File No. 121020

Committee Item No. 1
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee **Date** 10/31/2012

Board of Supervisors Meeting **Date** _____

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Completed by: Victor Young **Date** October 25, 2012
Completed by: Victor Young **Date** _____

[Real Property Purchase Agreement - 1550 Evans Avenue and 330 Newhall Street - San Francisco Public Utilities Commission - $15,000,000]

Resolution approving and authorizing an agreement for the purchase of a parcel of real estate located at 1550 Evans Avenue and 330 Newhall Street (Assessor Block No. 5203, Lot No. 035), consisting of approximately 4.68 acres improved with 50,593 square feet of office/industrial buildings for the San Francisco Public Utilities Commission, for a purchase price of $15,000,000; adopting findings under the California Environmental Quality Act; adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents, make certain modifications, and take certain actions in furtherance of this Resolution.

WHEREAS, The mission of the San Francisco Public Utilities Commission ("SFPUC") is to provide SFPUC customers with high quality, efficient and reliable water, power and sewer services, while sustaining our precious resources; and

WHEREAS, The SFPUC employs over 2,300 dedicated public servants to deliver such services, headquartered at 525 Golden Gate but also strategically placed at many other locations in San Francisco and throughout the multi-county region served; and

WHEREAS, Many of the SFPUC staff within the Wastewater Enterprise Collection System Division are located at several different facilities, some temporary, and if co-located greater efficiencies can be gained in operations; and

WHEREAS, 3rd & Evans Street, LLC ("Seller") owns Lot 035, in Block 5203 of the County of San Francisco (the "Property"), containing over 50,000 square feet of office and industrial space on 4.68 acres of land and is willing to sell the Property for $15,000,000.00; and

WHEREAS, The SFPUC finds the Property ideally suited to meet space needs for the Wastewater Enterprise Collection System Division staff, equipment, rolling stock, and materials, given the Property's size, improvements and proximity to the Southeast Water Pollution Control Plant; and

WHEREAS, The Property was appraised by a third party appraiser in March of 2012, at $16,000,000, and said appraisal was reviewed and approved by the City's Director of Property; and

WHEREAS, An acquisition of the Property has been negotiated at a purchase price of $15,000,000, if approved by all relevant City authorities by November 16, 2012, and as further outlined in the Agreement of Purchase and Sale for Real Estate (the "Agreement"), a copy of which is on file with the Clerk of the Board of Supervisors in File No. 121020 and incorporated herein by reference; and

WHEREAS, The SFPUC Commission has approved the acquisition of the Property through Resolution No. 12-1075, adopted at its meeting of September 25, 2012, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 121020; and

WHEREAS, The Director of the Planning Department, by letter dated September 7, 2012, has found that this purchase is consistent with the City's General Plan and with the Eight Priority Policies of City Planning Code Section 101.1, and is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(2), a copy of which findings is on file with the Clerk of the Board of Supervisors under File No. 121020 and is incorporated herein by reference, now, therefore, be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco hereby finds that the Agreement is consistent with the General Plan and with the Eight Priority Policies of City Planning Code Section 101.1, and is not subject to CEQA pursuant to CEQA

Guidelines Section 15060(c)(2) for the same reasons as set forth in the letter of the Director of Planning dated September 7, 2012; and, be it

FURTHER RESOLVED, That in accordance with the recommendation of the General Manager of the SFPUC and Director of Property, the Board of Supervisors hereby approves the purchase of the property located at 1550 Evans Avenue and 330 Newhall Street (Assessor Block No. 5203, Lot No. 035) and the transaction contemplated thereby in substantially the form of such Agreement presented to the Board and authorizes the Director of Property to execute the Agreement; and, be it

FURTHER RESOLVED, That all actions heretofore taken by any employee or official of the City with respect to this acquisition are hereby approved, confirmed and ratified; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of Property to enter into any amendments or modifications to the Agreement (including, without limitation, the attached exhibits) that the Director of Property determines, in consultation with the City Attorney and SFPUC General Manager, are in the best interest of the City, do not otherwise materially increase the obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of the Agreement and are in compliance with all applicable laws, including City's Charter; and, be it

FURTHER RESOLVED, That the Director of Property is hereby authorized and urged, in the name and on behalf of the City and County, to accept the deed to the Property from the Seller upon the closing in accordance with the terms and conditions of the Agreement, and to take any and all steps (including, but not limited to, the execution and delivery of any and all certificates, agreements, notices, consents, escrow instructions, closing documents and other instruments or documents) as the Director of Property deems necessary or appropriate in order to consummate the conveyance of the Property pursuant to the Agreement, or to otherwise effectuate the purpose and intent of this resolution, such determination to be

conclusively evidenced by the execution and delivery by the Director of Property of any such documents.

$15,018,178.50

Index Code: 573616
CWWFAC02 – Collection Division Consolidation

Controller

Recommended:

General Manager
San Francisco Public Utilities Commission

Director of Property

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

October 25, 2012

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: October 31, 2012 Budget and Finance Committee Meeting

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Item 1 File 12-1020	Department: Public Utilities Commission (PUC), Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would (a) approve and authorize an agreement for the purchase of a parcel of real estate, consisting of approximately 4.68 acre property with 50,593 square feet of office and industrial buildings and 200 exterior parking spaces at 1550 Evans Avenue and 330 Newhall Street for the San Francisco Public Utilities Commission (PUC), for a purchase price of $15,000,000; (b) adopt findings under the California Environmental Quality Act (CEQA); (c) adopt findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and (d) authorize the Director of Property to execute documents, make certain modifications and take certain actions regarding this resolution.

Key Points

- The subject property at 1550 Evans Avenue and 330 Newhall Street consists of two vacant buildings on a 4.68 acre site located in the Bayview district, near the PUC's Southeast Water Treatment Plant. The 1550 Evans Avenue building is an approximately 31,535 square foot, two-story office building and the 330 Newhall Street building is a 19,058 square foot warehouse. The site also includes surface parking for approximately 200 vehicles.
- If the proposed resolution is approved, the PUC would consolidate their Wastewater Enterprise Collection Division and other related SFPUC programs, including 134 staff, 92 vehicles and related equipment, to the 1550 Evans Avenue and 330 Newhall Street facility in order to more efficiently streamline operations related to the adjacent Southeast Water Pollution Control Plant.

Fiscal Impacts

- In March 2012, the subject property was appraised at $16,000,000 by a third-party appraiser. The cost of purchasing the subject 1550 Evans Avenue/330 Newhall Street property is $15,000,000 plus an estimated $18,179 in closing costs, for a total cost of approximately $15,018,179, which is $981,821 less than the recent appraisal value.
- The SFPUC's FY 2013–14 and FY 2014–15 budgets include $20,000,000 from the SFPUC Wastewater Enterprise's Commercial Paper program for the purchase of the subject property, or $4,981,821 more than the total estimated cost of $15,018,179. These additional budgeted funds would pay for staff and vehicle relocation costs, furniture expenditures, and potential costs to modify the site to consolidate multiple SFPUC enterprises and operations.
- The SFPUC will terminate three leases at (a) 3801 Third Street, (b) 1499 Evans Avenue and (c) 1301 Evans Avenue in San Francisco, for a savings of $424,776 per year. The net present value of these existing leases over 30 years is an estimated $8,175,367, which is $9,972,073 or 122% less than the net present value of the relocation and occupancy costs and Wastewater Revenue Bond principal and interest costs over 30 years of an estimated $18,147,349.

- If the PUC were to lease new properties at an estimated current annual cost of $1,246,222, the net present value of these new leases over 30 years is an estimated $23,095,561, which is $4,948,121 or 27% more than the net present value of the estimated relocation and occupancy costs and Wastewater Revenue Bonds principal and interest payments over 30 years of an estimated $18,147,349, under the proposed resolution.

Recommendation

- Approval of the proposed resolution is a policy decision for the Board of Supervisors.

MANDATE STATEMENT

In accordance with Administrative Code Section 23.1, all resolutions and ordinances involving sales, leases, acceptances, and other real estate transactions must be conducted through the Director of Real Estate and approved by the Board of Supervisors.

In accordance with Administrative Code Section 23.4, the Director of Real Estate cannot accept deeds or other instruments granting Real Property to the City without Board of Supervisors approval.

BACKGROUND

The subject property at 1550 Evans Avenue and 330 Newhall Street (Assessor's Block 5203, Lot 035) owned by 3rd & Evans Street, LLC, consists of two vacant buildings on a 4.68 acre site located on the northeast corner of Third Street and Evans Avenue in the India Basin Industrial Park in the Bayview district of the City. The 1550 Evans Avenue building is an approximately 31,535 square foot, two-story steel frame office building and the 330 Newhall Street building is a concrete tilt-up warehouse structure which totals approximately 19,058 square feet, for a total building area of approximately 50,593 square feet. The site also includes surface parking for approximately 200 vehicles. In 1977 and 1978, Morgan Equipment Company, a dealer in heavy equipment, purchased the site and constructed the two buildings as their headquarters. In November 2006, the Morgan Family of the Morgan Equipment Company formed the 3rd & Evans Street, LLC, which now owns the subject property. Several tenants have occupied one or both structures, including most recently Walden House, which vacated the site in March 2012.

According Mr. Josh Keene, Real Estate Services for the SFPUC, if the proposed resolution is approved, as shown in Table 1 below, the San Francisco Public Utilities Commission (SFPUC) would consolidate portions of the Wastewater Enterprise Collection Division and other related SFPUC programs, including staff and equipment, to the 1550 Evans Avenue and 330 Newhall Street facility in order to more efficiently streamline operations related to the adjacent Southeast Water Pollution Control Plant. The Southeast Water Pollution Control Plant is located at 750 Phelps Avenue, which is less than 0.3 miles from the 1550 Evans Avenue and 330 Newhall Street property. According Mr. Keene, the SFPUC Wastewater Enterprise Collection System Division is responsible for Pollution Prevention, Pretreatment and Sewer Cleaning and Inspection. Mr. Keene advises that the Wastewater Enterprise Collection Systems Division staff

and equipment are presently located in numerous leased offices, leased lots and temporary City-owned locations across the City.

Additionally, Mr. Keene reports that select members of the SFPUC Sewer System Improvement Program (SSIP) Management Team will also occupy space at the proposed 1550 Evans Avenue and 330 Newhall Street facility. SSIP is a new multi-year capital program designed to improve and protect the City's aging wastewater system Currently 2.7 billion is approved by the SFPUC Commission will be included in the next update of the SFPUC 10 year capital program.

