies with all requirements of this Agreement, and may only be performed by a licensed contractor, and into portable containers that are immediately removed from the facility.

**v. Section 12.1**

**Section 12.1 of Appendix A to the Agreement is amended in its entirety to read as follows:**

**12.1 Payments Due to City**  
***Referral Fee***

Contractor shall submit to the City a Referral Fee of \$20 per tow, excluding dropped tows as described in Appendix A, Section 4.2. The Referral Fee shall be the same for every type of vehicle, and shall increase each twelve (12) month period on each July 1<sup>st</sup> by the Consumer Price Index for the San Francisco Region as published by the United States Department of Labor, Bureau of Labor Statistics on January 1. Adjustments will be rounded to the nearest twenty-five cents (\$0.25). No Referral Fee shall be paid for:

- (1) Vehicles owned by the City under the jurisdiction of the SFMTA or the SFPD, or any other Courtesy Tow performed pursuant to Section 2.4 of this Appendix A, and

Vehicles for which a waiver of towing, storage, transfer and/or lien fees is issued by SFMTA, DPH or SFPD.

**Percentage Fee**

Contractor shall submit to the City a percentage fee of one percent (1%) on annual Gross Revenues from all money collected during the term of this Agreement. This fee shall be initially paid in the fifteenth (15<sup>th</sup>) month after the Agreement is signed, in the thirteenth (13<sup>th</sup>) month thereafter for the previous twelve (12) month term, and yearly thereafter.

**SFMTA Administrative Fees**

Prior to releasing the vehicle, Contractor shall collect a pass-through SFMTA Administrative Towing Fee for all vehicles recovered by the vehicle owner. The amount of the SFMTA Administrative Towing Fee is subject to change in accordance with the provisions of San Francisco Transportation Code § 305. In addition, prior to releasing the vehicle, Contractor shall collect a pass-through daily SFMTA Administrative Storage Fee for stored vehicles based upon the number of days the vehicle has been stored prior to recovery by the vehicle owner. No Administrative Fee shall be collected for:

Any vehicle owned by the City under the jurisdiction of the SFMTA or the SFPD, or any other Courtesy Tow performed pursuant to Section 2.4 of this Appendix A.

Any vehicle for which the Customer produces a written waiver of the SFMTA Administrative Fee issued by SFMTA, DPH or the SFPD.

**SFPD Traffic Offender Fee**

If applicable, when a vehicle is sold at a lien sale and there are funds to satisfy all other fees as defined in Section 12.3(c) of this Appendix A, then Contractor shall pay to the SFPD or into an account designated by the SFPD an SFPD Traffic Offender Fee in an amount set by the San Francisco Police Commission. City and Contractor may agree in writing to utilize a mechanism other than the process described in Section 12.1(g) for collection of the SFPD Traffic Offender Fee.

**Citation Fees**

Contractor shall collect payments of Citation fees from Customers with towed vehicles and from members of the public whose vehicles have not been towed, in accordance with all requirements set forth in this Agreement.

**Liquidated Damages and Fines**

Contractor shall pay to City the amounts of any liquidated damages or fines assessed pursuant to this Appendix A, Section 15 and, Section 6.6 of the Bayshore License Agreement.

**Deposit of Fees Due to City**

Except as otherwise specified herein, Contractor shall deposit all funds collected under this Section 12 within twenty-four (24) hours of receipt into an account specified by the City, Monday through Friday, not including weekends and holidays. Any funds with a deadline for deposit which falls on a weekend or a holiday shall be deposited no later than the next business day. All funds due to City under this Section shall be paid by Contractor without prior demand by the City and without any deduction, setoff, or counterclaim whatsoever, except as expressly provided herein. The parties may agree upon alternative procedures for Contractor's payment to City, but any such change must be approved in advance, by City, in writing.

**Payment Shortages**

If Contractor fails to collect all amounts due from a Customer, Contractor shall be responsible to reimburse the City for any amounts not collected as required herein, unless the failure is caused solely by the negligence of City or a failure of the CMS. Contractor shall follow any procedures required by the City to report overages or shortages.

**w. Section 14.2**

**Section 14.2 of Appendix A to the Agreement is amended in its entirety to read as follows:**

**14.2 Approval Process.** All elements of the Operations Plan shall be subject to City review and approval. All Operations Plan elements must be initially submitted no later than the deadlines set forth in Appendix B for each Operations Plan element. The deadline for any Operations Plan element described in the Agreement may be extended by written approval of SFMTA upon the request of and a showing of good cause by Contractor. City shall have sixty (60) days to review each element submitted, and either approve it as submitted or request revisions. Contractor shall respond to a request for revisions within twenty (20) days. City will have fifteen (15) days to either approve the revised Plan element or request further revisions. Contractor and City shall from this point on have five (5) days to either approve the revised Plan element as submitted, submit further requests for revisions or to respond to requests for revisions. Each revision must reflect tracking of document versions, including date and source of revisions, and each exchange of versions between the parties shall be accompanied by an executed document substantially in the form of Appendix B.

- x. Appendix C to the Agreement is deleted in its entirety.**
- y. Appendix D to the Agreement is deleted in its entirety and is replaced by Appendix H, which is attached to this Amendment.**

3. **Effective Date.** Each of the modifications set forth in Section 2 shall be effective on and after the date of this Amendment.
4. **Legal Effect.** Except as expressly modified by this Amendment, all of the terms and conditions of the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Contractor and City have executed this Amendment as of the date first referenced above.

<p><b>CITY</b></p> <p>San Francisco Municipal Transportation Agency</p> <hr/> <p>Edward D. Reiskin Director of Transportation</p>	<p><b>CONTRACTOR</b></p> <p>TEGSCO, LLC, d.b.a. San Francisco AutoReturn</p> <hr/> <p>JOHN WICKER President and CEO 945 Bryant Street, Suite 350 San Francisco, CA 94103</p>
<p>Authorized by:</p> <p>Municipal Transportation Agency Board of Directors</p> <p>Resolution No: _____ Adopted: _____</p> <p>Attest: _____ Roberta Boomer, Secretary SFMTA Board of Directors</p>	
<p>Approved as to Form:</p> <p>Dennis J. Herrera City Attorney</p> <p>By:</p> <hr/> <p>Mariam M. Morley Deputy City Attorney</p>	

**APPENDIX H  
TO THE TOWING AGREEMENT  
BY AND BETWEEN  
THE CITY AND COUNTY OF SAN FRANCISCO  
AND  
TEGSCO, LLC, d.b.a. SAN FRANCISCO AUTORETURN  
Granting a Revocable License for the Use of Certain Property**

**Table of Contents**

**RECITALS .....1**

**AGREEMENT.....2**

**1. BASIC LICENSE INFORMATION .....2**

**2. PREMISES.....3**

    2.1 *License Premises.* .....3

    2.2 *Subordinate to Lease.* .....4

    2.3 *Performance of Lease Obligations.* .....4

    2.4 *Amendments to Lease.*.....4

    2.5 *Contact with Prologis.* .....4

**3. INSPECTION OF PROPERTY; AS IS CONDITION .....4**

    3.1 *Inspection of Premises.* .....5

    3.2 *As Is Condition.* .....5

    3.3 *Accessibility Inspection Disclosure.*.....5

**4. LICENSE TERM.....5**

    4.1 *Original Term.* .....5

    4.2 *Early Termination.* .....5

**5. FEE .....6**

    5.1 *Base Fee; Rent Credit.* .....6

    5.2 *Adjustments in Base Fee.* .....6

    5.3 *Default Interest.* .....6

    5.4 *Deduction from Amounts Due.* .....7

    5.5 *Abatement of Base Fee and Base Fee Credits.* .....7

**6. USE OF PREMISES .....8**

    6.1 *Permitted Use.*.....8

    6.2 *Use of Equipment and Machinery.*.....8

    6.3 *Limitation to Described Purpose.* .....8

    6.4 *No Unlawful Uses, Nuisances or Waste.* .....8

    6.5 *Security.* .....9

    6.6 *Fines.*.....9

**7. ALTERATIONS .....9**

    7.1 *Licensee's Alterations.*.....9

    7.2 *Title to Improvements.*.....10

    7.3 *Licensee's Personal Property.*.....10

    7.4 *City's Alterations of the Building and Building Systems.*.....10

7.5	<i>Removal of Alterations.</i>	11
8.	<b>REPAIRS AND MAINTENANCE</b>	11
8.1	<i>Licensee's Repairs.</i>	11
8.2	<i>Approved Operations Plan.</i>	12
9.	<b>LIENS AND ENCUMBRANCES</b>	12
9.1	<i>Liens.</i>	12
9.2	<i>Encumbrances.</i>	13
10.	<b>UTILITIES AND SERVICES</b>	13
10.1	<i>Utilities and Services.</i>	13
10.2	<i>Utility Maintenance.</i>	13
11.	<b>COMPLIANCE WITH LAWS AND RISK MANAGEMENT REQUIREMENTS</b>	13
11.1	<i>Compliance with Laws.</i>	13
11.2	<i>Regulatory Approvals.</i>	14
11.3	<i>Compliance with City's Risk Management Requirements.</i>	15
12.	<b>SUBORDINATION</b>	15
13.	<b>INABILITY TO PERFORM</b>	15
14.	<b>DAMAGE AND DESTRUCTION</b>	15
14.1	<i>Damage and Destruction.</i>	15
14.2	<i>City Repairs.</i>	16
14.3	<i>Termination by City.</i>	16
14.4	<i>Licensee Waiver.</i>	16
15.	<b>EMINENT DOMAIN</b>	16
15.1	<i>Definitions.</i>	16
15.2	<i>General.</i>	16
15.3	<i>Total Taking; Automatic Termination.</i>	17
15.4	<i>Partial Taking; Election to Terminate.</i>	17
15.5	<i>License Fee: Award.</i>	17
15.6	<i>Partial Taking: Continuation of License.</i>	17
15.7	<i>Temporary Takings.</i>	18
16.	<b>ASSIGNMENT AND SUBLETTING</b>	18
17.	<b>DEFAULT; REMEDIES</b>	18
17.1	<i>Events of Default.</i>	18
17.2	<i>City Rights Upon Default.</i>	19
17.3	<i>City's Right to Cure Licensee's Defaults.</i>	19
18.	<b>WAIVER OF CLAIMS; INDEMNIFICATION</b>	20
18.1	<i>Limitation on City's Liability: Waiver of Claims.</i>	20
18.2	<i>Licensee's Indemnity.</i>	20
19.	<b>INSURANCE</b>	21
19.1	<i>Licensee's Insurance.</i>	21
19.2	<i>Licensee's Personal Property.</i>	21



19.3	<i>City's Self Insurance.</i>	21
19.4	<i>Waiver of Subrogation.</i>	21
20.	<b>ACCESS BY CITY</b>	21
21.	<b>LICENSEE'S CERTIFICATES</b>	22
22.	<b>PREMISES MAINTENANCE REQUIREMENTS</b>	22
22.1	<i>Maintenance of Pavement.</i>	22
22.2	<i>Plan and Reporting.</i>	23
23.	<b>SURRENDER OF PREMISES</b>	23
24.	<b>HAZARDOUS MATERIALS</b>	24
24.1	<i>Definitions.</i>	24
24.2	<i>No Hazardous Materials.</i>	25
24.3	<i>Licensee's Environmental Indemnity.</i>	25
24.4	<i>Compliance with Environmental Laws.</i>	26
24.5	<i>Information Requests.</i>	27
24.6	<i>Damaged Vehicles.</i>	27
24.7	<i>Fire Prevention Measures.</i>	27
24.8	<i>Requirement to Remove.</i>	28
24.9	<i>Licensee's Environmental Condition Notification Requirements.</i>	28
24.10	<i>Environmental Security Deposit.</i>	29
24.11	<i>Environmental Oversight Deposit.</i>	30
24.12	<i>Hazardous Substance Disclosure.</i>	30
25.	<b>GENERAL PROVISIONS</b>	31
25.1	<i>Notices.</i>	31
25.2	<i>No Implied Waiver.</i>	31
25.3	<i>Amendments.</i>	31
25.4	<i>Authority.</i>	31
25.5	<i>Parties and Their Agents; Approvals.</i>	32
25.6	<i>Interpretation of License.</i>	32
25.7	<i>Successors and Assigns.</i>	32
25.8	<i>Severability.</i>	33
25.9	<i>Governing Law.</i>	33
25.10	<i>Entire Agreement.</i>	33
25.11	<i>Attorneys' Fees.</i>	33
25.12	<i>Holding Over.</i>	33
25.13	<i>Time of Essence.</i>	34
25.14	<i>Cumulative Remedies.</i>	34
25.15	<i>Provisions of License Surviving Termination.</i>	34
25.16	<i>Signs.</i>	34
25.17	<i>Relationship of the Parties.</i>	34
25.18	<i>Light and Air.</i>	34
25.19	<i>No Recording.</i>	35
25.20	<i>Drug-Free Workplace.</i>	35
25.21	<i>Public Transit Information.</i>	35
25.22	<i>Taxes, Assessments, Licenses, Permit Fees and Liens.</i>	35
25.23	<i>Wages and Working Conditions.</i>	35

25.24 *Non-Discrimination in City Contracts and Benefits Ordinance.* ..... 35

25.25 *Non-Liability of City Officials, Employees and Agents.* ..... 36

25.26 *No Relocation Assistance: Waiver of Claims.*..... 37

25.27 *MacBride Principles - Northern Ireland.*..... 37

25.28 *Tropical Hardwood and Virgin Redwood Ban.*..... 37

25.29 *Pesticide Prohibition.* ..... 37

25.30 *First Source Hiring Ordinance.*..... 37

25.31 *Sunshine Ordinance.*..... 38

25.32 *Conflicts of Interest.*..... 38

25.33 *Charter Provisions.*..... 38

25.34 *Prohibition of Cigarette or Tobacco Advertising.* ..... 38

25.35 *Prohibition of Alcoholic Beverage Advertising.*..... 38

25.36 *Requiring Health Benefits for Covered Employees.* ..... 38

25.37 *Notification of Limitations on Contributions.*..... 40

25.38 *Preservative-Treated Wood Containing Arsenic.*..... 40

25.39 *Resource Efficient City Buildings and Pilot Projects.* ..... 41

25.40 *Food Service Waste Reduction.* ..... 41

25.41 *References.*..... 41

25.42 *Counterparts.* ..... 41

25.43 *Effective Date.* ..... 41

25.44 *Cooperative Drafting.*..... 41

**APPENDIX H**  
**TO THE TOWING AGREEMENT**  
**BY AND BETWEEN**  
**THE CITY AND COUNTY OF SAN FRANCISCO**  
**AND**  
**TEGSCO, LLC, d.b.a. SAN FRANCISCO AUTORETURN**

**AMENDED AND RESTATED REVOCABLE LICENSE TO ENTER AND USE  
PROPERTY**

THIS AMENDED AND RESTATED REVOCABLE LICENSE TO ENTER AND USE PROPERTY ("License"), between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City"), acting by and through its Municipal Transportation Agency ("SFMTA"), and TEGSCO, LLC, a California limited liability company, d.b.a. San Francisco AutoReturn ("Licensee"), and dated as of December \_\_\_, 2013, is Appendix H to the Amended and Restated Agreement and Property Use License for Towing, Storage and Disposal of Abandoned and Illegally Parked Vehicles between City and Licensee, dated for convenience as July 31, 2010 (the "Original Towing Agreement"), as amended by the First Amendment to Amended and Restated Agreement and Property Use License dated as of December \_\_\_, 2013 (the "Towing Amendment"), which are incorporated herein by reference as if fully set forth herein.

