

LEASING REAL ESTATE OF AND TO OTHERS

1. GENERAL

- 1.01 This practice outlines the procedures and requirements for the preparation, submission and approval of lease agreements pertaining to the leasing of real estate of others and the leasing of this Company's real estate to others.
- 1.02 Negotiation and preparation of real estate lease agreements shall be the responsibility of the division level manager in charge of real estate.
- 1.03 This practice is being revised to include Form SW-3311, Summary of Lease Proposals, to be used in documenting the various lease proposals considered when seeking out leased space for Southwestern Bell Telephone Company.

2. AUTHORIZATION TO LEASE

- 2.01 Authorization to lease real estate of others and to lease this Company's real estate to others, shall be in accordance with Section 4, Part 4.8(c), Real Estate Rentals, of the Schedule of Authorizations.

3. LEASE AGREEMENT

- 3.01 A lease agreement is required to lease real estate of others and to lease this Company's real estate to others. It is strongly recommended that all leases be in writing; however, the required form, whether oral or written, will be in accordance with the requirements of each State's Legal Department. Additionally, approval as to form of written lease agreements is required by each State's Legal Department. All lease agreements, whether oral or written, require authorization in accordance with Section 4, Part 4.8(c), Real Estate Rentals, of the Schedule of Authorizations. Written agreements shall be executed in accordance with Section 1, Part 1.9, Execution of Instruments, of the Schedule of Authorizations.
- 3.02 Occupational Safety and Health Act (OSHA) requirements should be inserted in all leases entered into by Southwestern Bell Telephone Company as follows:

Lessor shall comply with all federal, state and local laws, safety and health regulations relating to the structural portions of the premises and

those portions of the premises which lessor has the duty to maintain pursuant to this agreement. Lessee shall comply with all federal, state, and local laws, safety and health standards and regulations with respect to the portions of the premises which tenant has agreed to maintain pursuant to this lease.

Modifications to the OSHA clause may be necessary in certain net lease arrangements when the company is the lessee and has responsibility for the structural portions of the building. However, these changes should be made with the advice of the Legal Department.

- 3.03 Form SW-9368, Nondiscrimination Compliance Agreement, should be attached and made a part of the lease document only when leasing space from others.
- 3.04 In case it is necessary to strike out any sections, lines or words of the lease agreement, the affected part(s) require initialing by both parties to the lease. Parties to the lease are identified as those who were authorized to sign the original lease agreement.

4. ASSOCIATED LEASE DOCUMENTATION

- 4.01 Associated Lease Documentation is defined as any documentation which supplements a request for approval to lease real estate. This is in addition to the actual lease agreement.
- 4.02 Preparation of Lease Recommendation, Form S-6628, (Exhibit 1), shall be at the option of each state's division level manager in charge of real estate. The purpose of this form is to provide executives with information necessary to make an appropriate decision on whether to enter into or renew a lease. This form can be prepared in addition to a lease agreement. Approval and execution of the lease agreement is still required in accordance with the Schedule of Authorizations. User group approval of lease documentation is at the discretion of each state's real estate division.
- 4.03 When submitting lease agreements and associated lease documentation for approval, the following information must be included in the lease documentation:
 - (a) Pertinent facts regarding the availability of suitable vacant Company owned space that was declined by the user and the reasons for declining.
 - (b) Economic justification, if required. (For example, leasing of floor space on a short-term basis until construction of a new building is completed would not require economic justification.)

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(c) All business terms and conditions relative to the lease such as floor space requirements, floor plans and supporting intracompany correspondence.

(d) A summary of the various lease proposals considered as outlined on Form SW-3311, Summary of Lease Proposals (Exhibit 2).

4.04 When leasing space to others, it is recommended that the associated lease documentation contain any intracompany correspondence declaring that the property to be leased to others is not required for Company operation for the next five to seven years (see Section 8.02).

5. LEASE RENEWALS

5.01 Approval of the original lease does not constitute approval of the renewal options. In most cases, the rental amount will change from the primary term. Approval is required in accordance with the Schedule of Authorizations as with the primary term. When there is no new lease document, the recommended document to be signed by the manager authorizing the renewal of the lease is a renewal notification letter.

6. FILES/RECORDS

6.01 After execution on the part of the Company, both originals of the lease document are returned through the lines of organization to the office of the division level in charge of real estate. One original of the lease agreement is retained in the office of the division level manager in charge of real estate, with the other distributed to the lessor, or lessee when leasing Company real estate to others.

6.02 Filing of lease documents with the proper state and/or county agencies shall be in accordance with Joint Practice 100, Recording of Leases.

6.03 The division level manager in charge of real estate will maintain the following files and records:

(a) A file of all current executed leases.

(b) A bring-up file for the purpose of taking the necessary action within the time limits specified in the leases regarding changes or cancellation of payments, termination of leases, exercising lease renewal options, annual tax and/or insurance escalation payments, or other similar conditions.

(c) A file of the floor plans of the leased quarters which shows the arrangement of the space at the time of lease execution. This will be the automatic record for restoring the space to its original arrangement when so provided in the terms of the lease.