Table 1. SFPUC Consolidation at 1550 Evans Avenue and 330 Newhall Street

Property Address	Property is Leased or City-owned	Annual Cost of Property to the SFPUC	Number of Staff, Vehicles, or Storage	Square Feet	Current Lease Expiration Dates and Proposed Use of Property Following Consolidation
1301 Evans Avenue	Leased	$78,888	Staff (10) /Storage	3,287	Lease expires on December 31, 2012. Upon SFPUC's exit, the City's Human Services Agency (HSA) is targeting this office space, given HSA's displacement from Southeast Community Facility located at 1800 Oakdale in early 2013.
1499 Evans Avenue	Leased	10,800	Vehicles (17)	900	Lease expires on November 15, 2012. SFPUC Real Estate Services is working to negotiate a temporary holdover agreement for continued use until the 1550 Evans Avenue property is secured and available to occupy.
3801 3rd Street	Leased	335,088	Staff (32)	10,740	Lease expired on June 30, 2012 and is presently on month-to-month holdover status, revocable at any time by the landlord or SFPUC upon written notice.
2245 Jerrold Avenue	Fire Department	0	Storage of Equipment	Unknown	Revert to Fire Department
116 Napoleon Avenue	Department of Public Works	0	Staff (53)/ Vehicles	Unknown	Revert to Department of Public Works
750 Phelps Avenue	SFPUC	0	Staff (24)/ Vehicles	Unknown	Twenty-four employees are temporarily located at the SFPUC Southeast Water Pollution Control Plant.
111 Bay Street	SFPUC	0	Staff (15)	Unknown	Fifteen employees are temporarily located at the SFPUC North Point Facility.
Total		**$424,776**			

As shown in Table 1 above, the cost of the current SFPUC leases, which would be terminated when staff and equipment are relocated to the subject property of 1550 Evans Avenue and 330 Newhall Street, total $424,776 annually.

As shown in Table 1 above, in addition to these leased spaces, the SFPUC also currently uses the San Francisco Fire Department (SFFD) parking lot at 2245 Jerrold Avenue for storage of the Auxiliary Water Supply System's[1] equipment. In May 2010, the function of the Auxiliary Water Supply System (AWSS) was transferred from the SFFD to the SFPUC. As part of the function transfer of AWSS, SFPUC now owns this AWSS equipment that is currently stored at 2245 Jerrold Avenue and the SFFD is requesting that SFPUC remove this equipment.

SFPUC Wastewater Enterprise Collection System Division also currently has 53 staff in approximately six portable trailers and various vehicles at the Department of Public Works property at 116 Napoleon Avenue. According to Mr. Keene, the SFPUC Wastewater Enterprise Division's use of this DPW property is a holdover from prior to 1996, when the Wastewater Enterprise Division was part of DPW.

Table 2 below identifies the anticipated 134 SFPUC staff that would be relocated to the office building at 1550 Evans Avenue from expiring office leases at (a) 3801 3rd Street, (b) 1301 Evans Avenue, (c) the North Point Facility at 111 Bay Street and (d) DPW property at 116 Napoleon Avenue. The 134 SFPUC relocated staff includes (a) 110 Wastewater Enterprise Collection System Division staff and (b) 24 SSIP staff.

Table 2. Staff Relocation to 1550 Evans Avenue

Current Address	Description	Number of Staff
116 Napoleon Avenue	Sewer Cleaning & Inspection	53
111 Bay Street (North Point Facility)	Wastewater Source Control & Pretreatment	15
3801 3rd Street	Pretreatment, Field Monitoring Pollution Prevention, Technical Services & Hydraulic Modeling	32
1301 Evans Avenue	Pretreatment, Field Monitoring Pollution Prevention, Technical Services & Hydraulic Modeling	10
750 Phelps Avenue (Southeast Water Pollution Control Plant)	SSIP	24
	Total Staff	**134**

As shown in Table 1 above, 17 of the Wastewater Enterprise Collection System Division vehicles are presently stored in a leased parking lot at 1499 Evans Avenue. This 1499 Evans Avenue lease terminates on November 15, 2012, such that the SFPUC Real Estate Services is

[1] The Auxiliary Water Supply System provides additional fire protection from the domestic water system in the event of a major earthquake.

currently working to negotiate a temporary month-to-month holdover lease for continued use of 1499 Evans Avenue until the 1550 Evans Avenue property is secured and available to occupy.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (a) approve and authorize an agreement between the Director of Property and 3rd & Evans Street, LLC for the purchase of an approximately 4.68 acre parcel, including 50,593 square feet of office and industrial buildings and approximately 200 exterior parking spaces at 1550 Evans Avenue and 330 Newhall Street (Assessor's Block 5203, Lot 035) in San Francisco, California for the San Francisco Public Utilities Commission (SFPUC), for a purchase price of $15,000,000; (b) adopt findings under the California Environmental Quality Act (CEQA); (c) adopt findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and (d) authorize the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution.

According Mr. Keene, the subject property at 1550 Evans Avenue and 330 Newhall Street will enable the SFPUC Wastewater Enterprise to consolidate staff, vehicles, trucks and equipment of SFPUC programs including the Wastewater Enterprise Collection System Division and SSIP to one centralized location immediately adjacent to the Southeast Water Pollution Control Plant. Mr. Keene reports that if the proposed resolution is approved, the SFPUC would complete a phased occupancy of employees and vehicles, trucks and equipment, commencing in early 2013, which would result in a total of 134 SFPUC staff, 92 vehicles and various related equipment to be relocated to the subject facility.

The Planning Department determined (a) that the proposed purchase and sale agreement does not constitute a project under the California Environmental Quality Act (CEQA) on August 1, 2012 and (b) that the proposed purchase and sale agreement is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1 on September 7, 2012.

FISCAL IMPACTS

In March 2012, the subject property was appraised at $16,000,000 by a third-party appraiser, Mr. Ron Blum of Carneghi-Blum & Partners, Inc. on behalf of 3rd & Evans Street, LLC. The $16,000,000 appraisal was reviewed and approved by Mr. John Updike, the City's Acting Director of Property. According to Mr. Updike, although the appraiser was under contract with the seller, 3rd & Evans Street, LLC, Carneghi-Blum is a firm that the City contracts with frequently for complex appraisal analysis.

As shown in Table 3 below, the cost of purchasing the 1550 Evans/330 Newhall property is $15,000,000 plus an estimated $18,179 in closing costs[2], for a total cost of approximately $15,018,179, which is $981,821,000 less than the recent appraisal value.

[2] Closing costs include title charges, endorsement fees, and other third party costs.

Table 3: Estimated Cost of Purchasing 1550 Evans Avenue and 330 Newhall Street Property	
Purchase Price for 1550 Evans Avenue and 330 Newhall Street Property	$15,000,000
Estimated Closing Costs	$18,179
Total Estimated Cost of Purchasing 1550 Evans Avenue and 330 Newhall Street Property	**$15,018,179**

Currently, the SFPUC's FY 2013–14 and FY 2014–15 budgets appropriate $20,000,000 from the SFPUC Wastewater Enterprise's Commercial Paper program for the purchase of the subject property, or $4,981,821 more than the total estimated cost of $15,018,179. However, in addition to the acquisition costs, Mr. Keene reports that there would be additional staff and vehicle relocation costs, furniture expenditures, and potential costs to modify the site to consolidate multiple SFPUC enterprises and operations. Although the costs have not yet been determined, Mr. Keene advises that the SFPUC has budgeted the remaining $4,981,821 for such costs.

On May 8, 2012, the Board of Supervisors approved the provision of up to $300,000,000 for the SFPUC Wastewater Enterprise's Commercial Paper program (File 12-0354). This allows the SFPUC to issue Commercial Paper from time to time to finance various Wastewater Enterprise capital projects pursuant to Proposition E (City Charter Section 8B.124) in anticipation of the issuance of its Wastewater Revenue Bonds projected to be issued in February 2013, as previously authorized by the Board of Supervisors in April 2010 (File 10-0340). These Wastewater Revenue Bonds are anticipated to have a 5.0% interest rate over a 30-year term, resulting in principal and interest payments over 30 years with a net present value of $18,147,349. These Wastewater Revenue Bonds will be repaid from sewer service fees charged to San Francisco residents and businesses.

As shown in Table 1 above, the SFPUC will terminate three leases at (a) 3801 Third Street, (b) 1499 Evans Avenue and (c) 1301 Evans Avenue in San Francisco, for a savings of $424,776 per year. The net present value of the existing leases over 30 years is an estimated $8,175,367, which is $9,972,073 or 122% less than the net present value of the estimated relocation and occupancy costs and Wastewater Revenue Bonds principal and interest payments over 30 years of an estimated $18,147,349.

Mr. Keene advises that there will be additional operational savings from the termination of the existing leases and relocation to the new property that cannot be quantified at this time. Operational savings include the proximity of the Southeast Water Pollution Control Plant and the consolidation of staff and resources at the proposed new location. Mr. Keene also notes that by purchasing the subject property, the SFPUC will also relocate personnel from temporary space, such as portable offices.

Additionally, Mr. Keene reports that purchase of the subject property at 1550 Evans Avenue and 330 Newhall Street is significantly less expensive alternative than a prior SFPUC proposal to construct a new office and vehicle storage facility for the Wastewater Enterprise Collection System Division at the Griffith Pump Station at 1601 Griffith Street, which was estimated by the PUC to cost approximately $48 million.

If SFPUC were to enter into new leases for comparable property rather than purchase the subject property, Mr. Keene estimates that the annual lease payments would be $1,246,222 based on rents for property currently available on the open market. Table 4 below shows SFPUC's estimated rent to lease office space (31,535 square feet), warehouse space (19,058 square feet), and corporate yard space (approximately 200 parking spaces) comparable to space available at 1550 Evans Avenue and 330 Newhall Street.[3]

Table 4. Estimate of Equivalent Expense of 1550 Evans Avenue and 330 Newhall Street (based on property available on the open market as of October 24, 2012)

	Space by Square Foot	Average Rent	Annual Lease Expense
Office Space	31,535	$24.25	$764,724
Warehouse Space	19,058	$15.82	$301,498
Corporate Yard Space	60,000	$3.00	$180,000
Total			$1,246,222

If the PUC were to lease new properties, as shown above in Table 4, the net present value of these leases over 30 years is an estimated $23,095,561, which is $4,948,121 or 27% more than the net present value of the estimated relocation and occupancy costs and Wastewater Revenue Bonds principal and interest payments over 30 years of an estimated $18,147,349.

Because purchase of the subject property incurs new costs to the PUC compared to the costs of leasing the existing properties, as noted above, the Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

RECOMMENDATION

Approval of the proposed resolution is a policy decision for the Board of Supervisors.

[3] Mr. Keene noted that when providing an estimate for comparison purposes, it is not possible to project actual costs without an actual deal and negotiations. As such, for the purposes of this analysis, current market rates for surrounding properties were surveyed to project what the market could bear. The estimate does not consider escalation of rents or volatility of the markets.

SAN FRANCISCO
PLANNING DEPARTMENT

General Plan Referral

1650 Mission St.
Suite 400
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Information:
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Date:	September 7, 2012
Case No.	**Case No. 2012.0946R** **Purchase of property 1550 Evans Street and 330 Newhall**
Block/Lot No:	5203/035
Project Sponsors:	Barry Pearl, Environmental Manager San Francisco Public Utility Commission 525 Golden Gate Avenue, Sixth Floor San Francisco, CA 94102
Applicant:	Same as Above
Staff Contact:	Ilaria Salvadori – (415) 575-9086 *Ilaria.salvadori@sfgov.org*
Recommendation:	Finding the project, on balance, is in conformity with the General Plan
Recommended By:	John Rahaim, Director of Planning

PROJECT DESCRIPTION

On July 26th, 2012, the Planning Department (herein "the Department") received a request from the San Francisco Public Utility Commission to consider the proposed purchase of the property of 1550 Evans Street/ 330 Newhall Street , pursuant to Section 4.105 of the Charter and Section 2A.53 of the Administrative Code.

The subject property is located at the east corner of Third Street at the intersection with 1550 Evans Street.
The proposed project involves the purchase of the property located at 1550 Evans Street (office and warehouse buildings) to house sewer operations and collection system staff.