**RECITALS**

This License is made with reference to the following facts:

**A.** City and Licensee are parties to the Original Towing Agreement and the Towing Amendment (together, the "Towing Agreement") for the towing and storage of abandoned and illegally parked vehicles.

**B.** As part of the Towing Agreement, City granted Licensee a license to use certain City property pursuant to a Revocable License for the Use of Certain Property on Pier 70, San Francisco, California, between Licensee and City, with an effective date of July 31, 2010 (as amended, the "Original License Agreement"), for the premises described in the Original License Amendment (the "Pier 70 License Area"), subject to the terms of a Memorandum of Understanding between the San Francisco Port Commission and SFMTA with an effective date of July 31, 2005, as amended.

**C.** City leases that certain real property commonly known as 2650 Bayshore Boulevard, Daly City, California (the "Property") from Prologis, L.P., a Delaware limited partnership ("Prologis") pursuant to an Industrial Lease between City and Prologis dated as of October 29, 2012, a copy of which is attached to this License as Attachment 1 (the "Lease").

**D.** Pursuant to Section 2.2.1 and Section 4.1 of the Original License Agreement, City relocated Licensee from the Pier 70 License Area to the portion of the Property shown on Attachment 2 (the "Premises") and agrees to reduce the Base Fee (as defined in the Original License Agreement) to reflect the reduced size of the Premises, and City and Licensee wish to amend and restate the Original License Agreement in its entirety in connection with such relocation and reduction.

Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

## AGREEMENT

### 1. BASIC LICENSE INFORMATION

The following is a summary of Basic License information (the "Basic License Information"). Each item below shall be deemed to incorporate all of the terms in this License pertaining to such item. In the event of any conflict between the information in this Section and any more specific provision of this License, the more specific provision shall control.

<b>Licensor:</b>	CITY AND COUNTY OF SAN FRANCISCO, A MUNICIPAL CORPORATION
<b>Licensee:</b>	TEGSCO, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY D.B.A. SAN FRANCISCO AUTORETURN
<b>Property (Section 2.1):</b>	That certain real property commonly known as 2650 Bayshore Boulevard, Daly City, California, as fully described in Exhibit A to the Lease (the "Property").
<b>Building (Section 2.1):</b>	The building located on the Property.
<b>Premises (Section 2.1):</b>	The portions of the Property and Building depicted on <u>Attachment 2</u> and comprised of approximately 330,771 square feet
<b>Term (Section 4):</b>	Commencement Date: The date this License is fully executed.  Expiration Date: July 31, 2015, subject to any earlier termination of this License pursuant to the terms hereof.
<b>Base Fee (Section 5):</b>	Initial Monthly Fee: \$144,094.83, as adjusted on August 1, 2014 pursuant to <u>Section 5.2</u> .
<b>Permitted Use (Section 6.1):</b>	Parking space for the storage and transfer of vehicles, public lien sale auctions and office space for the administration of Licensee's operations under the Towing Agreement.
<b>Utilities and Services (Section 10):</b>	Obtained and paid by Licensee at its sole cost, provided that Licensee shall reimburse City pursuant to <u>Section 10</u> for the gas and electricity utilities provided by City to the Premises.
<b>Security (Section 6.5):</b>	Licensee shall be solely responsible for the security of the Premises.
<b>Security Deposit (Section 24.10):</b>	Provided under Section 12 [Financial Assurances] of the Towing Agreement.
<b>Notices to the Parties: (Section 25.1)</b>	Any notice, demand, consent or approval required under this License must be sent by first class certified U.S. mail

with return receipt requested, or by overnight courier, return receipt requested, with postage pre-paid. All other written communications, unless otherwise indicated elsewhere in this License, may be by first class U.S. mail, by email, or by facsimile. All communications related to this License shall be addressed as follows:

**To Licensee:** San Francisco AutoReturn  
Attention: John Wicker  
945 Bryant Street  
San Francisco, CA 94103  
telephone : (415) 575-2355  
facsimile: (415) 575-2341  
Email: jwicker@autoreturn.com

**To City:** City and County of San Francisco  
Attention: Lorraine Fuqua  
1 South Van Ness Avenue, Suite 800  
San Francisco, CA 94102  
telephone: 415-701-4678  
facsimile: 415-701-4736  
Email: lorraine.fuqua@sfmta.com

## **2. PREMISES**

### **2.1 License Premises.**

**2.1.1** City confers to Licensee a revocable, personal, non-exclusive and non-possessory privilege to enter upon and use those certain premises identified in the Basic License Information and shown on Attachment 2, attached hereto and incorporated by reference as though fully set forth herein (collectively, the "Premises"), for the limited purpose and subject to the terms, conditions and restrictions set forth below. This License gives Licensee a license only, revocable at any time at the will of City, and notwithstanding anything to the contrary herein, this License does not constitute a grant by City of any ownership, leasehold, easement or other property interest or estate whatsoever in the Premises, or any portion thereof. The privilege given to Licensee under this License is effective only insofar as the rights of City in the Premises are concerned, and Licensee shall obtain any further permission necessary because of any other existing rights affecting the Premises. The area of the Premises specified in the Basic License Information shall be conclusive for all purposes hereof. The Premises, land upon which the Premises is located and all other improvements on and appurtenances to such land are referred to collectively as the "Premises."

**2.1.2** City may, at City's sole and absolute discretion, relocate Licensee from any portion or all of the Premises to another location on the Property or other City property that City in its sole and absolute discretion deems suitable for the uses permitted hereunder; provided that such relocation shall not materially interfere with Licensee's ability to meet its obligations under the Towing Agreement. In the event of any such relocation, the new location shall become part or all of the Premises hereunder.

**2.1.3** City may, at City's sole and absolute discretion, modify the original configuration of the Premises; provided that such modification shall not materially interfere with Licensee's ability to meet its obligations under the Towing Agreement, unless such modification is required under the Lease.

**2.1.4** Licensee acknowledges that the interest of City in the Premises is limited to those rights conveyed to City pursuant to the Lease. Licensee hereby agrees to assume all responsibility for and be bound by all covenants, terms and conditions made by or applicable to City under the Lease, and shall not take any actions that would cause the City to be in default under the Lease. In the event there are any inconsistencies between the provisions of this License and the Lease, the provisions of the Lease shall govern Licensee's use of the Premises hereunder.

## **2.2 Subordinate to Lease.**

This License is expressly made subject and subordinate to all the terms, covenants and conditions of the Lease, which are incorporated herein by reference (collectively, the "Lease Terms"). Licensee agrees to use the Premises in accordance with the Lease Terms and not take or fail to take any act that City would be required to not take or take under the Lease to comply with the Lease Terms.

## **2.3 Performance of Lease Obligations.**

Licensee further agrees to assume the obligation for performance of all City's obligations under the Lease with respect to the Premises, except as may be specifically modified by this License and excluding City's obligation to pay rent to Prologis under the Lease.

## **2.4 Amendments to Lease.**

Licensee agrees that City shall have the right to enter into amendments or modifications to the Lease without Licensee's prior written consent; provided, however, that if such proposed amendment or modification would materially affect Licensee's rights under this License, Licensee shall not be subject to such amendment or modification unless it consents to be subject thereto in writing. In the event Licensee fails within fifteen (15) business days to respond in writing to City's written request for such consent, then Licensee shall be deemed without further notice to have consented to City's request for consent.

## **2.5 Contact with Prologis.**

Licensee has no authority to contact Prologis or make any agreement with Prologis concerning the Premises or the Lease without City's prior written consent, and Licensee shall make payments of the Base Fee and any other charges payable by Licensee under this License only to City.

**2.6 Prologis Duties.** The Lease describes Prologis' duties with respect to the Property. City is not obligated to perform such Prologis' duties. If Prologis fails to perform its duties, Licensee shall provide notice to City. In no event shall City incur any liability, or otherwise be responsible, nor shall there be any set-off, deduction or abatement of any Base Fee or other amounts owed by Licensee to City pursuant to this License arising from Prologis' failure to comply with its duties. Notwithstanding anything to the contrary in the foregoing, if Prologis fails to perform its duties under the Lease and such failure materially interferes with Licensee's use of the Premises, Licensee shall be entitled to a proportionate abatement of the Base Fee to the extent City receives an abatement of rent for such failure under the Lease.

**2.7 Termination of Lease.** If the Lease is terminated for any reason during the Term, this License shall automatically terminate as of such Lease termination date.

## **3. INSPECTION OF PROPERTY; AS IS CONDITION**

### **3.1 Inspection of Premises.**

Licensee represents and warrants that Licensee has conducted a thorough and diligent inspection and investigation of the Property and the suitability of the Premises for Licensee's intended use, either independently or through its officers, directors, employees, agents, affiliates, subsidiaries licensees and contractors, and their respective heirs, legal representatives, successors and assigns, and each of them. Licensee is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises is suitable for its operations and intended uses. Licensee further represents and warrants that Licensee has occupied the Premises since May 1, 2013.

### **3.2 As Is Condition.**

WITHOUT WAIVING ANY OF LICENSEE'S RIGHTS ESTABLISHED IN SECTIONS 24.3 AND 24.8 BELOW, LICENSEE ACKNOWLEDGES AND AGREES THAT THE PREMISES ARE BEING LICENSED AND HAVE BEEN ACCEPTED IN THEIR "AS IS" AND "WITH ALL FAULTS" CONDITION, WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, AND SUBJECT TO ALL APPLICABLE LAWS, RULES AND ORDINANCES GOVERNING THEIR USE, OCCUPANCY AND POSSESSION. LICENSEE ACKNOWLEDGES AND AGREES THAT NEITHER CITY NOR ANY OF ITS AGENTS HAVE MADE, AND CITY HEREBY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE RENTABLE AREA OF THE PREMISES, THE PHYSICAL, SEISMOLOGICAL OR ENVIRONMENTAL CONDITION OF THE PREMISES OR THE PROPERTY, THE PRESENT OR FUTURE SUITABILITY OF THE PREMISES FOR LICENSEE'S BUSINESS, OR ANY OTHER MATTER WHATSOEVER RELATING TO THE PREMISES, INCLUDING, WITHOUT LIMITATION, AND IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

### **3.3 Accessibility Inspection Disclosure.**

Licensee is hereby advised that the Premises have not been inspected by a Certified Access Specialist under California Civil Code Section 1938.

## **4. LICENSE TERM**

### **4.1 Original Term.**

The privilege given to Licensee pursuant to this License is temporary only and shall commence upon the Commencement Date (as described in the Basic License Information) and shall terminate on July 31, 2015, or the date of earlier termination of this License pursuant to the terms of this License or the Towing Agreement (the "Expiration Date"). Without limiting any of its rights hereunder, City may at its sole option freely revoke this License at any time, without cause and without any obligation to pay any consideration to Licensee. Licensee acknowledges its receipt and acceptance of the Premises on May 1, 2013.

### **4.2 Early Termination.**

Without limiting any of its rights hereunder, City may at its sole option freely terminate this License as to all or a portion of the Premises without cause and without any obligation to pay any consideration to Licensee. In the event that City terminates this License as to a portion of the Premises under this Paragraph, the Base Fee will be reduced in proportion to the amount of square footage removed from the Premises and Licensee shall be solely responsible for all costs

associated with such modifications or reconfiguration that City in its sole discretion deems necessary, including all costs incurred to relocate the operations, Premises, fences, gates, lights, driveways, and other improvements; provided, however, that City shall make good faith efforts to reach an agreement with Licensee regarding the nature and extent of such necessary modifications or reconfiguration.

## **5. FEE**

### **5.1 Base Fee; Rent Credit.**

Throughout the Term commencing on the first day of the Term, Licensee shall pay to City the monthly Base Fee specified in the Basic License Information (the "Base Fee"), subject to the adjustments made pursuant to Section 5.2. Licensee shall pay the Base Fee to City monthly, in advance, on or before the first of the month for which the fee is due, without prior demand and without any deduction, setoff or counterclaim whatsoever, except as such deduction or setoff is specifically provided for in Section 5.6 [Abatement of Base Fee and Base Fee Credits]. The Base Fee shall be paid by wire transfer to the account designated by City in writing. If the first day of the Term occurs on a day other than the first day of a calendar month, then the Base Fee for such fractional month shall be prorated based on a thirty (30) day month.

