

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: REDEVELOPMENT AGENCY BOARD	FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SUBJECT: SEE BELOW	DATE: MAY 23, 2008

INFORMATION

SUBJECT: BEA SYSTEMS

In March 2007, the Agency Board approved a Property Use Agreement with BEA Systems (PUA). Under the PUA, the Agency (i) obtained public parking rights in the parking garage of the BEA tower at 488 Almaden Boulevard for 30 years, through 2038; (ii) obtained a covenant requiring that BEA maintain its corporate headquarters in the building and occupy at least 51% of the building; and (iii) leased approximately 30,000 square feet of office space in the BEA tower for a period of five years.

Under the PUA, the Agency agreed to invest up to \$13.32 million over a 15-year term for public parking rights in the parking garage. The Agency's \$13.32 million investment was to be paid annually beginning on July 1, 2008. Payments would be made over a 15-year period ending on July 1, 2022. The PUA allowed BEA to terminate the agreement upon notice to the Agency and payment of a termination fee. The termination fee was based on a repayment of amounts paid by the Agency under the PUA. No Agency payments have been made to date.

In January 2008, Oracle entered into negotiations with BEA to acquire BEA. The Oracle/BEA merger cleared the U.S. Anti-Trust regulators in late February 2008; BEA Stockholders voted on April 4, 2008, in support of the merger; and the merger received European Regulator's approval on March 28, 2008.

As a result of the Oracle/BEA merger, the tenant improvement activity at the 488 Almaden tower, commenced by BEA in late 2007, was suspended. On May 19, 2008, Agency and City staff met with Oracle principals to discuss Oracle's plans for the BEA Tower, BEA as a company and other companies Oracle has acquired in recent months. Agency staff was prepared to work with Oracle to extend various provisions of the PUA, if such extension would provide Oracle additional

time to sort out its plans. Additionally, Agency and City staff expressed the City's commitment to work with Oracle as they proceed through their plans. Oracle expressed its desire to maintain a presence in San Jose; however, they have decided to sell the tower at 488 Almaden Boulevard.

Therefore, on Thursday, May 22, 2008, BEA exercised its right to terminate the PUA in its entirety. Since the Agency had made no payments under the PUA, a termination fee was not required to be paid by BEA. . On Friday, May 23, 2008, I returned to BEA and Oracle an acknowledgement of receipt of the notice of termination which terminated all of the agreements between the Agency and BEA. Appropriate adjustments will be made to the Agency's upcoming budget in September.

Agency and City staff will continue to work with Oracle in identifying locations in North San Jose to accommodate Oracle's office needs.



HARRY S. MAVROGENES
Executive Director