The property is located in a PDR (Production, Distribution, Repair) Zoning District as per the eastern Neighborhood Plan rezoning effort. The property is located in a 65-J Height District in the Southeast Quadrant of the City. Additionally, the property is located in the BVHP- B redevelopment area.

ENVIRONMENTAL REVIEW

On August 1, 2012, the Environmental Planning Division of the Planning Department determined that the project (purchase of the subject property) is Categorically Exempt from Environmental Review - not subject to CEQA per Guidelines Section 15060 (c)(2).

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The Project is the proposed purchase of the property at 1550 Evans Street/ Newhall Street. The Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 as described in the body of this letter and is, on balance, **in-conformity** with the following Objectives and Policies of the General Plan:

ENVIRONMENTAL PROTECTION ELEMENT

OBJECTIVE 2: IMPLEMENT BROAD AND EFFECTIVE MANAGEMENT OF NATURAL RESOURCES.
Policy 1: Coordinate regional and local management of natural resources.

OBJECTIVE 5: ASSURE A PERMANENT AND ADEQUATE SUPPLY OF FRESH WATER TO MEET THE PRESENT AND FUTURE NEEDS OF SAN FRANCISCO
Policy 1: Maintain an adequate water distribution system within San Francisco

OBJECTIVE 12: ESTABLISH THE CITY AND COUNTY OF SAN FRANCISCO AS A MODEL FOR ENERGY MANAGEMENT
Policy 3: Investigate and implement techniques to reduce municipal energy requirements.

PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project, the purchase of the property at 1550 Evans Street/Newhall Street, is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

Eight Priority Policies Findings

The subject project is found to be consistent with the Eight Priority Policies of Planning Code Section 101.1 in that:

1. The Project would have no adverse effect on neighborhood serving retail uses or opportunities for employment in or ownership of such businesses. The proposed project makes no changes to future opportunities for residential employment in or ownership of such businesses.

2. The Project would have no adverse effect on the City's housing stock or on neighborhood character. The project does not involve any demolition or expansion of existing structures.

3. The Project would have no adverse effect on the City's supply of affordable housing. The proposed project would restore office use of an existing building which would enhance the City's supply of affordable housing by maintaining other properties affordable for construction of affordable housing.

4. The Project would not result in commuter traffic impeding MUNI's transit service or overburdening the streets or neighborhood parking. SFPUC employees who would occupy the site would either take public transportation (T-third and 19-Polk Muni services) or drive to the site and utilize one of 162 off-street parking spaces.

5. The Project would not affect the existing economic base in this area, displace industrial or service uses, or impede future opportunities for residential employment and ownership in these sectors.

6. The Project would not adversely affect earthquake preparedness. The SFPUC is investigating the structural conditions and will assess if necessary to bring buildings into compliance of the SF Municipal code standards of earthquake safety.

7. The Project would have no adverse effect on landmarks and historic buildings.

8. The Project would have no adverse effect on parks and open space or their access to sunlight and vistas.

RECOMMENDATION:	**Finding the Project, on balance, in-conformity with the General Plan**

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. **12-0175**

WHEREAS, The San Francisco Public Utilities Commission ("SFPUC") desires to purchase that certain real property in the City and County of San Francisco, consisting of approximately 4.68 acres of land, and improvements on the Property, consisting of one two-story office building, and one two-story office/industrial building (collectively, the "Property"), from 3rd & Evans, LLC, a California limited liability company ("Seller"); and

WHEREAS, The SFPUC wishes to enter into a Purchase and Sale Agreement (Agreement) with the Seller, for the purchase of the Property, including all right, title and interest in and to the Land, Improvements, and all privileges and easements incidental or appurtenant to the Property and Improvements (collectively, the Property), for the agreed-upon purchase price of $15 million, a copy of which Agreement is on file with the Secretary of the SFPUC; and

WHEREAS, The Planning Department determined that approval of this Purchase and Sale Agreement does not constitute a project under CEQA on August 1, 2012; and

WHEREAS, The Property was appraised in March 2012 at $16,000,000 by Carneghi-Blum &Partners, MAI and approved for use by the Department of Real Estate; and

WHEREAS, The SFPUC has allocated $20,000,000 in the FY 2012 – 2013 /2013 – 2014 budget (Project: CWWFAC – Facilities and Infrastructure Improvements), which is available for the purchase of the Property; now, therefore, be it

RESOLVED, That this Commission hereby ratifies, approves and authorizes all actions heretofore taken by any City official in connection with this Agreement; and be it

FURTHER RESOLVED, That this Commission hereby approves the terms and conditions of the Agreement, and authorizes and directs the General Manager of the San Francisco Public Utilities Commission to execute said Agreement, subject to Board of Supervisors approval pursuant to Charter Section 9.118; and be it

FURTHER RESOLVED, That this Commission hereby authorizes the General Manager of the San Francisco Public Utilities Commission to enter into any amendments or modifications to the Agreement, including without limitation, the exhibits and to enter into any other related documents, instruments, memorandum or other agreements reasonably necessary to consummate the transaction contemplated in the Agreement, that the General Manager determines, in consultation with the City Attorney: are in the best interest of the City; do not materially increase the obligations or liabilities of the City; are necessary or advisable to effectuate the purposes and intent of the Agreement or this resolution; and are in compliance with all applicable laws, including the City Charter.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of September 25, 2012.

Donna Wood

Secretary, Public Utilities Commission

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE

by and between

3RD & EVANS STREET, LLC
as Seller

and

CITY AND COUNTY OF SAN FRANCISCO,
as Buyer

For the purchase and sale of
Property located at 1550 Evans Avenue and 330 Newhall Street, Assessor's Block 5203, Lot 035
San Francisco, California

[_____, 2012]

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AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE
(1550 Evans Avenue and 330 Newhall Street, San Francisco)

THIS AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE (this "Agreement") dated for reference purposes only as of _____, 2012, is by and between 3RD & EVANS STREET, LLC, a California limited liability company ("Seller"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Buyer" or "City").

IN CONSIDERATION of the payment of the non-refundable sum of Ten Dollars ($10.00) by City, the receipt of which is hereby acknowledged by Seller, and the respective agreements contained hereinbelow, Seller and City agree as follows:

1. PURCHASE AND SALE

1.1 Property Included in Sale

Seller agrees to sell and convey to City, and City agrees to purchase from Seller, subject to the terms, covenants and conditions hereinafter set forth, the following:

(a) the real property consisting of approximately two hundred three thousand seven hundred seventy-five (203,775) square feet of land, located in the City and County of San Francisco, commonly known as 1550 Evans Avenue and 330 Newhall Street, Assessor's Block 5203, Lot 035, San Francisco, California and more particularly described in Exhibit A attached hereto (the "Land");

(b) all improvements located on the Land, including, without limitation, (i) that certain two-story office building known as 1550 Evans Avenue, and (ii) that certain two-story office/industrial building known as 330 Newhall Street, as well as all other buildings and structures located on the Land, (iii) all of Seller's right, title and interest in all fixtures and apparatus directly used in connection with the operation or occupancy of the Land and its improvements such as heating and air conditioning systems and facilities used to provide any utility, refrigeration, ventilation, garbage disposal or other services, and (iv) all on-site parking (collectively, the "Improvements");

(c) all of Seller's right, title and interest, if any, in and to all rights, privileges, and easements incidental or appurtenant to the Land or Improvements, including, without limitation, any and all minerals, oil, gas and other hydrocarbon substances on and under the Land, as well as any and all development rights, air rights, water, water rights, riparian rights and water stock relating to the Land, and any and all easements, rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Land or Improvements, and all roads and alleys adjoining or servicing the Land or Improvements (collectively, the "Appurtenances");

(d) all of Seller's right, title and interest, if any, in and to any other assignable intangible personal property used exclusively in the ownership, use or operation of the Land or Improvements, including, without limitation, the right to use any trade name now used exclusively in connection with the Land or Improvements, all licenses, permits and certificates of occupancy issued by governmental authorities relating to the use, maintenance, occupancy and/or operation of the Property, and all warranties and guaranties made by or received from any third party with respect to any building, building component, structure, system, fixture, machinery, equipment, or material situated on, contained in any building or other improvement situated on, or comprising a part of any building or other improvement situated on, any part of the Property (collectively, the "Intangible Property"); and

(e) all books and records relating to any tenants, keys, and other materials of any kind owned by Seller and in the possession or control of Seller or its property manager or asset manager, if any, which are used in the continuing operation of the Improvements (collectively, the "Books and Records").

All of the items referred to in subparagraphs (a), (b), (c), (d) and (e) above are collectively referred to as the "Property."

2. PURCHASE PRICE

2.1 Purchase Price

The total purchase price for the Property is Fifteen Million and no/100 Dollars ($15,000,000.00) (the "Purchase Price").

2.2 Payment

City shall pay the Purchase Price as follows:

(a) Within five (5) business days after the Effective Date (as defined in Section 12.14 below), Buyer shall deposit in escrow with Chicago Title Insurance Company, 455 Market Street, Suite 2100, San Francisco, California, 94105 Attention: MaryPat Noeker (the "Title Company"), the sum of One Hundred Thousand and no/100 Dollars ($100,000.00) as an earnest money deposit (the "Deposit"). The Deposit shall be held in an interest-bearing account, and all interest thereon shall be deemed a part of the Deposit. At any time prior to the expiration of the Due Diligence Period (as defined in Section 4.1 below), the Deposit shall be fully refundable to City upon the Title Company's receipt of City's written request. After the expiration of the Due Diligence Period, the Deposit shall not be refundable to City except in the event of (i) a default by Seller hereunder, or (ii) the termination of the Agreement by City pursuant to Sections 4.1, 5.1, 8.3, and/or 9.2, in which case the Title Company shall return the Deposit to City. At the Closing (as defined below) the Deposit shall be paid to Seller and credited against the Purchase Price.

(b) On the Closing Date (as defined in Section 6.2 [Closing Date]), City shall pay to Seller the balance of the Purchase Price which is Fourteen Million Nine Hundred Thousand and No/100 Dollars ($14,900,000.00), adjusted pursuant to the provisions of Article 7 [Expenses and Taxes], and reduced by any credits due City hereunder.

Seller acknowledges and agrees that if Seller fails at Closing to deliver to City the documents required under items (iii) and (iv) of Section 6.3(a) [Seller's Delivery of Documents], Title Company may be required to withhold a portion of the Purchase Price pursuant to Section 1445 of the United States Internal Revenue Code of 1986, as amended (the "Federal Tax Code") or Sections 18662 and 26131 of the California Revenue and Taxation Code (the "State Tax Code"). Any amount properly so withheld by Title Company shall be deemed to have been paid by City as part of the Purchase Price, and Seller's obligation to consummate the transaction contemplated herein shall not be excused or otherwise affected thereby.

2.3 Funds.

All payments made by any party hereto shall be in legal tender of the United States of America, paid by Controller's warrant (delivered to the Title Company at least five (5) business days prior to Closing) or by wire transfer of immediately available funds to the Title Company, as escrow agent, arranged through the Title Company's offices located at 455 Market Street, Suite 2100, San Francisco, CA 94105, Attention: Nicki Carr.