City and Licensee acknowledge that, pursuant to Section 2.1.2 of the Original License Agreement, Licensee relocated from the Pier 70 License Area to the Premises on May 1, 2013, and continued to pay the full monthly license fee required under the Original License Agreement from May 1, 2013, through the first day of the month in which the Commencement Date occurs. Since the Premises is smaller than the Pier 70 License Area, on the Commencement Date, Licensee shall be entitled to a one-time rent credit equal to (i) the amount by which the monthly license fee paid by Licensee to City pursuant to Section 5 of the Original License Agreement exceeded \$144,094.83, multiplied by (ii) the number of months between the Commencement Date and May 1, 2013. Such rent credit shall be offset against the first monthly Base Fee payment made by Licensee pursuant to this License.

### **5.2 Adjustments in Base Fee.**

Commencing on August 1, 2014, the monthly Base Fee shall be adjusted to \$147,928.28.

#### **5.2.1 Late Charges.**

If Licensee fails to pay all or any portion of any payment to be made by Licensee to City pursuant to this License within five (5) days following the due date for such payment, such unpaid amount shall be subject to a late payment charge equal to six percent (6%) of the unpaid amount in each instance. The late payment charge has been agreed upon by City and Licensee, after negotiation, as a reasonable estimate of the additional administrative costs and detriment that City will incur as a result of any such failure by Licensee, the actual costs thereof being extremely difficult if not impossible to determine. The late payment charge constitutes liquidated damages to compensate City for its damages resulting from such failure to pay and shall be paid to City together with such unpaid amount.

### **5.3 Default Interest.**

Any payment to be made by Licensee to City pursuant to this License, if not paid within five (5) days following the due date, shall bear interest from the due date until paid at the rate of ten percent (10%) per year or, if a higher rate is legally permissible, at the highest rate an individual is permitted to charge under law. However, interest shall not be payable on late charges incurred by Licensee nor on any amounts on which late charges are paid by Licensee



to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Licensee.

#### **5.4 Deduction from Amounts Due.**

In the event Licensee fails to pay any payment due hereunder for more than ten (10) days following the due date, City may deduct and withhold the amount of such payment, together with the amount of applicable late charges and default interest as provided herein, from any monies in City's possession due Licensee pursuant to the Towing Agreement.

#### **5.5 Abatement of Base Fee and Base Fee Credits.**

During the Term, and subject to City's prior written approval (which shall not be unreasonably withheld), City shall grant abatement of the Base Fee or allow Licensee a credit that may offset from the Base Fee under the circumstances listed in this Section 5.6. All Base Fee abatements and credits available to Licensee shall be applied against the Base Fee payment obligation during the Term at a rate not greater than one half ( $\frac{1}{2}$ ) of the applicable month Base Rent payment and shall be applied if and only if Licensee is in good standing and is not in default of any of the terms of this License. In the event that the total of Base Fee abatements or credits available to Licensee pursuant to this Section 5.6 exceeds an amount equal to one half ( $\frac{1}{2}$ ) of the Base Fee payment for any one calendar month, the remaining available Base Fee credit shall be carried forward to successive calendar months at a rate not to exceed one half ( $\frac{1}{2}$ ) of the applicable Base Fee payment, until all available Base Fee credits have been fully applied. In no event, however, shall Licensee be entitled to the application of any Base Fee credits or the value thereof beyond the expiration or earlier termination of this License.

**5.5.1** If the Premises ceases to be used for towing operations at any time due to damage sustained during the Term by fire, earthquake, or other casualty rendering the Premises unsuitable for occupancy as determined by the City of Daly City pursuant to the Daly City Building Code, or are otherwise deemed legally not useable for any reason, Licensee shall be entitled to an abatement in Base Fee to the same extent that City receives a Rent abatement pursuant to Section 12 of the Lease.

**5.5.2** At any time during the Term of this License, City may elect to fund certain property maintenance, construction, improvements, systems development or staffing related to City towing and impoundment operations that are not the responsibility of Licensee under the Towing Agreement ("Projects"). City may require Licensee, upon ninety (90) day's written notice, to implement any such Project. In consideration for implementation of the Project by Licensee, City shall issue an appropriate Base Fee credit in the amount of the reasonable actual costs of the Project. No Project may be implemented without the prior written approval of the City, and all Project implementation must be in accordance with the scope, specifications, maximum costs and all other requirements provided in writing by City. Licensee shall be responsible for obtaining all required permits, governmental approvals and insurance for any Project, the reasonable actual costs of which shall be included in the Base Fee credit. After the completion of the Project, Licensee must deliver to City an itemized statement of the actual costs of the Project, accompanied by documentation substantiating all said expenditures. Such documentation of expenditures shall include: (i) copies of executed contracts; (ii) copies of invoices for labor, services and/or materials, copies of bills of lading, and/or copies of other bills or receipts for goods, materials and/or services; (iii) copies of canceled checks, and (iv) such other proofs of expenditure as may be reasonably requested by City. Such appropriate proofs of expenditure may include copies of canceled checks; copies of contracts or invoices for labor, services and/or materials marked "Paid", or otherwise evidenced as having been paid bills of

lading marked "Paid"; other bills, contracts, receipts for goods materials and/or services marked "Paid" and such other proofs of expenditure as may be reasonably approved by City. All such proofs of expenditure must be directly attributable to the approved Project and may include materials purchased by City for installation by City but not the City's cost if it undertakes such installation.

## **6. USE OF PREMISES**

### **6.1 Permitted Use.**

Licensee shall use and continuously occupy the Premises during the Term solely for temporary storage and transfer of vehicles, public lien sale auctions and related office use as necessary to meet its obligations under the Towing Agreement and for such other uses, if any, as may be specified in the Basic License Information, all to the extent permitted under the Lease Terms. Licensee shall not use the Premises for any other purpose without the prior written approval of City, including, without limitation, the following: (a) crushing or dismantling; (b) maintenance or fueling of vehicles, except as otherwise may be permitted under the Approved Operations Plan (as defined in Section 8.2); (c) selling vehicle parts from the Premises, (d) parking or storage of vehicles not covered under the Towing Agreement, or (e) parking for Licensee's employees, without the prior written approval of City and subject to availability of space necessary to fully perform Licensee's obligations under the Towing Agreement. All available space for vehicle parking shall be used for the purposes set forth in the Towing Agreement, except as otherwise expressly approved by City pursuant to this License. The washing of vehicles shall be with cleansing agents that are biodegradable and non-toxic, and shall be in compliance with the Approved Operations Plan. No advertising or signage may be placed in or about the Premises without the prior written permission of City.

### **6.2 Use of Equipment and Machinery.**

Licensee shall have the right to place on the Premises all necessary equipment and machinery in connection with the permitted use of the Premises. It is understood and agreed that City is not responsible for loss of or damage to any Licensee-owned equipment herein involved, unless caused by the sole negligence of City's officers, agents, and employees.

### **6.3 Limitation to Described Purpose.**

Licensee may occupy and use the Premises solely for the purpose of fulfilling its obligations under the Towing Agreement to store and auction any vehicles towed pursuant to the terms of the Towing Agreement, and for incidental purposes related thereto. Adequate drop-off space must be provided so that tow and transport trucks can load and unload on the Premises. No loading, unloading, queuing, parking or storage of vehicles will be permitted on any remaining portion of the Property or any public streets or rights-of-way adjacent to the Property. All storage activities authorized by this License shall be restricted to the designated enclosed and visually screened area. Any use of the Premises by Licensee shall be subject to the requirements of the Approved Operations Plan.

### **6.4 No Unlawful Uses, Nuisances or Waste.**

Without limiting the foregoing, Licensee shall not use, occupy or permit the use or occupancy of any of the Premises in any unlawful manner or for any illegal purpose, or permit any offensive, noisy or hazardous use or any waste on or about the Premises. Licensee shall take all precautions to eliminate any nuisances or hazards relating to its activities on or about the Premises. Licensee shall not conduct any business, place any sales

display, or advertise in any manner in areas outside the Premises or on or about the Property without the prior written permission of City.

### **6.5 Security.**

Licensee shall at all times provide security at a level acceptable to the City to protect the Premises and all vehicles stored therein, and the persons and property of owners of towed vehicles, against damage, injury, theft or other loss.

### **6.6 Fines.**

Without limiting City's other rights and remedies set forth in this License, if Licensee violates any of the following provisions governing its use of the Premises contained in this License or the Towing Agreement, City may impose a fine of \$300 per day during which Licensee is in violation of any of the specified provisions: Sections 2, 6, 7, 8, 11, 19, 22, and 24 of this License; and Towing Agreement section 12.2. City may also impose this fine for Licensee's failure to submit any documents, reports or other items as and when required by any provision of this License.

The additional charges described in this Section 6.6 shall run from the date of City's notice to Licensee of the violation and shall continue until the violation is cured. All such accrued amounts under this Section shall be payable to City monthly in arrears at the same time, place and manner as the Base Fee is payable unless otherwise specified herein. City shall have the same remedies for a default in the payment of any such amounts as for a default in the payment of Base Fee. The parties agree that the charges described above represent a fair and reasonable estimate of the administrative cost and expense which City will incur due to such violations by reason of its inspections, issuance of charges and other costs.

If City initiates notice of a charge under this Section, Licensee may appeal such charge to SFMTA's Director of Transportation within fourteen (14) days of the notice with evidence supporting Licensee's claim for relief from the charge imposed. SFMTA's Director of Transportation will respond within fourteen (14) days. Any failure of SFMTA's Director of Transportation to respond within the fourteen (14) day period shall be deemed a rejection of Licensee's claim for relief from the charges imposed. The provisions of Section 46 of the Towing Agreement shall not apply to charges imposed under this Section.

City's right to impose the foregoing charges shall be in addition to and not in lieu of any and all other rights under this License or at law or in equity; provided, however, that City agrees that once it has declared an "Event of Default" pursuant to Section 17 of this License, it will no longer impose any new charges with respect to such default. City shall have no obligation to Licensee to impose charges on or otherwise take action against any other person.

## **7. ALTERATIONS**

### **7.1 Licensee's Alterations.**

Licensee shall not make, nor cause or suffer to be made, any alterations, installations, improvements, or additions to any improvements or to the Premises (including demolition or removal), installations, additions or improvements to the Premises, including but not limited to the installation of any appurtenances or trade fixtures affixed to the Premises, constructed by or on behalf of Licensee pursuant to the Towing Agreement, or any trailers, signs, roads, trails, driveways, parking areas, curbs, walks fences walls, stairs, poles, plantings or landscaping, (collectively, "Improvements" or Alterations," which words are interchangeable as used in this License) without first obtaining City's written approval and any required

approvals of regulatory agencies having jurisdiction over the Premises. All Alterations shall be done at Licensee's expense in accordance with plans and specifications approved by City, only by duly licensed and bonded contractors or mechanics approved by City, and subject to any conditions that City may reasonably impose. City may require Licensee, at Licensee's expense, to obtain the prior written approval of City's Arts Commission with respect to any Alterations, to the extent the Arts Commission has jurisdiction over the design of such proposed alterations under City's Charter Section 5.103. All Alterations shall be subject to the following conditions:

**7.1.1** All Alterations shall be constructed in a good and workerlike manner and in compliance with all applicable building, zoning and other laws, and in compliance with the terms of and the conditions imposed in any regulatory approval;

**7.1.2** All Alterations shall be performed with reasonable dispatch, delays beyond the reasonable control of Licensee excepted; and

**7.1.3** At the completion of the construction of the Alterations, Licensee shall furnish one (1) set of "as-built" drawings of the same made on or to the Premises. Unless otherwise stated as a condition of the regulatory approval, this requirement may be fulfilled by the submittal after completion of the Alterations of a hand-corrected copy of the approved permit drawing(s).

## **7.2 Title to Improvements.**

Except for Licensee's Personal Property (as defined in Section 7.3), or as may be specifically provided to the contrary in approved plans, all Alterations, equipment, or other property attached or affixed to or installed in the Premises at the Commencement Date or, by Licensee with the advance approval of City during the Term, shall, at City's sole discretion, remain City's property without compensation to Licensee or be removed at the termination of this License. Licensee may not remove any such Alterations at any time during or after the Term unless City so requests pursuant to Section 23 [Surrender of Premises], below.

## **7.3 Licensee's Personal Property.**

All furniture, trade fixtures, office equipment and articles of movable personal property installed in the Premises by or for the account of Licensee, without expense to City, and that can be removed without structural or other damage to the Premises (collectively, "Licensee's Personal Property") shall be and remain Licensee's property. Licensee may remove Licensee's Personal Property at any time during the Term, subject to the provisions of Section 23 [Surrender of Premises], below. Licensee shall pay any taxes or other impositions levied or assessed upon Licensee's Personal Property, at least ten (10) days prior to delinquency, and shall deliver satisfactory evidence of such payment to City upon request.

## **7.4 City's Alterations of the Building and Building Systems.**

City reserves the right at any time to make alterations, additions, repairs, deletions or improvements to the common areas of the Premises or any other part of the Building or the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems located at the Premises ("Building Systems"), provided that any such alterations or additions shall not materially adversely affect the functional utilization of the Premises for the Permitted Use set forth in Section 6.1 [Permitted Use].

## **7.5 Removal of Alterations.**

At City's election made in accordance with this Section 7.5, Licensee shall be obligated at its own expense to remove and relocate or demolish and remove (as Licensee may choose) any or all Alterations which Licensee has made to the Premises, including without limitation all telephone wiring and equipment installed by Licensee. Licensee shall repair, at its own expense, in good workerlike fashion any damage occasioned thereby.

**7.5.1 Notice of Removal.** Prior to the termination of this License, City shall give written notice to Licensee specifying the Alterations or portions thereof that Licensee shall be required to remove and relocate or demolish and remove from the Premises, in accordance with this Section 7.5 (herein "Notice of Removal"). If termination is the result of loss or destruction of the Premises or any improvements thereon, City shall deliver said Notice of Removal to Licensee within a reasonable time after the loss or destruction. If Licensee fails to complete such demolition or removal on or before the termination of this License, City may perform such removal or demolition at Licensee's expense, and Licensee shall reimburse City upon demand therefor.