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7. PERIODICAL PAYMENTS, LEASE DATA, FLOOR SPACE UPDATE, AND TREMS

- 7.01 Upon receipt of the executed copy of the lease, when leasing space from others, FA Form SW-4476, Authorization of Periodical Payment, shall be prepared as outlined in Joint Practice 60, Periodical Payments.
- 7.02 Form SN-1046, Lease Data, should be prepared and forwarded to the Comptrollers Department in accordance with Joint Practice 81, Outline of Procedures for Preparing and Maintaining Records of Leases. This form is required when leasing space from others and when subleasing space to others. Preparation is not required when leasing company owned space to others.
- 7.03 FA Form SW-6258A, Floor Space Report Update, should be prepared for inclusion in our floor space in accordance with SW 770-120-906, Preparation of Floor Space Report Update. This form is required for space leased from others and for space leased to other companies and to Southwestern Bell Corporation and its affiliates.
- 7.04 Total Real Estate Management (TREMS), Form SW-6075, should be prepared for all leases. This includes leasing space of others and leasing this company's space to others. This form should be forwarded to the TREMS coordinator.
- 7.05 Copies of Periodical Payments and Lease Data forms will be kept in the state real estate files.

8. ADDITIONAL REQUIREMENTS WHEN LEASING SPACE TO OTHERS

- 8.01 Upon receipt of the executed copy of the lease, FA Form S9900, Authorization For Special Bill or Credit Memorandum, shall be prepared and forwarded to Comptrollers. This form must be used since FCC Rules and Regulations Part 31, require that an Accounts Receivable be established. This procedure shall be followed to establish, cancel or change billing in accordance with lease or modification of same.
- 8.02 Guidelines for Leasing Available Space to Non-Affiliated Companies provide additional procedures that should be followed when leasing this company's real estate to others. These guidelines can be obtained from the General Headquarters real estate department.

9. INSURANCE

9.01 Leased buildings valued over \$1 million where the company is responsible for insurance coverage should be reported to the Division Staff Manager - Real Estate Management and Architecture at General Headquarters. The General Headquarters real estate division is responsible for reporting this information to the Company's insurance department. This is necessary to ensure that the Company's external insurance provider is apprised of liabilities in leased quarters.

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EXHIBIT 1

FORM S-6628 Page 1



Southwestern Bell
Telephone

S-6628
(Rev. 6-87)

Retention Period - See J.P. 47

LEASE RECOMMENDATION

1. Character of Lease: New lease, Renewal option, Renegotiation _____

2. Where are leased premises located?

Name of Building _____

Street address _____

City, State, Zip Code _____

square feet leased _____

Suite # or floor # _____

3. For what purpose are premises being leased? _____

(Attach a copy of economic analysis, if applicable)

4. Lessor information:

Name _____

Address _____

Individual, Partnership or Corporation _____

5. Rental payments to be sent:

Name _____

Address _____

City, State, Zip Code _____

6. Rental:

Rental Commencement Date _____

Annual rental _____

Annual rental amount per square foot _____

Escalation clauses (how often, how much and what type) _____

7. Services: Who pays the cost of these services?

Water _____ Gas _____

Electricity _____ House Services _____

Maintenance and Repair _____

Heating, ventilation and air conditioning _____

8. Initial finish-out requirements:

Work required: _____

Amount paid by Lessor _____

Amount paid by SWBT _____

Account to be charged to _____

9. How is rental to be charged:

Operating Rents or SPFC/RC _____

User Group's JFC/RC _____

Are funds budgeted for this lease? _____

10. Why was this particular site chosen over other alternatives? Identify pertinent facts regarding the availability of suitable vacant company owned space that was declined by the user group and the reasons for declining.

EXHIBIT 1

FORM S-6628 Page 2

11. Attachments to Lease Recommendation: (List, if any)

Recommended:

_____	_____
	Date
Approved: (In accordance with Section 4.20, Real Estate Rentals of the Schedule of Authorizations)	
_____	_____
	Date
_____	_____
	Date
_____	_____
	Date
_____	_____
	Date

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EXHIBIT 2

FORM SW-3311



Southwestern Bell Telephone

SW-3311
(1-80)

SUMMARY OF
LEASE PROPOSALS

- I.
 - A. Where are leased premises located? _____
 Name of Building _____
 Street Address _____
 City, State, Zip Code _____
 # square feet available to lease _____
 Suite # or floor # _____
 - B. Lessor Information:
 Name _____
 Address _____
 Individual, Partnership or Corporation _____
 - C. Economics:
 Annual Rental _____
 Capital Required for Build-Out _____
 Rent Abatement _____
 Net Present Value _____
 Effective Lease Rate* _____
- II.
 - A. Where are leased premises located? _____
 Name of Building _____
 Street Address _____
 City, State, Zip Code _____
 # square feet available to lease _____
 Suite # or floor # _____
 - B. Lessor Information:
 Name _____
 Address _____
 Individual, Partnership or Corporation _____
 - C. Economics:
 Annual Rental _____
 Capital Required for Build-Out _____
 Rent Abatement _____
 Net Present Value _____
 Effective Lease Rate* _____
- III.
 - A. Where are leased premises located? _____
 Name of Building _____
 Street Address _____
 City, State, Zip Code _____
 # square feet available to lease _____
 Suite # or floor # _____
 - B. Lessor Information:
 Name _____
 Address _____
 Individual, Partnership or Corporation _____
 - C. Economics:
 Annual Rental _____
 Capital Required for Build-Out _____
 Rent Abatement _____
 Net Present Value _____
 Effective Lease Rate* _____

* - includes Base Rent, overstandard improvements, moving allowance, rent abatement and other charges which effect the Base Rent.

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