3. TITLE TO THE PROPERTY

3.1 Conveyance of Title to the Property.

At the Closing Seller shall convey to City, marketable fee title to the Land, the Improvements and the Appurtenances, by duly executed and acknowledged grant deed in the form attached hereto as Exhibit B (the "Deed"). Such Deed shall be subject only to the following (the "Accepted Conditions of Title"): (a) general real estate taxes not yet due or payable as of the date of the Closing; (b) all title matters relating to the Property that are (i) Approved Title Matters (as defined in Section 5.1(a) below), (ii) discoverable by means of an accurate survey or inspection of the Property, or (iii) Newly Discovered Title Matters that Seller has not agreed, in one or more Seller's Removal Notices (as defined below in Section 5.1(a)), to cure, except to the extent, if any, that Seller agrees in one or more Seller's Removal Notices to cure the same; and (iv) all other exceptions, if any, created by City or agreed to by City in writing, including, without limitation, any liens arising from labor, material or services provided at the request of City pursuant to this Agreement. Seller's obligation to cure any Newly Discovered Title Matters shall be limited as set forth in Section 5.1(a), below.

3.2 Title Insurance.

It shall be a condition precedent to City's obligation to close the purchase of the Property that Title Company shall be irrevocably committed to issue to City, an ALTA extended coverage owner's policy of title insurance (provided that City obtains a survey of the Property and satisfies any requirements of the Title Company required to issue an ALTA policy which are within City's control), or at City's sole option, a CLTA policy of title insurance (the "Title Policy") in the amount of the Purchase Price (the "Owner Title Policy Amount"), insuring fee simple and marketable title to the Land, the Appurtenances (to the extent the Title Company may agree in writing, during the Applicable Period (as defined below) to insure such Appurtenances), and the Improvements in City, free of the rights of tenants or other occupants, and all other exceptions, liens and encumbrances except solely for the Accepted Conditions of Title pursuant to Sections 3.1 and 5.1(a) of this Agreement. The Title Policy shall provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of any of the Property (except for any liens arising from labor, material or services provided at the request of City in connection with its inspection of the Property pursuant to this Agreement), shall not contain any exclusion from coverage for creditor's rights or bankruptcy, and the Title Policy shall contain an affirmative endorsement (Form ALTA 9.5 (6/17/06) [or equivalent CLTA endorsement] that there are no violations of restrictive covenants, if any, affecting the Property, and such special endorsements as City may reasonably request, including an ALTA 112.2 endorsement and any other special endorsements as City may reasonably request and as the Title Company may agree in writing, during the Applicable Period, to issue at the Closing. As used in this Section 3.2 [Title Insurance], "Applicable Period" means prior to the Closing, with respect to any Newly Disclosed Title Matter (as defined in Section 5.1(a) below). If requested by City, the Title Policy shall also provide for reinsurance with direct access with such companies and in such amounts as City may reasonably request, and the Title Company may agree in writing to provide at the Closing.

3.3 Assignment of Intangibles

At the Closing, Seller shall transfer title to intangible property pursuant to the Assignment of Warranties and Guaranties and Other Intangible Property in the form attached hereto as Exhibit C (the "Assignment of Intangible Property").

4. BUYER'S DUE DILIGENCE INVESTIGATIONS

4.1 Due Diligence and Time for Satisfaction of Conditions

City has been given or will be given before the end of the Due Diligence Period (as defined below), a full opportunity to investigate the Property, either independently or through agents of City's own choosing, including, without limitation, the opportunity to conduct such appraisals, inspections, tests, audits, verifications, inventories, investigations, drilling of test wells and the taking of soil borings, and other due diligence regarding the economic, physical, environmental, title and legal conditions of the Property as City deems fit, as well as the suitability of the Property for City's intended uses. City and its Agents acknowledge that they have commenced due diligence investigations on the Property prior to Effective Date pursuant to that certain Permit to Enter and Use Property by and between Seller and City dated July 27, 2012. The period for completion of all such investigations shall expire on the earlier of (i) the Effective Date, or (ii) November 16, 2012 (the "Due Diligence Period"), subject to the terms and conditions provided hereinbelow.

Seller confirms that on or before July 31, 2012, Seller previously delivered to City all of the Documents and other items described in Subsection 5.1(f), to the extent such documents exist and are in the possession, custody or control of any of Seller, its property manager or other Agents.

Notwithstanding anything in this Agreement to the contrary, City shall have the right to terminate this Agreement at any time during the Due Diligence Period upon written notice to Seller, and Title Company shall return the Deposit to City upon receipt of written notice of termination provided to the Title Company. Upon such termination, Title Company shall return the Deposit to City and neither City nor Seller shall have any further rights or obligations hereunder, except as otherwise expressly provided herein. This Section is subject to, and shall not serve to modify or limit, any right or remedy of City arising under Section 5.1 [City's Conditions to Closing, of this Agreement].

4.2 As Is Conveyance; Release.

(a) CITY SPECIFICALLY ACKNOWLEDGES AND AGREES THAT SELLER IS SELLING AND CITY IS PURCHASING THE PROPERTY ON AN "AS IS WITH ALL FAULTS" BASIS. EXCEPT AS EXPRESSLY SET FORTH IN SECTION 8.1 BELOW, CITY IS RELYING SOLELY ON ITS INDEPENDENT INVESTIGATION AND NOT ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM SELLER OR ITS AGENTS AS TO ANY MATTERS CONCERNING THE PROPERTY, ITS SUITABILITY FOR CITY'S INTENDED USE OR ANY OF THE PROPERTY CONDITIONS. SELLER DOES NOT GUARANTEE THE LEGAL, PHYSICAL, GEOLOGICAL, ENVIRONMENTAL OR OTHER CONDITIONS OF THE PROPERTY, NOR DOES IT ASSUME ANY RESPONSIBILITY FOR THE COMPLIANCE OF THE PROPERTY OR ITS USE WITH ANY STATUTE, RESOLUTION OR REGULATION. NEITHER SELLER NOR ITS AGENTS HAVE MADE, AND SELLER HEREBY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE PROPERTY CONDITIONS, EXCEPT AS EXPRESSLY SET FORTH IN SECTION 8.1 BELOW. WITHOUT LIMITING THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN SECTION 8.1 BELOW, NEITHER SELLER NOR ITS AGENTS HAVE MADE, AND SELLER HEREBY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE TRUTH, ACCURACY OR COMPLETENESS OF ANY DOCUMENTS.

(b) Without limiting the provisions of subparagraph (a) above, City waives its rights to recover from the Seller, and forever releases, covenants not to sue and discharges the

Seller from, any and all damages, demands, claims, losses, liabilities, penalties, fines, liens, judgments, costs or expenses whatsoever, including attorneys' fees and costs incurred by City, whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with the physical condition of the Property, including, but not limited to, the presence of any Hazardous Materials (as defined in Section 8.1(j)(ii) below) on, in, or under the Property ("Physical Claims"), except for (i) any liability of Seller for Seller's fraud or intentional misrepresentation, which liability shall survive the Closing without regard to the Survival Period or the limitation on liability set forth in Section 11.2(c) for any such Physical Claims, and/or (ii) any breach of any representation or warranty set forth in Section 8.1, below, which liability shall survive the Closing only for the Survival Period (as defined in Section 8.3, below) and shall be subject to the limitations on liability set forth in Sections 8.3 and 11.2, below.

(c) Subject to the limitations set forth in Section 4.2(b) above, the release set forth therein includes Physical Claims of which City is presently unaware or which City does not presently suspect to exist which, if known by City, would materially affect City's willingness to enter into the release of the Seller set forth in Section 4.2(b), above. In this connection and to the fullest extent permitted by law, City hereby agrees, represents and warrants that City realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to Physical Claims which are presently unknown, unanticipated and unsuspected, and City further agrees, represents and warrants that the release set forth in Section 4.2(b), above, has been negotiated and agreed upon in light of that realization and that City nevertheless hereby intends to release, discharge and acquit the Seller, in accordance with and subject to the conditions and limitations set forth in Section 4.2(b), from any such unknown Physical Claims, except for (i) any liability of Seller for Seller's fraud or intentional misrepresentation, which liability shall survive the Closing without regard to the Survival Period or the limitation on liability set forth in Section 11.2(c) for any such Physical Claims, and/or (ii) any breach of any representation or warranty set forth in Section 8.1, below, which liability shall survive the Closing only for the Survival Period and shall be subject to the limitations on liability set forth in Sections 8.3 and 11.2, below. In connection with the release set forth in Section 4.2(b), above, City expressly waives the benefits of Section 1542 of the California Civil Code which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM OR HER MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR.

(d) The provisions of this Section 4.2 shall survive the Closing.

5. ENTRY

During the Due Diligence Period and at all times prior to the Closing Date, Seller shall afford City and its Agents reasonable access to the Property and all books and records located therein for the purposes of satisfying City with respect to the representations, warranties and covenants of Seller contained herein and the satisfaction of the City's Conditions Precedent including, without limitation, the drilling of test wells and the taking of soil borings. Notwithstanding the forgoing, City and its Agents shall have no right to perform any borings, samplings, soils tests, groundwater tests or other intrusive physical audit procedures on the Property without first providing Seller a detailed work plan describing with specificity the nature, scope, location and purpose of all of such activities to be performed on the Property and thereafter obtaining Seller's prior written consent to such activities, which consent shall not be unreasonably delayed or withheld by Seller. City and its Agents will use commercially reasonable efforts while performing the work to minimize any damage to the Property. If,

despite such efforts, the Property is damaged and if this Agreement is terminated, the City will, at its sole cost and in a timely manner, repair such damage to the extent necessary to restore the Property to a condition substantially similar to the condition it was in immediately prior to such damage; provided, however, City shall have no liability or responsibility to repair or restore any pre-existing damage or conditions. City shall conduct its activities on the Property in a safe and prudent manner and in compliance with all applicable laws, regulations, codes, ordinances and orders of any municipal, state or federal governmental or regulatory entity. Seller may have employee(s) or representative(s) accompany City or its Agents at all times while City or its Agents are on the Property. City hereby agrees to indemnify and hold Seller harmless from any damage or injury to persons or property caused by acts or omissions of City or its Agents during any such entries onto the Property prior to the Closing, except to the extent such damage or injury is caused by the gross negligence or willful misconduct of Seller or any of its Agents. The foregoing Indemnity shall not include any claims resulting from the discovery or disclosure of pre-existing environmental conditions or the non-negligent aggravation of pre-existing environmental conditions on, in, under or about the Property, including the Improvements. This indemnity shall survive the termination of this Agreement or the Closing, as applicable, provided that Seller must give notice of any claim it may have against City under such indemnity within one (1) year of such termination or the Closing Date, as applicable.