**7.5.2 Removal of Non-Permitted Improvements.** If Licensee constructs any Alterations to the Premises without City's prior written consent or without complying with this Section 7, then, in addition to any other remedy available to City, City may require Licensee to remove, at Licensee's expense, any or all such Alterations and to repair, at Licensee's expense and in good workerlike fashion, any damage occasioned thereby. Licensee shall pay any special inspection fees required by the City of Daly City for inspecting any Alterations performed by or for Licensee without required permits.

**7.5.3 Alterations Not Subject to Removal.** In conjunction with a request to make an Alteration under Section 7.1 above, Licensee may submit a request for a City determination of whether a proposed Alteration would or would not be required to be removed upon expiration or termination of this License. Licensee acknowledges that such a determination will be based, in part, on whether Prologis would require the removal of the proposed Alteration upon expiration or termination of the Lease. This Section 7.5.3 shall not apply to Alterations that are required by any regulatory authority to conform the Premises or any building thereon to a requirement of statute, ordinance or regulation.

## **8. REPAIRS AND MAINTENANCE**

### **8.1 Licensee's Repairs.**

Licensee shall maintain, at its sole expense, the Premises in good repair and working order and in a clean, secure, safe and sanitary condition. Licensee shall promptly make all repairs and replacements: (a) at its sole expense, (b) by licensed contractors or qualified mechanics approved by City, (c) so that the same shall be at least equal in quality, value and utility to the original work or installation, (d) in a manner and using equipment and materials that will not interfere with or impair the use or occupation of the Premises, and (e) in accordance with the Lease and all applicable laws, rules and regulations (collectively, "Applicable Law"). Licensee hereby waives all rights to make repairs at City's expense under Sections 1941 and 1942 of the California Civil Code or under any similar law, statute or ordinance now or hereafter in effect.

**8.1.1 Removal of Refuse.** All refuse, including tires, non-salvageable vehicle parts and litter, shall be removed from the Premises on a regular basis by an authorized refuse collection

company. All trash areas shall be effectively screened from view and maintained in orderly manner. All trash and refuse containers shall be maintained in approved enclosures.

**8.1.2 Storm Water Pollution Prevention.** Licensee agrees to effect mechanisms to control stormwater pollution at the Premises to the reasonable satisfaction of City, which mechanism may include (by way of example and not limitation) good housekeeping and materials management practices, preventing run-on and run-off from materials storage areas, maintenance areas, or areas where contaminants may be present, installation and maintenance of catchments or absorbent pads in stormwater drains located at or servicing the Premises, or other pollution prevention practices appropriate to the facility and operations. Documentation of Licensee's pollution prevention practices shall be provided as part of the Approved Operations Plan. Licensee shall comply with all stormwater pollution control regulations applicable to the Property, and shall prepare and submit all stormwater permit applications and stormwater pollution control plans required for the Premises under any Applicable Law on or before the forty-fifth (45<sup>th</sup>) day immediately following the Commencement Date.

**8.1.3 Repair of Any Damage.** In the event that damage to any of the improvements to the Premises which are Licensee's obligation to maintain by reason of ordinary wear and tear or deterioration results in such improvements not meeting the standard of maintenance required by City for such uses as Licensee is making of the Premises, then Licensee shall have the independent responsibility for, and shall promptly undertake such maintenance or repair and complete the same with due diligence. If Licensee fails to do so after reasonable notice in writing from City, then in addition to any other remedy available to City, City may make such maintenance or repairs and Licensee shall reimburse City therefor. Work performed by the City pursuant to this Section 8.1.3 shall not be subject to any abatement of the Base Fee. The City, in its sole discretion, may obtain reimbursement for damages from Licensee's Letter of Credit required by Section 12.2 of the Towing Agreement ("Security Deposit"). Should the City obtain reimbursement for damages from the Security Deposit, Licensee shall promptly restore the Security Deposit to its original amount.

## **8.2 Approved Operations Plan.**

The 2005 Operations Plan approved by City pursuant to the Towing Agreement shall be revised for the Premises as follows. Within sixty (60) days of the Commencement Date, City shall review the proposed Operations Plan for 2650 Bayshore previously submitted by Licensee to City, and either approve it as submitted or request revisions. Licensee shall respond to a request for revisions within twenty (20) days. City shall have fifteen (15) days to either approve the revised Operations Plan as submitted, submit further requests for revisions, or respond to requests for revisions. Each revision must reflect tracking of document versions, including the date and source of revisions, and each exchange of versions between the parties shall be accompanied by an executed document substantially in the form of Appendix B to the Towing Agreement. The Operations Plan approved by City for the Premises shall be the "Approved Operations Plan".

## **9. LIENS AND ENCUMBRANCES**

### **9.1 Liens.**

Licensee shall keep the Premises and the rest of the Property free from any liens arising out of any work performed, material furnished or obligations incurred by or for Licensee. In the event Licensee does not, within twenty (20) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, City shall have, in addition to all other remedies, the right, but not the obligation, to cause the lien to be released by such means as it shall deem proper, including, but not limited to, payment of the

claim giving rise to such lien. All such sums paid by City and all expenses reasonably incurred by it in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to City by Licensee within thirty (30) days of demand by City. City shall have the right to post on the Premises any notices that City may deem proper for the protection of City, the Premises from mechanics' and materialmen's liens. Licensee shall give to City at least fifteen (15) days' prior written notice of commencement of any repair or construction on the Premises.

## **9.2 Encumbrances.**

Licensee shall not create, permit or suffer any liens or encumbrances affecting any portion of the Premises, the Property or City's interest therein or under this License.

## **10. UTILITIES AND SERVICES**

### **10.1 Utilities and Services.**

Sewer, water, janitor service, telecommunications services and any other utilities (other than gas and electricity) or services shall be acquired and paid by Licensee, including the initial hook up to said utilities and services. City shall provide electricity and gas to the Premises, and on a quarterly basis, Licensee shall reimburse City in an amount equal to the lesser of (i) \$3,000 per month, and (ii) fifty-nine and one-half percent (59.5%) of the gas and electricity charges incurred by City for the Property during such month. Licensee shall deliver such quarterly utility reimbursements to City within thirty (30) days of receiving City's invoice therefor, which shall include reasonable evidence of the gas and electricity charges incurred by City for the Property. If the Commencement Date occurs on a day other than the first day of a quarterly period, then the utility reimbursement to City for such fractional quarterly period shall be prorated based on a ninety (90) day quarter.

### **10.2 Utility Maintenance.**

Licensee shall be obligated, at its sole cost and expense, to repair and maintain in good operating condition all utilities located within the Premises and all utilities installed by Licensee (whether within or outside the Premises). If Licensee requests City to perform such maintenance or repair, whether emergency or routine, City may charge Licensee for the cost of the work performed at the then prevailing standard rates, and Licensee agrees to pay said charges to City promptly upon billing. Licensee shall pay for repair of utilities located outside the Premises (regardless of who installed the same) which are damaged by or adversely affected by Licensee's use of such utility and shall be responsible for all damages, liabilities and claims arising therefrom. The parties agree that any and all utility improvements shall become part of the realty and are not trade fixtures.

## **11. COMPLIANCE WITH LAWS AND RISK MANAGEMENT REQUIREMENTS**

### **11.1 Compliance with Laws.**

**11.1.1** Licensee shall promptly comply, at its sole expense, with all present or future laws, judicial decisions, orders, regulations and requirements of all governmental authorities relating to the Premises or the use or occupancy thereof, whether in effect at the time of the execution of this License or adopted at any time thereafter and whether or not within the present contemplation of the parties.

**11.1.2** Licensee further understands and agrees that it is Licensee's obligation, at its sole cost, to cause the Premises and Licensee's uses thereof to be conducted in compliance with

the Americans with Disabilities Act, 42 U.S.C.A. §§ 12101 et seq. and any other disability access laws, rules, and regulations. Licensee shall not be required to make any structural alterations in order to comply with such laws unless such alterations shall be occasioned, in whole or in part, directly or indirectly, by Licensee's Alterations, Licensee's manner of using the Premises, or any act or omission of Licensee, its Agents or Invitees. Any Alteration made by or on behalf of Licensee pursuant to the provisions of this Section shall comply with the provisions of Section 8.1 [Licensee's Repairs], above.

**11.1.3** Licensee shall comply with all Fire Code requirements in its use and occupancy of the Premises.

**11.1.4** The parties acknowledge and agree that Licensee's obligation to comply with all laws as provided herein is a material part of the bargained for consideration under this License. Licensee's obligation under this Section shall include, without limitation, the responsibility of Licensee to comply with Applicable Law by making substantial or structural repairs and modifications to the Premises (including any of Licensee's Alterations), regardless of, among other factors, the relationship of the cost of curative action to the fee under this License, the relative benefit of the repairs to Licensee or City and the degree to which the curative action may interfere with Licensee's use or enjoyment of the Premises. This section shall not apply to any non-compliance with laws relating to changes in use or configuration of the Premises requested by City.

## **11.2 Regulatory Approvals.**

**11.2.1 Responsible Party.** Licensee understands and agrees that Licensee's use of the Premises and construction of any Alterations permitted hereunder may require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises. Licensee shall be solely responsible for obtaining any and all such regulatory approvals. Licensee shall not seek any regulatory approval without first obtaining the written consent of City hereunder. Licensee shall bear all costs associated with applying for and obtaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval, other than any conditions that may arise out of Hazardous Materials in, on, or under any part of the Building or other portion of the Premises that were present immediately prior to May 1, 2013, to the extent that such regulatory conditions relate to property conditions existing at such time, and except to the extent that the regulatory conditions relate to Licensee's exacerbation of any pre-existing condition; provided, however, that City shall not be required to engage in any work or incur any costs necessary to secure any regulatory approval or satisfy any condition imposed by a regulatory agency. Any fines or penalties levied as a result of Licensee's failure to comply with the terms and conditions of any regulatory approval shall be immediately paid and discharged by Licensee, and City shall have no liability, monetary or otherwise, for any such fines or penalties. As defined in Section 18.2 herein, Licensee shall Indemnify City and the other Indemnified Parties hereunder against all Losses arising in connection with Licensee's failure to obtain or comply with the terms and conditions of any regulatory approval.

**11.2.2 City Acting as Leasehold Owner of Real Property.** Licensee further understands and agrees that City is entering into this License in its capacity as a leasehold owner with a proprietary interest in the Premises and not as a regulatory agency with police powers. Nothing in this License shall limit in any way Licensee's obligation to obtain any required approvals from City departments, boards, agencies, or commissions having jurisdiction over the Premises or Licensee's activities at the Premises. By entering into this License, City is in no way modifying or limiting Licensee's obligation to cause the Premises to be used and occupied in accordance with all Applicable Law, as provided further above.



### **11.3 Compliance with City's Risk Management Requirements.**

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

## **12. SUBORDINATION**

This License is and shall be subordinate to the Lease (including Prologis' rights and City's obligations thereunder) and any reciprocal easement agreement, ground lease, facilities lease or other underlying leases or licenses and the lien of any mortgage or deed of trust, that may now exist or hereafter be executed affecting the Property, or any part thereof, or City's interest therein. Notwithstanding the foregoing, City or the holder shall have the right to subordinate any such interests to this License. Licensee agrees, however, to execute and deliver, upon demand by City and in the form requested by City, any additional documents evidencing the priority or subordination of this License.

## **13. INABILITY TO PERFORM**

If City is unable to perform or is delayed in performing any of City's obligations under this License, by reason of acts of God, accidents, breakage, repairs, strikes, lockouts, other labor disputes, protests, riots, demonstrations, inability to obtain utilities or materials or by any other reason beyond City's reasonable control, no such inability or delay shall constitute an actual or constructive eviction, in whole or in part, or entitle Licensee to any abatement or diminution of fee or relieve Licensee from any of its obligations under this License, or impose any liability upon City or its Agents by reason of inconvenience, annoyance, interruption, injury or loss to or interference with Licensee's business or use and occupancy or quiet enjoyment of the Premises or any loss or damage occasioned thereby. Licensee hereby waives and releases any right to terminate this License under Section 1932, subdivision 1 of the California Civil Code or any similar law, statute or ordinance now or hereafter in effect.

## **14. DAMAGE AND DESTRUCTION**

### **14.1 Damage and Destruction.**

If all or any portion of the Premises is damaged by fire or other casualty, City shall have no obligation to repair the Premises. City shall provide Licensee with a copy of the notice City receives from Prologis of Prologis' estimated time to restore such damage (the "Prologis Repair Notice") within ten (10) days of City's receipt of the Prologis Repair Notice. If the damage is not repaired within thirty (30) days, or the damage reasonably prevents Licensee from using a portion of the Premises in excess of 250 square feet, Licensee shall be entitled to a proportionate reduction of the Base Fee until the damage is repaired.

If the restoration time set forth in the Prologis Repair Notice (the "Repair Period") is estimated to exceed two hundred ten (210) days, City shall have the right to terminate this License by delivering written notice of such termination to Licensee within thirty (30) days of City's delivery of the Prologis Repair Notice to Licensee, in which event this License shall terminate as of the date specified in such termination notice.

If at any time during the last twelve (12) months of the Term of this License all or any portion of the Premises is damaged or destroyed, then Licensee may terminate this License by giving written notice to City of its election to do so within thirty (30) days after the date of the occurrence of such damage; provided, however, Licensee may terminate only if such damage or destruction substantially impairs its use or occupancy of the Premises for general office purposes. The effective date of termination shall be specified in the notice of termination, which date shall not be more than thirty (30) days from the date of the notice.

#### **14.2 City Repairs.**

Notwithstanding anything to the contrary in this License, City shall have no obligation to repair the Premises in the event the damage or destruction, and in no event shall City be required to repair any damage to Licensee's Personal Property or any paneling, decorations, railings, floor coverings, or any Alterations installed or made on the Premises by or at the expense of Licensee.

#### **14.3 Termination by City.**

In the event the Premises are substantially damaged or destroyed, Prologis intends to restore the Premises pursuant to the Lease, and City intends to use the restored Premises for public purposes inconsistent with this License, City may terminate this License upon written notice to Licensee.

#### **14.4 Licensee Waiver.**

City and Licensee intend that the provisions of this Section govern fully in the event of any damage or destruction and accordingly, City and Licensee each hereby waives the provisions of Section 1932, subdivision 2, Section 1933, subdivision 4, Section 1941, and Section 1942 of the Civil Code of California or under any similar law, statute or ordinance now or hereafter in effect, to the extent such provisions apply.

### **15. EMINENT DOMAIN**

#### **15.1 Definitions.**

**15.1.1** "Taking" means a taking or damaging, including severance damage, by eminent domain, inverse condemnation or for any public or quasi-public use under law. A Taking may occur pursuant to the recording of a final order of condemnation, or by voluntary sale or conveyance in lieu of condemnation or in settlement of a condemnation action.

**15.1.2** "Date of Taking" means the earlier of (i) the date upon which title to the portion of the Premises taken passes to and vests in the condemner or (ii) the date on which Licensee is dispossessed.

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

#### **15.2 General.**

If during the Term there is any Taking of all or any part of the Premises or any interest in this License, the rights and obligations of Licensee shall be determined pursuant to this Section. City and Licensee intend that the provisions hereof govern fully Licensee's rights in the event of a Taking and accordingly, Licensee hereby waives any

right to terminate this License in whole or in part under Sections 1265.110, 1265.120, 1265.130 and 1265.140 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

### **15.3 Total Taking; Automatic Termination.**

If there is a total Taking of the Premises, then this License shall terminate as of the Date of Taking.

### **15.4 Partial Taking; Election to Terminate.**

**15.4.1** If there is a Taking of any portion (but less than all) of the Premises, then this License shall terminate in its entirety under either of the following circumstances: (i) if all of the following exist: (A) the partial Taking renders the remaining portion of the Premises unsuitable for continued use by Licensee for the permitted uses described in Section 6.1, (B) the condition rendering the Premises unsuitable either is not curable or is curable but neither City nor Prologis is willing or able to cure such condition, and (C) Licensee elects to terminate; or (ii) if City elects to terminate.

**15.4.2** If Licensee elects to terminate under the provisions of this Section 15, Licensee shall do so by giving written notice to the City before or within thirty (30) days after the Date of Taking, and thereafter this License shall terminate upon the later of the thirtieth (30<sup>th</sup>) day after such written notice is given or the Date of Taking.

### **15.5 License Fee: Award.**

Upon termination of this License pursuant to an election under Section 15.4 above, then: (i) Licensee's obligation to pay the Base Fee shall continue up until the date of termination, and thereafter shall cease, except that fee shall be reduced as provided in Section 15.6 below for any period during which this License continues in effect after the Date of Taking, and (ii) City shall be entitled to the entire Award in connection therewith (including, but not limited to, any portion of the Award made for the value of Licensee's interest under this License), and Licensee shall have no claim against City for the value of any unexpired term of this License, provided that Licensee may make a separate claim for compensation, and Licensee shall receive any Award made specifically to Licensee, for Licensee's relocation expenses or the interruption of or damage to Licensee's business or damage to Licensee's Personal Property.

### **15.6 Partial Taking: Continuation of License.**

If there is a partial Taking of the Premises under circumstances where this License is not terminated in its entirety under Section 15.4 above, then this License shall terminate as to the portion of the Premises so taken, but shall remain in full force and effect as to the portion not taken, and the rights and obligations of the parties shall be as follows: (a) the Base Fee shall be reduced by an amount that is in the same ratio to the Base Fee as the area of the Premises taken bears to the area of the Premises prior to the Date of Taking; and (b) City shall be entitled to the entire Award in connection therewith (including, but not limited to, any portion of the Award made for the value of the License interest created by this License), and Licensee shall have no claim against City for the value of any unexpired term of this License, provided that Licensee may make a separate claim for compensation, and Licensee shall receive any Award made specifically to Licensee, for Licensee's relocation expenses or the interruption of or damage to Licensee's business or damage to Licensee's Personal Property.

### **15.7 Temporary Takings.**

Notwithstanding anything to contrary in this Section, if a Taking occurs with respect to all or any part of the Premises for a limited period of time not in excess of one hundred eighty (180) consecutive days, this License shall remain unaffected thereby, and Licensee shall continue to pay all fees and to perform all of the terms, conditions and covenants of this License. In the event of such temporary Taking, Licensee shall be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Premises during the Term up to the total fee owing by Licensee for the period of the Taking, and City shall be entitled to receive the balance of any Award.

## **16. ASSIGNMENT AND SUBLETTING**

Licensee shall not directly or indirectly (including, without limitation, by merger, acquisition or other transfer of any controlling interest in Licensee), voluntarily or by operation of law, sell, assign, encumber, pledge or otherwise transfer (collectively, "Assignment") any part of its interest in or rights with respect to the Premises, or permit any portion of the Premises to be occupied by anyone other than itself, or sublet or license any portion of the Premises (collectively, "Subletting"), without City's prior written consent in each instance, as provided herein.

## **17. DEFAULT; REMEDIES**

### **17.1 Events of Default.**

Any of the following shall constitute an event of default by Licensee hereunder:

**17.1.1** A failure to pay the Base Fee or any other amount payable under this License when due, and such failure continues for three (3) days after the date of written notice by City. However, City shall not be required to provide such notice with respect to more than two delinquencies and any such failure by Licensee after Licensee has received two (2) such notices shall constitute a default by Licensee hereunder without any further action by City or opportunity of Licensee to cure except as may be required by Section 1161 of the California Code of Civil Procedure.

**17.1.2** A failure to comply with any other covenant, condition or representation under this License and such failure continues for fifteen (15) days after the date of written notice by City, provided that if such default is not capable of cure within such fifteen (15) day period, Licensee shall have a reasonable period to complete such cure if Licensee promptly undertakes action to cure such default within such 15-day period and thereafter diligently prosecutes the same to completion within sixty (60) days after the receipt of notice of default from City. City shall not be required to provide such notice with respect to more than two defaults and after the second notice any subsequent failure by Licensee shall constitute an event of default hereunder;

**17.1.3** A vacation or abandonment of the Premises for a continuous period in excess of five (5) business days;

**17.1.4** An uncured event of default under the Towing Agreement; or

**17.1.5** An appointment of a receiver to take possession of all or substantially all of the assets of Licensee, or an assignment by Licensee for the benefit of creditors, or any action taken or suffered by Licensee under any insolvency, bankruptcy, reorganization, moratorium or other debtor relief act or statute, whether now existing or hereafter amended or enacted, if any

such receiver, assignment or action is not released, discharged, dismissed or vacated within sixty (60) days.

## **17.2 City Rights Upon Default.**

Upon the occurrence of an event of default by Licensee, City shall have the right to terminate the License in addition to the following rights and all other rights and remedies available to City at law or in equity:

**17.2.1** The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate Licensee's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Base Fee for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Licensee proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2. City's efforts to mitigate the damages caused by Licensee's breach of this License shall not waive City's rights to recover damages upon termination.

**17.2.2** The rights and remedies provided by California Civil Code Section 1951.4 (continuation of lease after breach and abandonment), allowing City to continue this License in effect and to enforce all its rights and remedies under this License, including the right to recover the Base Fee as it becomes due, for so long as City does not terminate Licensee's right to possession, if Licensee has the right to sublet or assign, subject only to reasonable limitations. For purposes hereof, none of the following shall constitute a termination of Licensee's right of possession: acts of maintenance or preservation; efforts to relet the Premises or the appointment of a receiver upon City's initiative to protect its interest under this License; withholding consent to an Assignment or Sublicense, or terminating an Assignment or Sublicense, if the withholding or termination does not violate the rights of Licensee specified in subdivision (b) of California Civil Code Section 1951.4. If City exercises its remedy under California Civil Code Section 1951.4, City may from time to time sublet or license the Premises or any part thereof for such term or terms (which may extend beyond the Term) and at such rent or fee and upon such other terms as City may in its sole discretion deem advisable, with the right to make alterations and repairs to the Premises. Upon each such subletting or sublicensing, Licensee shall be liable for Base Fee and any other amounts due hereunder, as well as the cost of such subletting or sublicensing and such alterations and repairs incurred by City and the amount, if any, by which fee owing hereunder for the period of such subletting or sublicensing (to the extent such period does not exceed the Term) exceeds the amount to be paid as rent or fee for the Premises for such period pursuant to such subletting or sublicensing. No action taken by City pursuant to this subsection shall be deemed a waiver of any default by Licensee, or to limit City's right to terminate this License at any time.

**17.2.3** The right to have a receiver appointed for Licensee upon application by City to take possession of the Premises and to apply any fees or rental collected from the Premises and to exercise all other rights and remedies granted to City pursuant to this License.

## **17.3 City's Right to Cure Licensee's Defaults.**

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

perform. Licensee shall pay to City upon demand, all reasonable costs, damages, expenses or liabilities incurred by City, including, without limitation, reasonable attorneys' fees, in remedying or attempting to remedy such default. Licensee's obligations under this Section shall survive the termination of this License.

## **18. WAIVER OF CLAIMS; INDEMNIFICATION**

### **18.1 Limitation on City's Liability: Waiver of Claims.**

Except as provided for in Sections 24.3 and 24.8, below, City shall not be responsible for or liable to Licensee, and Licensee hereby assumes the risk of, and waives and releases City and its Agents from all Claims (as defined below) for, any injury, loss or damage to any person or property in or about the Premises by or from any cause whatsoever including, without limitation, (i) any act or omission of persons occupying adjoining premises or any part of the Building adjacent to or connected with the Premises which are not occupied by City, (ii) theft, (iii) explosion, fire, steam, oil, electricity, water, gas or rain, pollution or contamination, (iv) stopped, leaking or defective Building Systems, (v) Building defects, and (vi) any other acts, omissions or causes. Nothing herein shall relieve City from liability caused solely and directly by the gross negligence or willful misconduct of City or its Agents, but City shall not be liable under any circumstances for any consequential, incidental or punitive damages.

### **18.2 Licensee's Indemnity.**

Except as provided for in Sections 24.3 and 24.8, below, Licensee, on behalf of itself and its successors and assigns, shall indemnify, defend and hold harmless ("Indemnify") the City and County of San Francisco, including, but not limited to, all of its boards; commissions, departments, agencies and other subdivisions, and Prologis, and all of their Agents, and their respective heirs, legal representatives, successors and assigns (individually and collectively, the "Indemnified Parties"), and each of them, from and against any and all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses, including, without limitation, direct and vicarious liability of every kind (collectively, "Claims"), incurred in connection with or arising in whole or in part from: (a) any accident, injury to or death of a person, including, without limitation, employees of Licensee, or loss of or damage to property, howsoever or by whomsoever caused, occurring in or about the Property; (b) any default by Licensee in the observation or performance of any of the terms, covenants or conditions of this License to be observed or performed on Licensee's part; (c) the use or occupancy or manner of use or occupancy of the Premises by Licensee, its Agents or Invitees or any person or entity claiming through or under any of them; (d) the condition of the Premises; (e) any construction or other work undertaken by Licensee on the Premises whether before or during the Term of this License; or (f) any acts, omissions or negligence of Licensee, its Agents or Invitees, in, on or about the Premises or the Property, all regardless of the active or passive negligence of, and regardless of whether liability without fault is imposed or sought to be imposed on, the Indemnified Parties, except to the extent that such Indemnity is void or otherwise unenforceable under any Applicable Law in effect on or validly retroactive to the date of this License and further except only such Claims as are caused exclusively by the willful misconduct or gross negligence of the Indemnified Parties. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and the Indemnified Party's costs of investigating any Claim. Licensee specifically acknowledges and agrees that it has an immediate and independent obligation to defend the Indemnified Parties from any claim which actually or potentially falls within this indemnity provision even if such allegation is or may be

groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Licensee by an Indemnified Party and continues at all times thereafter. Licensee's obligations under this Section shall survive the termination of the License.

## **19. INSURANCE**

### **19.1 Licensee's Insurance.**

Licensee, at its sole cost, shall procure and keep in effect at all times during the Term insurance for the Premises in the form and amounts and under the terms and conditions specified in the Section 11 of the Towing Agreement [Required Insurance].

### **19.2 Licensee's Personal Property.**

Licensee shall be responsible, at its expense, for separately insuring Licensee's Personal Property.

### **19.3 City's Self Insurance.**

Licensee acknowledges that City self-insures against casualty, property damage and public liability risks and agrees that City may at its sole election, but shall not be required to, carry any third party insurance with respect to the Premises or otherwise.

### **19.4 Waiver of Subrogation.**

Notwithstanding anything to the contrary contained herein, to the extent permitted by Licensee's policies of insurance and any third party insurance that City elects to carry with respect to the Premises, City and Licensee each hereby waive any right of recovery against the other party and against any other party maintaining a policy of insurance covering the Premises or the contents, or any portion thereof, for any loss or damage maintained by such other party with respect to the Premises or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of such other party. If any policy of insurance relating to the Premises carried by Licensee does not permit the foregoing waiver or if the coverage under any such policy would be invalidated due to such waiver, Licensee shall obtain, if possible, from the insurer under such policy a waiver of all rights of subrogation the insurer might have against City or any other party maintaining a policy of insurance covering the same loss, in connection with any claim, loss or damage covered by such policy.

## **20. ACCESS BY CITY**

City reserves for itself and any of its designated Agents, the right to enter the Premises at all reasonable times, with or without advance notice, including, without limitation, in order to (i) oversee or inspect Licensee's operations or conduct any business with Licensee; (ii) show the Premises to prospective Licensees or other interested parties, to post notices of non-responsibility, to conduct any environmental audit of Licensee's use of the Premises, to repair, alter or improve any part of the Building, Building Systems or the Premises, and for any other lawful purpose; or (iii) whenever City believes that emergency access is required. City shall have the right to use any means that it deems proper to open doors in an emergency in order to obtain access to any part of the Premises, and any such entry shall not be construed or deemed to be a forcible or unlawful entry into or a detainer of, the Premises, or an eviction, actual or constructive, of Licensee from the Premises or any portion thereof. Licensee shall not alter any lock or install any new or additional locking devices without the prior written consent of City.