5.1 City's Conditions to Closing

The following are conditions precedent to City's obligation to purchase the Property (collectively, "City's Conditions Precedent"):

(a) The title exceptions included on the attached Exhibit D are hereby approved by City (collectively, the "Approved Title Matters"). If any title matter affecting the Property which is not an Approved Title Matter and is not reflected in a preliminary title report or updated title report obtained by City on or before the date which is thirty (30) days prior to the expiration of the Due Diligence Period is disclosed to City prior to Closing (each, a "Newly Discovered Title Matter"), City shall have ten (10) business days in which to give Seller written notice approving or disapproving of such Newly Discovered Title Matter. If City fails to give such notice within such time period, City shall be deemed to have disapproved such Newly Discovered Title Matter. If such disapproval notice is timely given, or if City is deemed to have disapproved such Newly Discovered Title Matter, then Seller shall have fifteen (15) days after receipt of City's notice to notify City in writing ("Seller's Removal Notice") as to what, if any, curative action Seller agrees to undertake in order to cure any Newly Discovered Title Matter at or prior to Closing. In the event Seller does not provide the Seller's Removal Notice to City within said fifteen (15) day period, Seller shall be deemed to have elected not to cure the Newly Discovered Title Matter. If Seller gives such Seller's Removal Notice to City electing not to cure any of the Newly Discovered Title Matters, or if Seller is deemed to have made such election, then Seller shall not be in default, and City shall have fifteen (15) days to elect to proceed with the purchase subject to the Newly Discovered Title Matters and such Newly Discovered Title Matters shall be deemed to be Accepted Conditions of Title (except to the extent that Seller may have agreed in such Seller's Removal Notice to take action to cure the same) or to terminate this Agreement without any liability on the part of Seller, in which case the Title Company shall return the Deposit to City. If City fails to give Seller notice of its election within such fifteen (15) days, City shall be deemed to have elected to terminate this Agreement. If necessary, the Closing shall be extended to permit the completion of the notice and election procedure described above. If Seller gives Seller's Removal Notice and agrees therein to take any action to cure any Newly Discovered Title Matter and fails to take such action prior to the Closing, and City is unwilling to take title subject thereto, Seller shall be in default, and City shall have the rights and remedies provided in Section 11.2, below.

(b) City may, within the Due Diligence Period, at its option and expense, arrange for an "as-built" survey of the Real Property and Improvements prepared by a licensed

surveyor (the "Survey"). Such survey shall be acceptable to, and certified to, City and Title Company and in sufficient detail to provide the basis for and the Title Policy without boundary, encroachment or survey exceptions.

(c) As of the Closing Date, there shall be no litigation or administrative agency or other governmental proceeding, pending or threatened, which after the Closing would materially adversely affect the value of the Property or the ability of City to operate the Property for its intended use, and no proceedings shall be pending or threatened which could or would cause the change, redesignation or other modification of the zoning classification of, or of any building or environmental code requirements applicable to, any of the Property.

(d) City's review and approval, within the Due Diligence Period, of the physical and environmental conditions of the Property, including, without limitation, structural, mechanical, electrical and other physical conditions of the Property. Such review may include an examination for the presence or absence of any Hazardous Material (as defined in Section 8.1(j)), including without limitation, performance of a Phase II examination with respect to all or a part of the Property. City shall be responsible for performing or arranging any such reviews at City's expense.

(e) City's review and approval, within the Due Diligence Period, of the compliance of the Property with all applicable laws, regulations, permits and approvals.

(f) City's review and approval, within the Due Diligence Period, of the following documents, all to the extent such documents exist and are either in the possession, custody or control of Seller, or any affiliate of Seller: structural calculations for the Improvements; site plans; certified copies of the as-built plans and specifications for the Improvements; recent inspection reports by Seller's engineers; service contracts; utility contracts; maintenance contracts; employment contracts, management contracts; brokerage and leasing commission agreements which may continue after Closing; certificates of occupancy; presently effective warranties or guaranties received by Seller from any contractors, subcontractors, suppliers or materialmen in connection with any construction, repair or alteration of the Improvements or any tenant improvements; insurance policies, insurance certificates of tenants, and reports of insurance carriers insuring the Property and each portion thereof respecting the claims history of the Property; environmental reports, studies, surveys, tests and assessments; soils and geotechnical reports; and any other contracts or documents of significance to the Property (collectively, the "Documents").

(g) Seller shall not be in material default in the performance of any covenant or agreement to be performed by Seller under this Agreement, and all of Seller's representations and warranties contained in Section 8.1, below shall have been true and correct in all material respects as of the Effective Date and as of the Closing Date, except in each case, as disclosed in the Due Diligence Information (as defined below). In addition, Seller's Closing Certification (as defined in and pursuant to Section 8.3, below) shall not contain any material exceptions or qualifications. As used herein, "Due Diligence Information" means all information (i) disclosed in the Documents or other materials provided to City by Seller prior to the date which is ten (10) days prior to the expiration of the Due Diligence Period, (ii) disclosed in any title report issued in 2012 or survey made available to or obtained by City, or (iii) otherwise disclosed in those certain documents or items received or obtained by City during its Due Diligence investigation, as more particularly described on Exhibit G attached hereto and incorporated herein by reference.

(h) As of the Closing Date, there shall have occurred no material adverse change in the physical condition of the Property since the expiration of the Due Diligence Period, reasonable wear and tear and loss by casualty or the act, neglect, default, or omission of City and its Agents and Invitees excepted (subject to the provisions of Article 9 [Risk of Loss and Possession]).

(i) Title Company shall be committed at the Closing to issue to City the Title Policy as provided in Section 3.2 [Title Insurance], in the amount of the Owner Title Policy Amount, subject only to the Accepted Conditions of Title, together with the title endorsements provided in said Section 3.2.

(j) At or before the Closing, Seller shall terminate any contracts or agreements related to the Property (including any Improvements), without liability to City, other than agreements which are Approved Title Matters.

(k) Seller agrees to terminate at Closing any employees employed by Seller in the operation of the Property, without any liability to City.

(l) After the completion of all required environmental review, including without limitation, under the California Environmental Quality Act ("CEQA"), City's Public Utilities Commission, Board of Supervisors, and Mayor, in the respective sole discretion of each, shall have enacted a resolution (and taken such other action as may be required) approving, adopting and authorizing this Agreement and the transactions contemplated hereby, and such resolution shall have become effective on or before November 16, 2012.

(m) Seller shall have deposited the items described in Section 6.3(a) below [Seller's Delivery of Documents] into escrow at or before 1:00 p.m. on the day occurring at least five (5) business days before the Closing Date (except as otherwise provided in such Section 6.3(a) below).

(n) This Agreement shall not have been terminated in accordance with its terms.

The City's Conditions Precedent contained in the foregoing subparagraphs (a) through (l) are solely for the benefit of City. If any of the City's Conditions Precedent are not satisfied, City shall have the right in its sole discretion either to waive in writing the City's Condition Precedent in question and proceed with the purchase or, in the alternative, terminate this Agreement, in which case the Title Company shall return the Deposit to City, provided that the City's Conditions Precedent described in item (j) above may not be waived. Except as otherwise provided herein, the waiver of any of the City's Conditions Precedent shall not relieve Seller of any liability or obligation with respect to any representation, warranty, covenant or agreement of Seller. The parties shall have the right, but not the obligation, to agree, each in its sole and absolute discretion, to extend the Closing Date for a reasonable period of time as agreed by the parties, to allow such City's Conditions Precedent to be satisfied; provided however, if such conditions are not satisfied at the expiration of such extension period, City shall have the right to waive in writing such conditions and proceed with the purchase or, in the alternative, terminate this Agreement, in which case the Title Company shall return the Deposit to City. In each case where City has the right pursuant to this paragraph to waive in writing one or more of City's Conditions Precedent or terminate this Agreement at or before a specified time, City shall be deemed to have terminated this Agreement if City fails to deliver written notice to Seller waiving such condition(s) before such time.

In the event the sale of the Property is not consummated because of a default under this Agreement on the part of Seller, City shall have the remedies set forth below in Section 11.2.

5.2 Seller's Conditions to Closing.

The following are conditions precedent to Seller's obligation to convey the Property (collectively, "Seller's Conditions Precedent"):

(a) City shall not be in material default in the performance of any covenant or agreement to be performed by City under this Agreement, and all of City's representations and warranties contained in Section 8.4 below shall have been true and correct in all material respects as of the Effective Date, and shall be true and correct in all material respects as of the Closing Date.

(b) City shall have deposited the items described in Section 6.4 below [City's Delivery of Documents and Funds] into escrow at or before 1:00 p.m. on the date occurring at least five (5) business days before the Closing Date (or by such later date as may be specifically set forth in Section 6.4) , except for City's delivery of the Purchase Price via wire transfer which shall occur on or before 10:00 a.m. San Francisco time at least one (1) business day prior to the Closing Date.

(c) This Agreement shall not have been terminated in accordance with its terms.

The Seller's Conditions Precedent contained in the foregoing subparagraphs (a) through (d) are solely for the benefit of Seller. If any of the Seller's Conditions Precedent is not satisfied, Seller shall have the right in its sole discretion either to waive in writing the Seller's Condition Precedent in question and proceed with the conveyance or, in the alternative, terminate this Agreement. The waiver of any of the Seller's Conditions Precedent shall not relieve City of any liability or obligation with respect to any representation, warranty, covenant or agreement of City.

In the event the sale of the Property is not consummated because of a default under this Agreement on the part of City, Seller shall have the remedies set forth below in Section 11.1.

5.3 Cooperation with City

Seller shall cooperate with City and do all acts as may be reasonably requested by City, at no material third-party out of pocket cost (excluding attorneys' fees) to Seller in excess of $10,000, with regard to the fulfillment of any Conditions Precedent including, without limitation, execution of any documents, applications or permits, but Seller's representations and warranties to City shall not be affected or released by City's waiver or fulfillment of any Condition Precedent. Seller hereby irrevocably authorizes City and its Agents to make all inquiries with and applications to any person or entity, including, without limitation, any regulatory authority with jurisdiction as City may reasonably require to complete its due diligence investigations. Seller and City acknowledge and agree that Seller shall be solely responsible for its attorneys' fees and expenses, and such costs and expenses shall not be included in the calculation of third-party out of pocket costs described above.

6. ESCROW AND CLOSING

6.1 Opening of Escrow.

Within five (5) business days after the Effective Date, the parties shall open escrow by depositing an executed counterpart of this Agreement with Title Company, and this Agreement shall serve as instructions to Title Company as the escrow holder for consummation of the purchase and sale contemplated hereby. Seller and City agree to execute such additional or supplementary instructions as may be appropriate to enable the escrow holder to comply with the terms of this Agreement and close the transaction; provided, however, that in the event of any conflict between the provisions of this Agreement and any additional supplementary instructions, the terms of this Agreement shall control.

6.2 Closing Date.

The consummation of the purchase and sale contemplated hereby (the "Closing") shall be held and (except as otherwise provided in Sections 6.3 and 6.4, below) delivery of all items to be made at the Closing under the terms of this Agreement shall be made at the offices of Title Company located at 455 Market Street, Suite 2100, San Francisco, California 94105, on the date occurring fifteen (15) days after the Effective Date, or on such earlier or later date as City and Seller may mutually agree in writing (the "Closing Date"), subject to the provisions of Sections 5.1 and 5.2. The Closing shall occur no later than 10:00 a.m. San Francisco time on the Closing Date. The Closing Date may not be extended without the prior written approval of both Seller and City, except as otherwise expressly provided in this Agreement. In the event the Closing does not occur on or before the Closing Date, Title Company shall, unless it is notified by both parties to the contrary within five (5) days after the Closing Date, return to the depositor thereof items which may have been deposited hereunder (except for the Deposit, which shall be delivered to Seller, except in the event of a default by Seller hereunder or the termination of the Agreement by City pursuant to Sections 4.1, 5.1, 8.3, and/or 9.2, in which case the Title Company shall return the Deposit to City). Any such return shall not, however, limit the provisions hereof or otherwise relieve either party hereto of any liability it may have for its wrongful failure to close.

6.3 Seller's Delivery of Documents.

(a) At or before 1:00 p.m. on the date occurring at least five (5) days before the Closing Date, or at such later date as may be indicated below for any specific item, Seller shall deposit into escrow for delivery at Closing to City, through escrow, the following:

(i) a duly executed and acknowledged Deed;

(ii) four (4) duly executed Assignments of Intangible Property;

(iii) a properly executed affidavit pursuant to Section 1445(b)(2) of the Federal Tax Code in the form attached hereto as Exhibit E, and on which City is entitled to rely, that Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Federal Tax Code;

(iv) a properly executed California Franchise Tax Board Form 593 certifying that Seller is a California resident if Seller is an individual or that Seller has a permanent place of business in California or is qualified to do business in California if Seller is a corporation or other evidence satisfactory to City that Seller is exempt from the withholding requirements of Sections 18662 and 26131 of the State Tax Code;

(v) such resolutions, authorizations, or other partnership documents or agreements relating to Seller as the Title Company may reasonably require to demonstrate the authority of Seller to enter into this Agreement and consummate the transactions contemplated hereby, and such proof of the power and authority of the individuals executing any documents or other instruments on behalf of Seller to act for and bind Seller;

(vi) a closing statement in form and content satisfactory to City and Seller;

(vii) the duly executed Seller's Closing Certification (as defined in Section 8.3, below); and

(viii) a duly executed owner's declaration substantially in the form attached hereto as Exhibit I.

(b) In conjunction with the Closing Date, Seller shall, to the extent such documents exist and are in the possession or control of any of Seller, its property manager or other Agents, deliver to City outside of escrow, the following:

(i) the original Documents (which must be delivered to City within five (5) days after the Closing Date); and

(ii) all keys to the Property and Improvements located thereon.

The provisions of Section 6.3(b) shall survive the Closing.

6.4 City's Delivery of Documents and Funds.

(a) At or before 1:00 p.m. on the date occurring at least five (5) days before the Closing Date, or such later date as may be indicated below for any specific item, City, shall deposit the following into escrow for delivery to the Seller:

(i) an acceptance of the Deed executed by City's Acting Director of Property;

(ii) The balance of the Purchase Price, adjusted pursuant to the provisions of Article 7 [Expenses and Taxes], and reduced by any credits due City hereunder, shall be delivered into escrow at least one business day prior to the Closing Date if delivered by wire transfer, or shall be delivered into escrow at least five business days prior to the Closing Date if delivered by Controller's Warrant; and

(iii) a closing statement in form and content satisfactory to City and Seller.

6.5 Other Documents.

Seller and City shall each deposit such other instruments as are reasonably required by Title Company as escrow holder or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof; provided, however, that no such instrument shall increase the obligations or diminish the rights of Seller or City under this Agreement or under any of the documents required hereunder to be delivered at Closing by Seller or City, respectively. Without limiting the foregoing, Seller and City shall each deposit an agreement (the "Designation Agreement") designating Title Company as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder, and executed by Seller, City and Title Company. The Designation Agreement shall be substantially in the form attached hereto as Exhibit F and, in any event, shall comply with the requirements of Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder.

6.6 Liquidated Damages

In the event the sale of the Property contemplated hereby is not consummated solely because of a default under this Agreement on the part of City, then City agrees to pay to Seller the sum of One Hundred Thousand and No/100 Dollars ($100,000) as liquidated damages. The parties have agreed that Seller's actual damages, in the event of a default by City, would be extremely difficult or impracticable to determine. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT THE DEPOSIT HAS BEEN AGREED UPON, AFTER NEGOTIATION, AS THE PARTIES' REASONABLE ESTIMATE OF SELLER'S DAMAGES AND AS SELLER'S EXCLUSIVE REMEDY AGAINST CITY,

AT LAW OR IN EQUITY, IN THE EVENT OF A DEFAULT UNDER THIS AGREEMENT ON THE PART OF CITY.

INITIALS: Seller _____ City _____]

7. EXPENSES AND TAXES

7.1 Apportionments

The following adjustments shall be made with respect to the Property, and the following procedures shall be followed:

(a) **Preparation of Prorations**. At least ten (10) days before the Closing Date, Seller shall prepare and deliver, or cause the escrow holder to prepare and deliver, to City an unaudited statement for the Property (the "Preliminary Proration Statement") showing prorations for the items set forth below, calculated as of 12:01 a.m. on the Closing Date, on the basis of a 365-day year. City and Seller shall agree upon any adjustments to be made to the Preliminary Proration Statement before the Closing, and at the Closing, City or Seller, as applicable, shall receive a credit equal to the net amount due City or Seller, as applicable, pursuant to the Preliminary Proration Statement as finally agreed upon by City and Seller. The items to be covered by the Preliminary Proration Statement are as follows:

(i) rents (if any) prorated on an accrual basis;

(ii) non-delinquent real property taxes and assessments for the tax year of the Closing; provided that if the real property tax assessment for the fiscal year in which the Closing occurs has not been issued as of the Closing Date, real property taxes shall be prorated based on the most recent assessed value of the Property, multiplied by the current tax rate, and such tax proration shall be subject to adjustment pursuant to Section 7.4 below [Tenant Improvement Credit]; general real estate taxes payable for all tax years prior to the year of the Closing shall be paid by Seller in full at or before Closing;

(iii) any installments of Special Taxes payable with respect to any Mello-Roos Community Facilities District, and any installments of unpaid interest (only) on any improvement bonds which are a lien on the Property; and

(iv) permits, licenses and/or inspection fees (calculated on the basis of the period covered), but only to the extent transferred to City.

(b) **Utility Charges**. Seller shall cause all the utility meters to be read on the Closing Date, and will be responsible for the cost of all utilities used prior to the Closing Date. All utility deposits paid by Seller shall remain the property of Seller and City shall reasonably cooperate to cause such deposits to be returned to Seller to the extent Seller is entitled thereto.

(c) **Other Apportionments.** Amounts payable as annual or periodic permit or inspection fees (calculated on the basis of the period covered) shall be apportioned as of the Closing Date. Seller's obligations with respect to other normal Property operation and maintenance shall be subject to Section 10.1 below.

(d) **Post-Closing Adjustments**. Notwithstanding anything to the contrary contained in this Article 7, (i) if the amount of the real property taxes and assessments payable with respect to the Property for any period before Closing is determined to be more than the amount of such real property taxes and assessments that is prorated herein (in the case of the current year) or that was paid by Seller (in the case of any prior year) Seller and City shall promptly adjust the proration of such real property taxes and assessments after the determination

of such amounts, and Seller shall pay to City any increase in the amount of such real property taxes and assessments applicable to any period before Closing; and (ii) if the amount of the real property taxes and assessments payable with respect to the Property for any period before Closing is determined to be less than the amount of such real property taxes and assessments that is prorated herein (in the case of the current year) or that was paid by Seller (in the case of any prior year), due to an appeal of the taxes by Seller, a reassessment of the value of the Property or otherwise, Seller and City shall promptly adjust the proration of such real property taxes and assessments after the determination of such amounts, and (a) City shall pay to Seller any refund received by City representing such a decrease in the amount of such real property taxes and assessments applicable to any period before Closing; and (b) Seller shall be entitled to retain any refund received by Seller representing such a decrease in the amount of such real property taxes and assessments applicable to any period before Closing. Each party shall give notice to the other party of any adjustment of the amount of the real property taxes and assessments payable with respect to the Property for any period before Closing within thirty (30) days after receiving notice of any such adjustment.

(e) **Closing Costs**. City shall pay for the premium for the Title Policy and the cost of the endorsements thereto, and the cost of any survey obtained by City. City and Seller acknowledge and agree that the deed applicable to the sale of the Property to City shall be exempt from documentary transfer taxes pursuant to Section 1105 of the San Francisco Business and Tax Regulations Code. Seller shall be responsible for all costs (including without limitation, any prepayment fees, penalties or other charges) incurred in connection with the removal of title matters other than the Accepted Conditions of Title (including the Newly Discovered Title Matters which Seller has elected to remove). Seller also shall be responsible for any and all real estate commissions related to the transaction contemplated by this Agreement, subject to the provisions of Section 12.2. Any escrow and recording fees, or any other costs and charges of the escrow for the sale not otherwise provided for in this Section 7.1 or elsewhere in this Agreement shall be allocated on a 50/50 basis between Seller and City.

7.2 Survival

The provisions of this Article 7 shall survive the Closing.

8. REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties of Seller.

Seller represents and warrants to and covenants with City as follows:

(a) To Seller's knowledge, the Documents furnished to City by Seller pursuant to Sections 4.1 and 5.1 are true and correct copies thereof.

(b) There are no leases, permits, licenses or other occupancy agreements which will bind the Property following Closing.

(c) There are no agreements, other than the agreements constituting Accepted Conditions of Title, that were entered into by Seller, or to Seller's knowledge, by any predecessor in interest of Seller, which will bind the Property following the Closing. At the time of Closing there will be no agreements, including without limitation any employment agreements; there will be no outstanding unpaid written or oral contracts made by Seller for any of the Improvements that have not been fully paid; and Seller shall cause to be discharged all mechanics' or materialmen's liens arising from any labor or materials furnished to the Property prior to the time of Closing (other than mechanics' or materialmen's liens arising out of City's inspections or due diligence activities).

(d) To Seller's knowledge, Seller has not received any written notice of any pending or threatened proceeding relating to any condemnation of all or any portion of the Property, by any governmental or quasi-governmental agency other than City, which would have a material adverse effect on the use, operation or value of the Property.

(e) To Seller's knowledge, Seller has not received any written notice of pending or threatened litigation that would have a material and adverse affect on the use, operation or value of the Property or the ability of Seller to perform its obligations under this Agreement.

(f) To Seller's knowledge, water, sewer, gas, electric, telephone, and drainage facilities are now and at the time of Closing will be installed to the property lines of the Property, and are now and at the time of Closing will be adequate to service the Property (as currently constructed) for the purposes of warehouse, storage and office use.

(g) To Seller's knowledge, there are no easements or rights of way which have been acquired by prescription or which are otherwise not of record with respect to the Property, and there are no easements, rights of way, permits, licenses or other forms of agreement which afford third parties the right to traverse any portion of the Property to gain access to other real property. To Seller's knowledge, there are no disputes with regard to the location of any fence or other monument of the Property's boundary nor any claims or actions involving the location of any fence or boundary.

(h) Seller has not granted any option or right of first refusal or first opportunity to any third party to acquire any fee interest in any of the Property which right or option is either superior to the rights granted to City in this Agreement or would be in effect or enforceable following the transfer of the Property to City at Closing.

(i) Seller is a limited liability company duly organized and validly existing under the laws of the State of California and is in good standing under the laws of the State of California; this Agreement and all documents executed by Seller which are to be delivered to City at the Closing are, or at the Closing will be, duly authorized, executed and delivered by Seller, are, or at the Closing will be, legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, and do not, and at the Closing will not, violate any provision of any agreement or judicial order to which Seller is a party or to which Seller or, to Seller's knowledge, the Property is subject.