City shall at all times have a key with which to unlock all locks installed in the Premises (excluding Licensee's vaults, safes or special security areas, if any, designated by Licensee in writing to City).

## **21. LICENSEE'S CERTIFICATES**

Licensee, at any time, and from time to time upon not less than ten (10) days' prior notice from City, shall execute and deliver to City or to any party designated by City a certificate stating: (a) that Licensee has accepted the Premises, (b) the Commencement Date and Expiration Date of this License, (c) that this License is unmodified and in full force and effect (or, if there have been modifications, that the License is in full force and effect as modified and stating the modifications), (d) whether or not there are then existing any defenses against the enforcement of any of Licensee's obligations hereunder (and if so, specifying the same), (e) whether or not there are any defaults then existing under this License (and if so specifying the same), (f) the dates, if any, to which the Base Fee and any other amounts owing under this License have been paid, and (g) any other information that may be required.

## **22. PREMISES MAINTENANCE REQUIREMENTS**

Until the Approved Operations Plan is finalized pursuant to Section 8.2, the "Maintenance Plan" shall mean the Maintenance Plan attached as an exhibit to the 2005 Operations Plan approved by City pursuant to the Towing Agreement, modified as reasonably necessary (and with City's prior written consent to apply to the Premises instead of the Pier 70 License Area, provided Licensee obtains City's prior written consent to such modification. Once the Approved Operations Plan is finalized pursuant to Section 8.2, the "Maintenance Plan" shall mean the Maintenance Plan that is attached as an exhibit to the Approved Operations Plan. Licensee shall faithfully comply with the Maintenance Plan, and any violation of the Maintenance Plan shall be a violation of this Section 22. The Maintenance Plan shall include, at a minimum, the elements described in this Section 22.

### **22.1 Maintenance of Pavement.**

Licensee shall maintain the pavement in the Premises in good condition, including the vehicle and parts storage area, in order to prevent Releases of Hazardous Materials (as those terms are defined below) into or onto the Premises, the remainder of the Property, or the environment. Licensee shall inspect the pavement at least quarterly and shall record in written form the dates and times of such inspections, the name or names of the persons conducting the inspections, and any damage discovered to the pavement and its location. Licensee shall promptly repair any cracked or broken pavement and shall report such damage and repair to City. City shall have the right to enter and inspect the Premises from time to time to ensure Licensee's compliance with the terms of this License, including, without limitation, this Section 22.1 and Section 22.2 below.

- (a) Licensee must furnish at its own cost sealed concrete pads and hazardous waste containment systems for removing and storing residual fluids and batteries from vehicles;
- (b) Licensee shall clean up and remove all leaked or spilled fluids immediately upon discovery or upon notice by City in accordance with the Maintenance Plan.
- (c) Licensee shall only store vehicles and parts in areas with pavement in good condition. Draining must take place on a sealed concrete pad with a containment system to collect residual fluids.



- (d) Licensee must ensure that paving, including maintenance and repair, shall protect existing or future groundwater monitoring wells on the Premises.

## **22.2 Plan and Reporting.**

In addition to the requirements in Section 22.1 above, the Maintenance Plan shall provide for ongoing inspection, spill and drip response procedures, a maintenance schedule for pavement maintenance and repair of cracks and other identified deficiencies, staff training protocols, and supervised video or photo documentation of initial surface conditions and exit surface conditions. In addition to pavement maintenance, the Maintenance Plan shall include other property management protocols, including but not limited to, maintenance of fencing, lighting, signage and permanent or temporary buildings. The Maintenance Plan shall also include a reporting schedule, with submittal of reports at least quarterly, documenting maintenance performed. Such reports shall include, the following information:

- (a) An initial survey of pavement condition as of May 1, 2013;
- (b) Surface type and surface conditions at time of repair, including photographs of pre- and post-repair conditions;
- (c) Repair procedure performed;
- (d) Cost of repairs performed; and
- (e) A final survey of pavement condition at the time of termination of Term.

## **23. SURRENDER OF PREMISES**

Upon the Expiration Date or other termination of the Term of this License, Licensee shall immediately peaceably quit and surrender to City the Premises together with all Alterations approved by City in good order and condition, free of debris and any Hazardous Materials deposited on the Premises on or after May 1, 2013, except for normal wear and tear after Licensee's having made the last necessary repair required on its part under this License, and further except for any portion of the Premises condemned and any damage and destruction for which Licensee is not responsible hereunder. The Premises shall be surrendered free and clear of all liens and encumbrances other than liens and encumbrances existing as of the May 1, 2013, and any other encumbrances created by City.

Immediately before the Expiration Date or other termination of this License, Licensee shall remove all of Licensee's Personal Property as provided in this License, and repair any damage resulting from the removal. Notwithstanding anything to the contrary in this License, City can elect at any time prior to the Expiration Date or within thirty (30) days after termination of this License, to require Licensee to remove, at Licensee's sole expense, all or part of Licensee's Alterations or other improvements or equipment constructed or installed by or at the expense of Licensee, or any vehicles that City may in its sole and absolute discretion authorize to be stored on the Premises after termination of this License, together with any Hazardous Materials contained within such vehicles.

Licensee shall promptly remove such items and shall repair, at its expense, any damage to the Premises resulting from the performance of its removal obligations pursuant to this Section. Licensee's obligations under this Section shall survive the Expiration Date or other termination

of this License. Any items of Licensee's Personal Property remaining in the Premises after the Expiration Date or sooner termination of this License may, at City's option, be deemed abandoned and disposed of in accordance with Section 1980 et seq. of the California Civil Code or in any other manner allowed by law. Any expenses or costs incurred by City to discharge liens, remove Licensee's Personal Property or Alterations, or repair any damage for which Licensee is responsible shall be charged against Licensee's Security Deposit.

Concurrently with the surrender of the Premises, Licensee shall, if requested by City, execute, acknowledge and deliver to any instrument reasonably requested by City to evidence or otherwise effect the termination of Licensee's interest to the Premises and to effect such transfer or vesting of title to the Alterations or equipment which remain part of the Premises.

## **24. HAZARDOUS MATERIALS**

### **24.1 Definitions.**

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

**24.1.1** "Environmental Laws" shall mean any present or future federal, state, local or administrative law, rule, regulation, order or requirement relating to Hazardous Material (including, without limitation, their generation, use, handling, transportation, production, disposal, discharge or storage), or to health and safety, industrial hygiene or the environment, including, without limitation, soil, air and groundwater conditions, including without limitation Article 21 of the San Francisco Health Code.

**24.1.2** "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is at any time now or hereafter deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health, welfare or safety or to the environment. Hazardous Material includes, without limitation, any material or substance listed or defined as a "hazardous substance", or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Sections 9601 et seq.) or pursuant to the Carpenter-Presley-Tanner Hazardous Substance Account Act, as amended, (Cal. Health & Safety Code Sections 25300 et seq.) or pursuant to the Hazardous Waste Control Law, as amended, (Cal. Health & Safety Code Sections 25100 et seq.) or pursuant to the Porter-Cologne Water Quality Control Act, as amended, (Cal. Water Code Sections 13000 et seq.) or pursuant to Section 25501(o) of the California Health and Safety Code; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

**24.1.3** "Indemnify" shall mean, whenever any provision of this Section 24 requires a person or entity (the "Indemnitor") to Indemnify any other entity or person (the "Indemnitee"), the Indemnitor shall be obligated to defend, indemnify, hold harmless and protect the Indemnitee, its officers, employees, agents, stockholders, constituent partners, and members of its boards and commissions harmless from and against any and all Losses arising directly or indirectly, in whole or in part, out of the act, omission, event, occurrence or condition with respect to which the Indemnitor is required to Indemnify such Indemnitee, whether such act, omission, event, occurrence or condition is caused by the Indemnitor or its agents, employees or contractors, or by any third party or any natural cause, foreseen or unforeseen; provided that no Indemnitor shall be obligated to Indemnify any Indemnitee against any Loss from the negligence or intentional wrongful acts or omissions of such Indemnitee, or such Indemnitee's agents, employees or contractors. If a Loss is attributable partially to the negligent or intentionally wrongful acts or omissions of the Indemnitee (or its agents, employees or contractors), such Indemnitee shall be entitled to Indemnification for that

part of the Loss not attributable to such Indemnitee's (or its agents, employees or contractors) negligent or intentionally wrongful acts or omissions.

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

**24.1.5** "Losses" shall mean any and all claims, demands, losses, damages, liens, liabilities, injuries, deaths, penalties, fines, lawsuits and other proceedings, judgments and awards rendered therein, and costs and expenses, including, but not limited to, reasonable attorneys' fees.

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

## **24.2 No Hazardous Materials.**

Licensee covenants and agrees that neither Licensee nor any of its Agents, Employees or Invitees shall cause or permit any Hazardous Material to be brought upon, kept, used, stored, generated, processed, produced, packaged, treated, emitted, discharged or disposed of in, on or about the Premises, or transported to or from the Premises without the prior written consent of City, which consent shall not be unreasonably withheld so long as Licensee demonstrates to City's reasonable satisfaction that such Hazardous Material is necessary to Licensee's business, will be handled in a manner which strictly complies with all Environmental Laws and will not materially increase the risk of fire or other casualty to the Premises, and without the prior written consent of Prologis. City and Licensee understand that the vehicles transported to and stored at the Property will contain and may partially consist of Hazardous Materials. Licensee shall immediately notify City if and when Licensee learns or has reason to believe a Release of Hazardous Material on or about any part of the Premises or the remainder of the Property has occurred that may require any Investigation or Remediation. Licensee shall not be responsible for the safe handling of Hazardous Materials introduced on the remainder of the Property during the Term of the Towing Agreement by City or its Agents.

Without limiting any other obligation of Licensee, if acts or omissions of Licensee results in any Hazardous Materials Release or contamination of the Premises, Licensee shall, at its sole expense, promptly take all action that is necessary to return the Premises to the condition existing prior to the introduction of such Hazardous Material in, on, under or about the Premises; provided that City approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions could not potentially have any material adverse effect upon the Premises.

## **24.3 Licensee's Environmental Indemnity.**

If Licensee breaches any of its obligations contained in this Section 24, or, if any act, omission or negligence of Licensee, its Agents, Employees or Invitees, results in any Release of Hazardous Material in, on or under any part of the Premises, or the remainder of the Property or the Building, then, Licensee shall, on behalf of itself and its successors and assigns, Indemnify the City from and against all Claims (including, without limitation, claims for injury to or death of a person, damages, liabilities, losses,

judgments, penalties, fines, regulatory or administrative actions, damages for decrease in value of the Premises or the remainder of the Building or the Property, the loss or restriction of the use of rentable or usable space or of any amenity of the Premises, or the remainder of the Building or the Property, damages arising from any adverse impact on marketing of any such space, restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or groundwater in, on or under the Premises, the remainder of the Property, or in any Improvements, and sums paid in settlement of claims, attorneys' fees, consultants' fees and experts' fees and costs) arising during or after the Term of the Towing Agreement and relating to such breach or Release. The foregoing Indemnity includes, without limitation, costs incurred in connection with activities undertaken to Investigate and Remediate any Release of Hazardous Material, and to restore the Premises or the remainder of the Building or Property to their prior condition. This indemnification of City by Licensee includes, but is not limited to, costs incurred in connection with any investigation of site conditions or any clean-up, remediation, removal or restoration work requested by Prologis or required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or groundwater in, on or under the Premises, the remainder of the Property or in any Alterations. Licensee's obligations hereunder shall survive the termination of this License. Licensee's obligations under this Section do not include an indemnity for Claims arising as a result of Hazardous Materials (or other conditions alleged to be in violation of any Environmental Law) in, on, or under any part of the Premises or the remainder of the Building or Property that were present prior to May 1, 2013, or to the extent that such Claims relate to conditions existing prior to May 1, 2013, except to the extent that Licensee exacerbates any pre-existing condition or introduces such Hazardous Materials or conditions. In the event any action or proceeding is brought against City by reason of a claim arising out of any Loss, Claim, injury or damage suffered on or about the Premises or the remainder of the Building or the Property for which Licensee has Indemnified the City and upon written notice from the City, Licensee shall at its sole expense answer and otherwise defend such action or proceeding using counsel approved in writing by the City. City shall have the right, exercised in its sole discretion, but without being required to do so, to defend, adjust, settle or compromise any claim, obligation, debt, demand, suit or judgment against the City in connection with this License or the Premises or the remainder of the Building or Property. The provisions of this paragraph shall survive the termination of this License with respect to any Loss occurring prior to or upon termination. Licensee and City shall afford each other a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, or other compromise or proceeding involving Hazardous Material.

#### **24.4 Compliance with Environmental Laws.**

In addition to its obligations under Section 11 above, and without limiting any such obligations or the foregoing, Licensee shall comply with the following requirements or more stringent requirements in any Environmental Laws:

**24.4.1** Any Hazardous Materials found and identified as such in the towed vehicles which are not typically part of a towed vehicle, will be removed from the vehicle to an appropriate storage location within 72 hours.

**24.4.2** No Hazardous Materials shall be voluntarily or involuntarily disposed of onto or into the ground or into the sewer system.

**24.4.3** In no event shall Hazardous Waste (as defined by Title 22 of the California Code of Regulations, as amended) accumulate on the Premises for longer than 90 days. Drums used to store Hazardous Materials shall not be stacked more than two drums high. City will not consider fluids that are normally contained within a vehicle to be Hazardous Wastes so long as they remain contained within the vehicle.

**24.4.4** Licensee shall store all Hazardous Materials above ground, not in underground storage tanks.

**24.4.5** An emergency response plan, emergency response employee training plan and an inventory of Hazardous Materials stored at the Premises by or for Licensee shall be provided to City.

#### **24.5 Information Requests.**

City may from time to time request, and Licensee shall be obligated to provide, information reasonably adequate for City to determine that any and all Hazardous Materials are being handled in a manner which complies with all Environmental Laws.