(j) To Seller's knowledge: (i) during the ownership of Seller and Seller's Related Predecessors (as defined below), neither Seller nor Seller's Related Predecessors received any written notice from any governmental authority having jurisdiction that the Property is in violation of any applicable law, ordinance or regulation, including, without limitation, any Environmental Laws, which remains uncured and which could reasonably have a material adverse effect on the operation of the Property following the Closing; (ii) during the ownership of Seller and Seller's Related Predecessors of the Property, the Property has not been used in any manner for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except for the use of such substances in such limited quantities as are customarily used in offices or warehouses (not including the warehousing of Hazardous Material); (iii) during the ownership of Seller and Seller's Related Predecessors of the Property there has been no Release of any Hazardous Material in, on, or under the Property; (iv) the Property does not contain any underground storage tank; and (v) the reports, studies, assessments, investigations and other materials to be made available to City for its review pursuant to Sections 4.1 and 5.1 above, constitute all written materials in the possession, custody or control of Seller, its members, or its property manager relating to the presence of Hazardous Materials at, on or under the Property, and the compliance of the Property with Environmental Laws; provided that, without limiting any other provision hereof, Seller makes no representation

or warranty as to whether City is entitled to rely on any such reports, studies, assessments, investigations or other materials, and if City desires to rely on the same, City shall be responsible for obtaining, at its sole cost and expense, written permission from the preparer of any such items. As used herein, the following terms shall have the meanings below:

(i) "Environmental Laws" shall mean any present federal, state or local laws, ordinances, regulations or policies relating to Hazardous Material (including, without limitation, their use, handling, transportation, production, disposal, discharge or storage) or to health and safety, industrial hygiene or environmental conditions in, on, under or about the Property, including, without limitation, soil, air and groundwater conditions.

(ii) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance 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 Section 25281 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Improvements or are naturally occurring substances on or about the Property; petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids; and "source," "special nuclear" and "by-product" material as defined in the Atomic Energy Act of 1985, 42 U.S.C. Sections 3011, et seq. Notwithstanding the foregoing, Hazardous Materials shall not include any ordinary office and janitorial supplies which are used, stored and disposed of in customary quantities and in accordance with applicable Environmental Laws.

(iii) "Release" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside any of the improvements, or in, on, or under the Property. Release shall include, without limitation, "release" as defined in Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601).

(iv) "Seller's Related Predecessors" means Mary Jo Morgan, Harold Christopher Morgan and Anne Elizabeth Schultz, individually and as Co-Trustees of the Morgan Survivor's Trust UTA DTD 01/03/81.

(k) Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Federal Tax Code.

(l) Seller is familiar with the provisions of Sections 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 1090 et. seq. of the California Government Code (the "Provisions"), all of which relate to prohibited conflicts of interest in connection with government contracts, and certifies that it does not know of any facts which would constitute a violation of said provision, and agrees that if Seller becomes aware of any such fact during the term of this Agreement, Seller shall immediately notify the City; provided, however, that City acknowledges and agrees that, notwithstanding anything else herein to the contrary, this sentence imposes no liability on Seller. Seller has no knowledge of any violation of the Provisions, or any of them; provided, however, that City acknowledges and agrees that, notwithstanding anything else herein to the contrary, if Seller's representation contained in this sentence is incorrect, City shall have no rights or remedies against Seller that City would not have in the absence of such representation.

8.2 Seller's Knowledge.

As used in this Agreement or in any documents delivered pursuant hereto, the phrases "to Seller's knowledge" or "known to Seller" (or similar words) shall mean that the representation or warranty (or other provision) qualified by any of such phrases is made without investigation of the matters stated therein and is based solely on the current, actual knowledge of the Managing Person (as defined below), as such actual knowledge exists on the relevant date, provided, that if the individual who is the Managing Person on the relevant date was not the Managing Person throughout the entire period from and including the date this Agreement was executed by Seller (the "Seller Signing Date") until and including the relevant date, then, in addition, the actual knowledge of any other individual who was the Managing Person during such period, as such actual knowledge existed on the last day on which such individual was the Managing Person. As used herein, "Managing Person" means the individual charged with primary responsibility for the oversight of the operation of the Property. Seller hereby represents that as of the Seller Signing Date Harold Christopher Morgan is the Managing Person.

8.3 Survival of and Limitations on Seller's Representations and Warranties.

All representations and warranties contained in Section 8.1, above shall be deemed to be qualified by the Due Diligence Information (as defined in Section 5.1(g) above). All representations and warranties of Seller set forth in Section 8.1, above, are made as of the Effective Date. Seller shall use good faith efforts to promptly notify City in writing, at any time prior to the Closing, if Seller becomes aware of any change in fact or circumstance that would render any of the representations or warranties of Seller set forth in Section 8.1, above, to be false or misleading in any material respect. In addition, as of the Closing Date, Seller shall provide City with a certification regarding the accuracy of such representations and warranties as of such date, including any exceptions or qualifications thereto as of such date ("Seller's Closing Certification"). Seller shall have no liability to City as a result of any exceptions or qualifications to such representations and warranties set forth in Seller's Closing Certification, except as otherwise set forth in Section 11.2, below; provided, however, Seller acknowledges and agrees that if the Seller's Closing Certification contains any qualifications or exceptions that were not disclosed in the Due Diligence Information, City's Condition Precedent set forth in Section 5.1(g) shall not be satisfied, and City also shall have the right to terminate this Agreement pursuant to the second-to-last paragraph of Section 5.1 and Title Company shall return the Deposit to City. In the event City has actual knowledge prior to the Closing that any of the representations or warranties set forth in Section 8.1, above, was not true as of the Effective Date, or that any of representations contained in either Seller's Closing Certification will not be true as of the Closing Date, and City nonetheless proceeds with the purchase of the Property, then, except as otherwise set forth in Section 11.2, below, City shall have no claim for breach of such representation or warranty. Except as otherwise provided in the immediately preceding sentence, the representations and warranties of Seller set forth in Section 8.1, above and in Seller's Closing Certification, are all qualified by the Due Diligence Information and shall survive the Closing for a period of eighteen (18) months from and after the Closing Date (the "Survival Period"); provided, however, that City must give Seller written notice of any claim City may have against Seller for breach of any such representations and warranties before the expiration of the Survival Period, and any such claim which City may have which is not so asserted prior to the expiration of the Survival Period shall not be valid or effective, and Seller shall have no liability with respect thereto.

8.4 Representations and Warranties of City.

City represents and warrants to and covenants with Seller as follows:

(a) Upon the Effective Date, this Agreement will be, and at the Closing all documents executed by City which are to be delivered to Seller at the Closing will be duly

authorized, executed and delivered by City, pursuant to resolutions adopted by the City's Public Utilities Commission and Board of Supervisors, and approved by the Mayor.

(b) As used in this Agreement or in any documents delivered pursuant hereto, the phrases "to City's knowledge" or "known to City" or "City has actual knowledge" (or similar words) shall mean that the representation or warranty (or other provision) qualified by any of such phrases is made without investigation of the matters stated therein and is based solely on (i) the actual knowledge of the SFPUC Real Estate Director and the Acting Director of Property (as defined below), as such actual knowledge exists on the relevant date, provided, that if the individual who is the SFPUC Real Estate Director or the Acting Director of Property on the relevant date was not the SFPUC Real Estate Director or the Acting Director of Property throughout the entire period from and including the date the City executes this Agreement (the "City Signing Date") until and including the relevant date, then, in addition, the actual knowledge of any other individual who was the SFPUC Real Estate Director or the Acting Director of Property during such period, as such actual knowledge existed on the last day on which such individual was the SFPUC Real Estate Director or the Acting Director of Property. As used herein, "SFPUC Real Estate Director" means the City employee charged with primary responsibility for the oversight of the transaction contemplated by this Agreement. The "Acting Director of Property" means the Acting Director of Property for the City charged with primary responsibility for the transaction contemplated by this Agreement. City hereby represents that, as of the City Signing Date, Rosanna Russell is the SFPUC Real Estate Director, and John Updike is the Acting Director of Property.

9. RISK OF LOSS AND POSSESSION

9.1 Minor Loss.

City shall be bound to purchase the Property for the full Purchase Price as required by the terms hereof, without regard to the occurrence or effect of any damage to the Property or destruction of any Improvements or condemnation of any portion of the Property, provided that: (a) either the cost to repair any such damage or destruction, as certified to Seller and City in writing by an independent architect, unaffiliated with Seller and reasonably acceptable to City (an "Architect's Certification"), does not exceed Two Million and No/100 Dollars ($2,000,000.00), or, in the case of a partial condemnation, the value of the portion taken does not exceed Two Million and No/100 Dollars ($2,000,000.00), and (b) upon the Closing, there shall be a credit against the Purchase Price as provided in Section 9.3, below.

9.2 Major Loss.

If the cost to repair such damage or destruction, as certified by an Architect's Certification, exceeds Two Million and No/100 Dollars ($2,000,000.00), or in the case of condemnation, if the value of the portion of the Property taken exceeds Two Million and No/100 Dollars ($2,000,000.00) then this Agreement shall terminate, in which case the Title Company shall return the Deposit to City and neither party shall have any further obligations under this Agreement, except for obligations which expressly state that they shall survive termination of this Agreement.

9.3 Credit at Closing.

If, notwithstanding the occurrence of any damage, destruction or condemnation to or of the Property, the Closing occurs pursuant to Section 9.1, above, City shall be given a credit against the Purchase Price in an amount determined as follows:

(a) If the insurance proceeds or condemnation awards, if any, to be collected by Seller as a result of such damage or destruction or condemnation have been collected before

the Closing, then the credit shall be equal to (i) the amount of such insurance proceeds or condemnation awards collected by Seller, plus (ii) in the case of damage or destruction from any cause, the sum of (A) the amount of any insurance deductible, plus (B) the amount of the cost to repair any portion of such damage or destruction which is uninsured, as certified by an Architect's Certification.

(b) If the proceeds or awards have not been collected as of the Closing, then such proceeds or awards shall be assigned to City at Closing, and, in the case of damage or destruction from any cause, City shall receive a credit from Seller at Closing equal to the sum of (i) the amount of the deductible under any policy of insurance pursuant to which such assigned proceeds will be paid, plus (ii) the amount of the cost to repair any portion of such damage or destruction which is uninsured, as certified by an Architect's Certification.

Notwithstanding the foregoing: (x) in the case of damage or destruction, if Seller shall have expended any sums before Closing to repair or restore such damage or destruction, the amount so expended by Seller shall first be deducted from any credit due City for the deductible under any insurance policy and/or for the cost to repair any portion of such damage or destruction which is uninsured, and if the amount so expended by Seller exceeds the total amount of such deductible and/or such repair cost, Seller shall reserve from any assignment of insurance proceeds to City, the amount of such excess; and (y) in the case of condemnation, if Seller shall have expended any amount before the Closing to restore the Property in connection with such condemnation, Seller shall reserve from the assignment of condemnation awards to City, the amount so expended; provided, however, Seller's right to deduct or reserve the amounts described in the foregoing clauses (x) and (y) shall be subject to and conditioned upon City's reasonable approval of such documentation, invoices, and other reasonably satisfactory evidence of such payments and expenditures by Seller as City may reasonably request.

9.4 Insurance.

Through the Closing Date, Seller shall maintain or cause to be maintained a policy or policies of property insurance in such amounts and insuring against such risks as are consistent with Seller's past practices, as evidenced by the certificate of insurance attached hereto as Exhibit J and made a part hereof. Seller shall furnish City with evidence of such insurance upon request by City. City acknowledges that there shall be no assignment, transfer or continuance of Seller's insurance coverage after the Closing Date.

9.5 Possession.

Possession of the Property shall be delivered to City on the Closing Date, subject to the Accepted Conditions of Title.