#### **24.6 Damaged Vehicles.**

Licensee shall inspect all vehicles before storing them on the Premises to make a good faith effort to determine that vehicles are not leaking fluids, including but not limited to gasoline, battery acid, oil, transmission and transfer case fluids, brake and clutch fluids, and coolant. Licensee shall secure vehicles that have been severely damaged due to collision or vandalism so that parts do not fall off and fluids do not leak. Leaking vehicles shall be drained of the leaking fluid on a sealed cement pad, which Licensee shall maintain free of build-up of Hazardous Materials. Licensee shall immediately clean-up and remove all leaked or spilled fluids, whether within or outside of sealed or contained areas. Licensee shall treat all such fluids and used cleaning materials as hazardous waste and shall dispose of them in accordance with Environmental Laws and Section 24.3 above. Parts that have fallen off a vehicle shall be placed inside the vehicle in a manner that minimizes damage to the vehicle. Licensee shall not be deemed an owner or operator of any damaged vehicle, but shall be deemed the owner of any fluids that leak from such damaged vehicles on or about the Premises.

#### **24.7 Fire Prevention Measures.**

Licensee shall comply with the following fire prevention measures.

**24.7.1** Welding and torch cutting shall be in conformance with the Daly City Fire Code.

**24.7.2** No smoking will be allowed in the Premises except in designated areas consistent with Applicable Law.

**24.7.3** No crushing, burning of wrecked or discarded motor vehicles or waste materials shall be allowed.

**24.7.4** Motor vehicles, parts of motor vehicles, junk, waste, or other materials shall not be stored, displayed, or kept in a manner that could hinder or endanger firefighting efforts and operations.

**24.7.5** One or more aisles, at least 30 inches wide (or any greater width required under Applicable Law), must be maintained in the area where vehicles are stored, to permit access by the Daly City Fire Department to all parts of the vehicle storage area. Entrances and exits to the area shall be at least 15 feet in width (or any greater width required under Applicable Law).

#### **24.8 Requirement to Remove.**

Prior to termination of this License or during the Term if required by a governmental agency, Licensee, at its sole cost and expense, shall remove any and all Hazardous Materials introduced in, on, under or about the Premises by Licensee, its Agents or Invitees during the Term or during any prior time in which Licensee occupied the Premises. Licensee shall not be obligated to remove any Hazardous Material introduced onto the Premises before, during, or after the Term of the Towing Agreement by (1) City or its officers, directors, employees, or Agents or (2) any prior occupants, tenants, property owners, individuals, corporations or entities. If Licensee demonstrates its compliance with the property maintenance requirements of this License, the Maintenance Plan described in Section 22 above, there shall be a rebuttable presumption that any Hazardous Materials in, on, under or about the Premises were not introduced by Licensee, its Agents or Invitees. However, if Licensee does not demonstrate its compliance with the property maintenance requirements of this License or of the Maintenance Plan, then there shall be a rebuttable presumption that such Hazardous Materials are Licensee's responsibility to the extent that the presence of such Hazardous Materials bear a reasonable causal relationship to Licensee's non-compliance in their composition and location.

Prior to the termination of this License, at Licensee's expense, City and Licensee shall conduct a joint inspection of the Premises for the purpose of identifying Hazardous Materials on the Premises which can be determined to have been introduced by the Licensee and which Licensee is therefore required to remove. City's failure to conduct an inspection or to detect conditions if an inspection is conducted shall not be deemed to be a release of any liability for environmental conditions subsequently determined to be Licensee's responsibility.

#### **24.9 Licensee's Environmental Condition Notification Requirements.**

**24.9.1 Notification of Any Release or Discharge.** Licensee shall notify City in writing as required in the Maintenance Plan if Licensee learns or has reason to believe that a Release of any Hazardous Materials on or about any part of the Premises has occurred, whether or not the Release is in quantities that under any law would require the reporting of such Release to a governmental or regulatory agency.

**24.9.2 Notification of Any Notice, Investigation, or Claim.** Licensee shall also immediately notify City in writing of, and shall contemporaneously provide City with a copy of:

- (a) Any written notice of Release of Hazardous Materials on the Premises that is provided by Licensee or any subtenant or other occupant of the Premises to a governmental or regulatory agency;
- (b) Any notice of a violation, or a potential or alleged violation, of any Environmental Law that is received by Licensee or any subtenant or other occupant of the Premises from any governmental or regulatory agency;

- (c) Any inquiry, investigation, enforcement, cleanup, removal or other action that is instituted or threatened by a governmental or regulatory agency against Licensee or subtenant or other occupant of the Premises and that relates to the Release of Hazardous Materials on or from the Premises;
- (d) Any claim that is instituted or threatened by any third party against Licensee or any subtenant or other occupant of the Premises and that relates to any Release of Hazardous Materials on or from the Premises; and
- (e) Any notice of the loss of any environmental operating permit by Licensee or any subtenant or other occupant of the Premises.

### **24.9.3 Notification of Regulatory Actions.**

- (a) Licensee shall immediately notify City in writing of any inspection by any governmental or regulatory agency with jurisdiction over Hazardous Materials and shall provide City with a copy of any inspection record, correspondence, reports and related materials from or to the agency.
- (b) Licensee must notify City of any meeting, whether conducted face-to-face or telephonically, between Licensee and any regulatory agency regarding an environmental regulatory action. City will be entitled to participate in any such meetings at its sole election.
- (c) Licensee must notify City of any environmental regulatory agency's issuance of an environmental regulatory approval. Licensee's notice to City must state the issuing entity, the environmental regulatory approval identification number, and the date of issuance and expiration of the environmental regulatory approval. In addition, Licensee must provide City with a list of any environmental regulatory approval, plan or procedure required to be prepared and/or filed with any regulatory agency for operations on the Property, including a "Spill Pollution Control and Countermeasure Plan." Licensee must provide City with copies of any of the documents within the scope of this Section upon City's request.
- (d) Licensee must provide City with copies of all communications with regulatory agencies and all non-privileged communications with other persons regarding potential or actual Hazardous Materials Claims arising from Licensee's or its Agents' or Invitees' operations at the Property. Upon City's request, Licensee must provide City with a log of all communications withheld under a claim of privilege that specifies the parties to and subject of each withheld communication.
- (e) City may from time to time request, and Licensee will be obligated to provide, information reasonably adequate for City to determine that any and all Hazardous Materials are being handled in a manner that complies with all Environmental Laws.

### **24.10 Environmental Security Deposit.**

Upon the Commencement Date, Licensee shall provide to the City, and shall maintain throughout the Term of this License and for a period of at least ninety (90) days after expiration of this License, a Security Deposit in the form of a Letter of Credit as described in the Towing Agreement Section 12.2. If Licensee receives a notice of violation or other regulatory order from a governmental or regulatory agency with jurisdiction over the Premises and or its operations and Licensee does not achieve compliance with the notice of violation or order to the satisfaction of the issuing agency within the time specified by the agency or by the City if the agency does not specify a timeframe, the City may draw upon the Letter of Credit for purposes of ensuring regulatory compliance. In addition, the City may draw upon the Letter of Credit in order to reimburse the City for any fine or other charge assessed against the City related to any notice of violation or other regulatory order issued to Licensee. The City may also draw upon the Letter of Credit in order to reimburse the City for costs associated with City's environmental assessments or corrective action, which may be performed at the City's sole discretion.

#### **24.11 Environmental Oversight Deposit.**

Upon execution of the Towing Agreement, Licensee shall provide to the City, and shall maintain and replenish throughout the Term of this License and for a period of at least ninety (90) days after expiration of this License, an "Environmental Oversight Deposit" in the amount of \$10,000, which shall be deposited in an account specified by City. If Licensee receives a notice of violation or other regulatory order from a governmental or regulatory agency with jurisdiction over the site and or its operations and such notice is not cured within fourteen (14) days, the City may draw from this deposit to reimburse the City for staff costs incurred by the City while inspecting site conditions and enforcing and administering the Hazardous Materials provisions of the License. If Licensee receives a notice of violation or other regulatory order from a governmental or regulatory agency with jurisdiction over the site and or its operations, and such notice is cured within fourteen (14) days, the City may draw from this deposit in an amount not to exceed \$500 to reimburse the City for staff costs incurred by the City. City will submit an invoice to Licensee for any such costs, and Licensee will pay such invoiced amounts within thirty (30) days to replenish the Environmental Oversight Deposit. Licensee's failure to pay such costs within thirty (30) days, or to replenish the Environmental Oversight Deposit if drawn upon, will constitute an Event of Default.

#### **24.12 Hazardous Substance Disclosure.**

California law requires landlords to disclose to tenants the presence or potential presence of certain hazardous materials and hazardous substances prior to lease. Accordingly, Licensee is hereby advised that occupation of the Premises may lead to exposure to Hazardous Materials such as, but not limited to, gasoline, diesel and other vehicle fluids, vehicle exhaust, office maintenance fluids, asbestos, PCBs, tobacco smoke, methane and building materials containing chemicals, such as formaldehyde. Further, there were and may be Hazardous Materials located on the Premises, which are described in that certain Phase I Environmental Site Assessment prepared by URS Corporation Americas, dated July 29, 2011, and the memorandum from Robert Begley, of City's Department of Public Works, to Kerstin Magary, of SFMTA, dated May 11, 2012, (collectively, the "Environmental Reports"). Licensee acknowledges that copies of the Environmental Reports have been provided to it.

By execution of this License, Licensee agrees that the Environmental Reports, notices and warnings set forth in this Section 24 have been provided pursuant to California Health and Safety Code Sections 25359.7 and related statutes. City agrees to provide additional



information that comes into its possession regarding hazardous substances on the Premises upon request of Licensee.

## **25. GENERAL PROVISIONS**

### **25.1 Notices.**

Any notice, demand, consent or approval required under this License shall be effective only if in writing and given by delivering the notice in person or by sending it first-class certified mail with a return receipt requested or by overnight courier, return receipt requested, with postage prepaid, to: (a) Licensee (i) at the Premises, or (ii) at any place where Licensee or any Agent of Licensee may be found if sent subsequent to Licensee's vacating, abandoning or surrendering the Premises; or (b) City at City's address set forth in the Basic License Information; or (c) to such other address as either City or Licensee may designate as its new address for such purpose by notice given to the other in accordance with the provisions of this Section at least ten (10) days prior to the effective date of such change. Any notice hereunder shall be deemed to have been given two (2) days after the date when it is mailed if sent by first class or certified mail, one day after the date it is made if sent by overnight courier, or upon the date personal delivery is made. For convenience of the parties, copies of such notices, demands, consents or approvals may also be given by telefacsimile to the telephone number set forth in the Basic License Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile. All other written communications may be by first class U.S. mail, postage pre-paid, by email or by facsimile addressed with the contact information set forth in the Basic License Information.

### **25.2 No Implied Waiver.**

No failure by City to insist upon the strict performance of any obligation of Licensee under this License or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, no acceptance of full or partial Base Fee or any other amounts owing under this License during the continuance of any such breach, and no acceptance of the keys to or possession of the Premises prior to the expiration of the Term by any Agent of City, shall constitute a waiver of such breach or of City's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this License. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. Any consent by City hereunder shall not relieve Licensee of any obligation to secure the consent of City in any other or future instance under the terms of this License.

### **25.3 Amendments.**

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

### **25.4 Authority.**

Each of the persons executing this License on behalf of Licensee does hereby covenant and warrant that Licensee is a duly authorized and existing entity, that Licensee has and

is qualified to do business in California, that Licensee has full right and authority to enter into this License, and that each and all of the persons signing on behalf of Licensee are authorized to do so. Upon City's request, Licensee shall provide City with evidence reasonably satisfactory to City confirming the foregoing representations and warranties.

### **25.5 Parties and Their Agents; Approvals.**

The words "City" and "Licensee" as used herein shall include the plural as well as the singular. If there is more than one Licensee, the obligations and liabilities under this License imposed on Licensee shall be joint and several. As used herein, the term "Agents" when used with respect to either party shall include the agents, employees, officers, contractors and representatives of such party, and the term "Invitees" when used with respect to Licensee shall include the clients, customers, invitees, guests, licensees, assignees or sublicensees of Licensee. All approvals, consents or other determinations permitted or required by City hereunder shall be made by or through SFMTA unless otherwise provided in this License, subject to Applicable Law.

### **25.6 Interpretation of License.**

**25.6.1** The captions preceding the articles and sections of this License and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this License.

**25.6.2** This License has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intents and purposes of the parties, without any presumption against the party responsible for drafting any part of this License.

**25.6.3** Provisions in this License relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day.

**25.6.4** Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this License, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

**25.6.5** Any capitalized term used herein shall be interpreted in accordance with the definition set forth in this License. If the capitalized term is not defined in this License Agreement, it shall be interpreted in accordance with the definition set forth in the Towing Agreement or the Lease.

**25.6.6** Any inconsistency between this License, the Towing Agreement, and the Lease with respect to Licensee's performance of its obligations under the Towing Agreement shall be resolved by giving precedence in the following order: (a) the Towing Agreement; (b) the Lease; (c) this License.

### **25.7 Successors and Assigns.**

Subject to the provisions of this License relating to Assignment and subletting, the terms, covenants and conditions contained in this License shall bind and inure to the benefit of City and Licensee and, except as otherwise provided herein, their personal representatives and

successors and assigns; provided, however, that upon any sale, assignment or transfer by City named herein (or by any subsequent Licensor) of its interest in the Premises as owner or lessee, including any transfer by operation of law, City (or any subsequent Licensor) shall be relieved from all subsequent obligations and liabilities arising under this License subsequent to such sale, assignment or transfer.

### **25.8 Severability.**

If any provision of this License or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this License, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this License shall be valid and be enforceable to the fullest extent permitted by law.

### **25.9 Governing Law.**

This License shall be construed and enforced in accordance with the laws of the State of California.

### **25.10 Entire Agreement.**

This License, together with all exhibits hereto, which are made a part of this License, and the Towing Agreement, constitute the entire agreement between City and Licensee about the subject matters hereof and may not be modified except by an instrument in writing signed by the party to be charged. In the event of any conflict between the terms of the Towing Agreement and the terms of this License with respect to Licensee's activities and obligations at the Premises, the terms of the License shall control. All prior written or oral negotiations, understandings and agreements are merged herein. The parties further intend that this License shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts hereof and changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this License. Licensee hereby acknowledges that neither City nor City's Agents have made any representations or warranties with respect to the Premises or this License except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Licensee by implication or otherwise unless expressly set forth herein.

### **25.11 Attorneys' Fees.**

In the event that either City or Licensee fails to perform any of its obligations under this License or in the event a dispute arises concerning the meaning or interpretation of any provision of this License, the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees. For purposes of this License, reasonable fees of attorneys of City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

### **25.12 Holding Over.**

Should Licensee hold over without City's consent, such holding over shall not be deemed to extend the Term or renew this License, but such term thereafter shall continue as a month-to-

month occupancy. Such occupancy shall be on all the terms and conditions set forth in this License and the Base Fee payable by Licensee during the period of such holding over shall be one hundred fifty percent (150%) of the monthly Base Fee in effect during the last month of the Term of this License.

All other payments shall continue under the terms of this License. In addition, Licensee shall be liable for all damages incurred by City as a result of such holding over. No holding over by Licensee, whether with or without consent of City, shall operate to extend this License except as otherwise expressly provided, and this Section shall not be construed as consent for Licensee to retain possession of the Premises beyond such month to month holdover occupancy. For purposes of this Section, "possession of the Premises" shall continue until, among other things, Licensee has delivered all keys to the Premises to City, has fully vacated the Premises, and completely fulfilled all obligations required of it upon termination of the License as set forth in this License, including, without limitation, those concerning the condition and repair of the Premises.

#### **25.13 Time of Essence.**

Time is of the essence with respect to all provisions of this License in which a definite time for performance is specified.

#### **25.14 Cumulative Remedies.**

All rights and remedies of either party hereto set forth in this License shall be cumulative, except as may otherwise be provided herein.

#### **25.15 Provisions of License Surviving Termination.**

Termination of this License shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this License. This Section and the following Sections of this License shall survive termination or expiration of this License: Sections 2.1.4, 5, 6.6, 7, 12, 14, 17.2, 17.3, 18, 23, 24.1, 24.2, 24.3, 24.5, 24.8, 24.9, 24.10, 24.11, 25.6, 25.7, 25.8, 25.9, 25.10, 25.11, 25.12, 25.14, 25.22, 25.26, 25.31.

#### **25.16 Signs.**

Licensee agrees that it will not erect or maintain, or permit to be erected or maintained, any signs, notices or graphics upon or about the Premises which are visible in or from public corridors or other portions of any common areas of the Building or from the exterior of the Premises without City's prior written consent, which City may withhold or grant in its sole discretion.

#### **25.17 Relationship of the Parties.**

City is not, and none of the provisions in this License shall be deemed to render City, a partner in Licensee's business, or joint venturer or member in any joint enterprise with Licensee. Neither party shall act as the agent of the other party in any respect hereunder. This License is not intended nor shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided.

#### **25.18 Light and Air.**

Licensee covenants and agrees that no diminution of light, air or view by any structure that may hereafter be erected (whether or not by City) shall entitle Licensee to any reduction of the Base Fee under this License, result in any liability of City to Licensee, or in any other way affect this License or Licensee's obligations hereunder.

**25.19 No Recording.**

Licensee shall not record this License or any memorandum hereof in the public records.

**25.20 Drug-Free Workplace.**

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

**25.21 Public Transit Information.**

Licensee shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Licensee employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Premises and encouraging use of such facilities, all at Licensee's sole expense.

**25.22 Taxes, Assessments, Licenses, Permit Fees and Liens.**

(a) Licensee recognizes and understands that this License may create a possessory interest subject to property taxation and that Licensee may be subject to the payment of property taxes levied on such interest. (b) Licensee agrees to pay taxes of any kind, including possessory interest taxes, that may be lawfully assessed on the License interest hereby created and to pay all other taxes, excises, licenses, permit charges and assessments based on Licensee's usage of the Premises that may be imposed upon Licensee by law, all of which shall be paid when the same become due and payable and before delinquency. (c) Licensee agrees not to allow or suffer a lien for any such taxes to be imposed upon the Premises or upon any equipment or property located thereon without promptly discharging the same, provided that Licensee, if so desiring, may have reasonable opportunity to contest the validity of the same.

**25.23 Wages and Working Conditions.**

Licensee agrees that any person performing labor in the construction of any Alterations to the Premises, which Licensee provides under this License, shall be paid not less than the highest prevailing rate of wages as required by Section 6.22(E) of the San Francisco Administrative Code, shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Licensee shall include in any contract for construction of such Alterations a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Licensee shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing labor in the construction of such any Alterations to the Premises.

**25.24 Non-Discrimination in City Contracts and Benefits Ordinance.**

**25.24.1 Covenant Not to Discriminate.** In the performance of this License, Licensee covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome, HIV status (AIDS/HIV status), weight, height, association with members of classes protected under this chapter or in retaliation for opposition to any practices forbidden under this chapter against any employee of, any City employee working with, or applicant for employment with such contractor and shall require such contractor to include a similar provision in all subcontracts executed or amended thereunder.

**25.24.2 Subcontracts.** Licensee shall include in all assignment, subleases or other subcontracts relating to the Premises a non-discrimination clause applicable to such assignee, sublicensee or other subcontractor in substantially the form of subsection (a) above. In addition, Licensee shall incorporate by reference in all assignments, subleases, and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all assignees, sublicensees and other subcontractors to comply with such provisions. Licensee's failure to comply with the obligations in this subsection shall constitute a material breach of this License.

**25.24.3 Non-Discrimination in Benefits.** Licensee does not as of the date of this License and will not during the Term, in any of its operations in San Francisco, where the work is being performed for the City, or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

**25.24.4 HRC Form.** As a condition to this License, Licensee shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

**25.24.5 Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the License of City property are incorporated in this Section 25.24 by reference and made a part of this License as though fully set forth herein. Licensee shall comply fully with and be bound by all of the provisions that apply to this License under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Licensee understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this License may be assessed against Licensee and/or deducted from any payments due Licensee.

#### **25.25 Non-Liability of City Officials, Employees and Agents.**

No elective or appointive board, commission, member, officer, employee or other Agent of City shall be, personally liable to Licensee, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Licensee, its successors and assigns, or for any obligation of City under this License.

#### **25.26 No Relocation Assistance: Waiver of Claims.**

Licensee acknowledges that it will not be a displaced person at the time this License is terminated or expires by its own terms, and Licensee fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims against, and covenants not to sue, City, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from City under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this License with respect to a Taking.

#### **25.27 MacBride Principles - Northern Ireland.**

The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Licensee acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

#### **25.28 Tropical Hardwood and Virgin Redwood Ban.**

The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Licensee shall not provide any items to the construction of Alterations, or otherwise in the performance of this License which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. In the event Licensee fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Licensee shall be liable for liquidated damages for each violation in any amount equal to Licensee's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater.

#### **25.29 Pesticide Prohibition.**

Licensee shall comply with the provisions of Section 308 of Chapter 3 of the San Francisco Environment Code (the "Pesticide Ordinance") which (i) prohibit the use of certain pesticides on City property, (ii) require the posting of certain notices and the maintenance of certain records regarding pesticide usage and (iii) require Licensee to submit an integrated pest management ("IPM") plan to SFMTA that (a) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Licensee may need to apply to the Premises during the terms of this License, (b) describes the steps Licensee will take to meet the City's IPM Policy described in Section 300 of the Pesticide Ordinance and (c) identifies, by name, title, address and telephone number, an individual to act as the Licensee's primary IPM contact person with the City. In addition, Licensee shall comply with the requirements of Sections 303(a) and 303(b) of the Pesticide Ordinance.

#### **25.30 First Source Hiring Ordinance.**

The City has adopted a First Source Hiring Ordinance, San Francisco Administrative Code, Chapter 83, which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry level positions.

Upon request when applicable, Licensee shall enter into a First Source Hiring Agreement that meets the requirements of Section 83.9 of the First Source Hiring Ordinance.

### **25.31 Sunshine Ordinance.**

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

### **25.32 Conflicts of Interest.**

Through its execution of this License, Licensee acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which would constitute a violation of said provision, and agrees that if Licensee becomes aware of any such fact during the Term, Licensee shall immediately notify the City.

### **25.33 Charter Provisions.**

This License is governed by and subject to the provisions of the Charter of the City and County of San Francisco.

### **25.34 Prohibition of Cigarette or Tobacco Advertising.**

Licensee acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (i) communicate the health hazards of cigarettes and tobacco products, or (ii) encourage people not to smoke or to stop smoking.

### **25.35 Prohibition of Alcoholic Beverage Advertising.**

Licensee acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing, selling or distributing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (i) communicate the health hazards of alcoholic beverages, (ii) encourage people not to drink alcohol or to stop drinking alcohol, or (iii) provide or publicize drug or alcohol treatment or rehabilitation services

### **25.36 Requiring Health Benefits for Covered Employees.**



Unless exempt, Licensee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this License as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/olse/hcao>. Capitalized terms used in this Section and not defined in this License shall have the meanings assigned to such terms in Chapter 12Q.

**25.36.1** For each Covered Employee, Licensee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Licensee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

**25.36.2** Notwithstanding the above, if the Licensee is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with Subsection 25.36.1 above.

**25.36.3** Licensee's failure to comply with the HCAO shall constitute a material breach of this License. City shall notify Licensee if such a breach has occurred. If, within thirty (30) days after receiving City's written notice of a breach of this License for violating the HCAO, Licensee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Licensee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

**25.36.4** Any Subcontract entered into by Licensee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Licensee shall notify City when it enters into such a Subcontract and shall certify to the City that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Licensee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Licensee based on the Subcontractor's failure to comply, provided that City has first provided Licensee with notice and an opportunity to obtain a cure of the violation.

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

**25.36.6** Licensee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

**25.36.7** Licensee shall keep itself informed of the current requirements of the HCAO.

**25.36.8** Licensee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Sublicensees, as applicable.

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

**25.36.10** City may conduct random audits of Licensee to ascertain its compliance with HCAO. Licensee agrees to cooperate with City when it conducts such audits.

**25.36.11** If Licensee is exempt from the HCAO when this License is executed because its amount is less than Twenty-Five Thousand Dollars (\$25,000), but Licensee later enters into an agreement or agreements that cause Licensee's aggregate amount of all agreements with City to reach Seventy-Five Thousand Dollars (\$75,000), all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Licensee and City to be equal to or greater than Seventy-Five Thousand Dollars (\$75,000) in the fiscal year.

### **25.37 Notification of Limitations on Contributions.**

Through its execution of this License, Licensee acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City, whenever such transaction would require approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six (6) months after the date the contract is approved. Licensee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Licensee further acknowledges that the prohibition on contributions applies to each Licensee; each member of Licensee's board of directors, and Licensee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in Licensee; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Licensee. Additionally, Licensee acknowledges that Licensee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Licensee further agrees to provide to City the name of each person, entity or committee described above.

### **25.38 Preservative-Treated Wood Containing Arsenic.**

Licensee may not purchase preservative-treated wood products containing arsenic in the performance of this License unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Licensee may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Licensee from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

### **25.39 Resource Efficient City Buildings and Pilot Projects.**

Licensee acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to the environmental design and construction of City buildings. Licensee hereby agrees that it shall comply with all applicable provisions of such code sections.

### **25.40 Food Service Waste Reduction.**

Licensee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this License as though fully set forth herein. This provision is a material term of this License. By entering into this License, Licensee agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine. Without limiting City's other rights and remedies, Licensee agrees that the sum of One Hundred Dollars (\$100.00) liquidated damages for the first breach, Two Hundred Dollars (\$200.00) liquidated damages for the second breach in the same year, and Five Hundred Dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time of the Commencement Date. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Licensee's failure to comply with this provision.

### **25.41 References.**

No reference to this License Agreement is necessary in any instrument or document at any time referring to the Agreement. Any future reference to the Agreement shall be deemed a reference to such document as amended hereby.

### **25.42 Counterparts.**

This License may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

### **25.43 Effective Date.**

This License shall be effective, and the Original License Agreement shall be superseded and replaced in its entirety by this License, as of the Commencement Date.

### **25.44 Cooperative Drafting.**

This License has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the License reviewed and revised by legal counsel. No party shall be considered the drafter of this License, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this License.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LICENSE, LICENSEE ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS LICENSE UNLESS AND UNTIL THE BOARD OF DIRECTORS OF CITY'S MUNICIPAL TRANSPORTATION AGENCY SHALL HAVE DULY ADOPTED A RESOLUTION

APPROVING THE TOWING AMENDMENT AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED IN THIS LICENSE. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS LICENSE SHALL BE NULL AND VOID IF THE BOARD OF DIRECTORS OF CITY'S MUNICIPAL TRANSPORTATION AGENCY DO NOT APPROVE THE TOWING AMENDMENT AND THIS LICENSE IN ITS RESPECTIVE SOLE DISCRETION. APPROVAL OF THIS LICENSE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ENACTED, NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

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**IN WITNESS WHEREOF**, the parties hereto have executed this License on the day first mentioned above.

**CITY:**

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation, acting by and through its  
Municipal Transportation Agency

By:

\_\_\_\_\_  
Edward D. Reiskin  
Director of Transportation

San Francisco Municipal Transportation Agency  
Board of Directors  
Resolution No: \_\_\_\_\_  
Adopted: \_\_\_\_\_  
Attest:

\_\_\_\_\_  
Secretary, SFMTA Board of Directors

Approved as to Form:

Dennis J. Herrera, City Attorney

By: \_\_\_\_\_  
Carol Wong, Deputy City Attorney

**LICENSEE:**

TEGSCO, LLC, a California limited liability  
company d.b.a. San Francisco AutoReturn

By: \_\_\_\_\_  
John Wicker, President and CEO