10. MAINTENANCE; CONSENT TO NEW CONTRACTS

10.1 Maintenance of the Property by Seller.

Between the date of Seller's execution of this Agreement and the Closing, Seller shall maintain the Property in good order, condition and repair, reasonable wear and tear and damage by casualty excepted; provided, however, Seller shall have no obligation to perform any material repairs, maintenance, or replacements of the Improvements prior to the Closing Date.

10.2 City's Consent to New Contracts Affecting the Property.

Prior to Closing, Seller shall not enter into any agreement to sell the Property to another potential purchaser. Furthermore, Seller shall not enter into any contract affecting the Property which shall remain in effect after the Closing Date without in each instance obtaining City's

prior written consent thereto. City agrees that it shall not unreasonably withhold or delay any such consent, provided that City's failure to respond to any request for such approval within ten (10) business days shall be deemed to constitute approval by City.

11. DEFAULT AND REMEDIES

11.1 City's Default.

(a) If City defaults before the Closing under any provision of this Agreement and Seller has actual knowledge of such default(s) before the Closing, or if City defaults on its obligation to close the transaction contemplated hereby, then Seller shall have the right to liquidated damages pursuant to Section 6.6 above as Seller's sole and exclusive remedy for such default(s), and neither party shall have any further liability or obligation to the other hereunder, except for provisions of this Agreement which expressly state that they shall survive the termination of this Agreement.

(b) Seller acknowledges that any claim Seller may have against City arising under this Agreement may, as a matter of law, be subject to limitations on timing of presentment pursuant to Section 911.2 and other relevant provisions of the California Government Code; provided, however, that nothing in this sentence shall be deemed to cause any such claim to be subject to such sections of the California Government Code which would not, as a matter of law, be subject to such sections in the absence of this sentence.

(c) Notwithstanding anything herein to the contrary, in no event shall City be liable to Seller for any indirect, special, consequential or incidental damages (including, without limitation, damages for lost profits) in connection with any provision of this Agreement.

11.2 Seller's Default.

(a) If Seller defaults under this Agreement before the Closing and City has actual knowledge of such default(s) before the Closing, or if Seller defaults on its obligation to close the transaction contemplated hereby, then City may, at its sole election, proceed with one of the following mutually exclusive alternatives with respect to such default(s):

(i) City may terminate this Agreement, Title Company shall return the Deposit to City, and City may recover reimbursement from Seller for City's actual out-of-pocket expenses incurred in connection with its negotiation of this Agreement, its investigation of the Property pursuant hereto, and its preparation to close the transaction contemplated hereby, including reasonable attorneys' fees, up to a maximum of $300,000.00, and neither party shall have any further liability or obligation to the other hereunder, except for provisions of this Agreement which expressly state that they shall survive the termination of this Agreement.

(ii) If none of such default(s) consists of Seller's failure to close the transaction contemplated hereby, then City may proceed with the Closing with no reduction in the Purchase Price; provided, however, that in proceeding with the Closing pursuant to this subparagraph, City shall be deemed to have waived any default(s) of Seller in the performance of Seller's obligations under this Agreement occurring before the Closing which are actually known to City unless (1) before the Closing City gives Seller written notice of such default(s) expressly stating that City intends to preserve one or more post-Closing claims based on such default(s), and (2) City files suit based on such default(s) in a court of competent jurisdiction before the expiration of the Survival Period.

(iii) If any of such default(s) consists of Seller's failure to close the transaction contemplated hereby (whether or not any other pre-Closing default(s) by Seller also exist), City may file in any court of competent jurisdiction an action for specific performance to

cause Seller to so close the transaction contemplated hereby (and Seller acknowledges that such a default consisting of Seller's failure to close the transaction contemplated hereby will be conclusively deemed to be a breach of an agreement to transfer real property that cannot be adequately relieved by pecuniary compensation as set forth in California Civil Code Section 3387), but (except in the event of City's election pursuant to subparagraph (a)(i) above) City shall not be entitled to recover monetary damages for Seller's default consisting of Seller's failure to close the transaction contemplated hereby; provided, however, that City may recover damages for other pre-Closing default(s) by Seller as provided below in this Section 11.2(a)(iii). Notwithstanding the foregoing prohibition on the recovery of monetary damages in an action for specific performance: (A) City shall be entitled to recover monetary damages, subject to the limitations set forth below, for any pre-Closing default by Seller which is separate and distinct from Seller's failure to close the transaction contemplated hereby (such as a default due to a breach of a representation or warranty contained in Section 8.1), it being specifically agreed that in no event will City be entitled to recover monetary damages on account of Seller's failure to close the transaction contemplated hereby; and (B) this provision will not limit City's right to receive reimbursement for attorney's fees pursuant to Section 12.11, below, nor waive or affect any of Seller's other obligations under this Agreement to be performed after the Closing with respect to any matter other than Seller's failure to close the transaction contemplated hereby. City's right to recover monetary damages for a pre-Closing default by Seller pursuant to clause (A) of this Section 11.2(a)(iii) shall be subject to the following additional limitations: (1) City shall be deemed to have waived such default if City fails to include a cause of action for recovery of damages for such default in its complaint filed in connection with the specific performance action; and (2) in no event shall City be entitled to recover monetary damages for any such default unless such default will not be adequately remedied by the terms of the judgment ordering specific performance (for example, if the court determines that Seller has failed to remove a monetary lien which Seller is required to remove pursuant to Section 5.1(a), City shall be entitled to recover damages on account of such default only if the judgment for specific performance requires only that Seller convey the Property to City, and does not require that Seller discharge such lien).

(b) If Seller defaults on any of its obligations under this Agreement prior to the Closing and such default is not known to City as of the Closing, then, subject to subparagraphs (c) and (d) below, City shall have all of its rights and remedies at law or in equity; provided, however, that, notwithstanding any provision of this Agreement to the contrary, (i) Seller shall have no liability to City for such default unless City gives Seller written notice of any claim City may have against Seller for such default before the expiration of the Survival Period, and (ii) any such claim which City may have which is not so asserted before the expiration of the Survival Period shall not be valid or effective, and Seller shall have no liability with respect thereto.

(c) Notwithstanding any provision of this Agreement to the contrary, in no event shall Seller's liability for breach of any representations or warranties contained in this Agreement (including, without limitation, in Section 8.1 above), Seller's Closing Certification, and for Seller's default under any other provision of this Agreement (whether or not such default is known to City as of the Closing), exceed Two Million Dollars ($2,000,000) in the aggregate.

(d) Notwithstanding anything herein to the contrary, in no event shall Seller be liable to City for any indirect, special, consequential or incidental damages (including, without limitation, damages for lost profits) in connection with this Agreement.

11.3 Termination.

Upon any termination provided for in this Agreement, each of the parties will be discharged from any further obligations and liabilities under this Agreement, except for the

obligations and liabilities that expressly survive such termination under the terms of this Agreement.

12. GENERAL PROVISIONS

12.1 Notices.

Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given and received upon receipt or refusal of delivery, and addressed as follows:

CITY:	San Francisco Public Utilities Commission Real Estate Services 525 Golden Gate Avenue, 10th Floor San Francisco, California 94103 Attention: Real Estate Director Re: 1550 Evans Telephone: (415) 487-5213 Real Estate Department City and County of San Francisco 25 Van Ness Avenue, Suite 400 San Francisco, California 94102 Attention: Acting Director of Property Re: 1550 Evans Facsimile No.: (415) 552-9216 Telephone: (415) 554-9850
with a copy to:	Office of the City Attorney City Hall, Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, California 94102-4682 Attention: Real Estate and Finance Team Re: 1550 Evans Facsimile No.: (415) 554-4755
SELLER:	c/o Morgan International 38 Washington Avenue, Suite B Point Richmond, California 94801 Attention: Chris Morgan Facsimile No.:
with a copy to:	TRI Commercial One California Street, Second Floor San Francisco, California 94111 Attention: Richard Marshall Facsimile No.: (415) 948-2154
with a copy to:	Coblentz, Patch, Duffy & Bass LLP One Ferry Building, Suite 200 San Francisco, California 94111-4213 Attention: Matthew Bove Facsimile No.: (415) 989-1663

TITLE COMPANY: Chicago Title Company
455 Market Street, Suite 2100
San Francisco, California 94105
Attention: Nicki Carr
Re: 1550 Evans
Facsimile No.: (415) ___-____

or to such other address as either party may from time to time specify in writing to the other upon five (5) days prior written notice in the manner provided above. For convenience of the parties, copies of notices may also be given by telefacsimile, to the telephone number listed above, or such other numbers as may be provided from time to time. However, neither party may give official or binding notice by facsimile. The effective time of a notice shall not be affected by the receipt, prior to receipt of the original, of a telefacsimile copy of the notice. No written notice permitted or required by City hereunder shall be deemed effective unless it is executed by or on behalf of or at the direction of the City's Director of Property. Richard F. Marshall may give notices to City on behalf of Seller.

12.2 Brokers and Finders

Neither party has had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the purchase and sale contemplated herein, except for RFM, Inc. and TRI Commercial, whose commission, if any is due, shall be the Seller's sole responsibility pursuant to a separate written agreement with such brokers, and City shall have no liability whatsoever therefor. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication with a party hereto, the party through whom the broker or finder makes his or her claim shall be responsible for such commission or fee and shall indemnify and hold harmless the other party from all claims, costs, and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the indemnified party in defending against the same. The provisions of this Section 12.2 shall survive the Closing.

12.3 Successors and Assigns

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, administrators and assigns. City may not assign this Agreement to any other party without Seller's prior written consent, which consent may be granted, conditioned or denied in Seller's sole and absolute discretion. In the event of any approved assignment of this Agreement by City, (i) City shall not in any event be released from any of its obligations or liabilities hereunder, including, without limitation, any obligations which survive the Closing, whether contained in this Agreement or any document to be delivered by City at the Closing, even if such document is signed by the assignee of City only; and (ii) City shall indemnify, defend and hold Seller harmless from and against any claim that the assignee of City may assert against Seller which City itself would be barred hereunder from asserting against Seller in the absence of such assignment (including, without limitation, any Physical Claims released by City under Section 4.3, above).

12.4 Amendments

Except as otherwise provided herein, this Agreement may be amended or modified only by a written instrument executed by City and Seller.

12.5 Continuation and Survival of Representations and Warranties.

All representations and warranties by the respective parties contained herein or made in writing pursuant to this Agreement are intended to be, and shall remain, true and correct as of the Closing, shall be deemed to be material, and, together with all conditions, covenants and indemnities made by the respective parties contained herein or made in writing pursuant to this Agreement (except as otherwise expressly limited or expanded by the terms of this Agreement), shall survive the execution and delivery of this Agreement and the Closing, or, to the extent the context requires, beyond any termination of this Agreement for a time period ending as of the date occurring eighteen (18) months after the Closing Date. All statements contained in any certificate or other instrument delivered at any time by or on behalf of Seller in conjunction with the transaction contemplated hereby shall constitute representations and warranties hereunder.

12.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

12.7 Merger of Prior Agreements

The parties intend that this Agreement (including all of the attached exhibits and schedules, which are incorporated into this Agreement by reference) shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous oral or written agreements or understandings. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including, without limitation, prior drafts or changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement. The parties acknowledge that this Section 12.6 is not intended to be applicable to that certain Permit to Enter and Use Property by and between Seller and City dated July 27, 2012.

12.8 Parties and Their Agents

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.

12.9 Approvals.

All approvals, consents or other determinations permitted or required by City hereunder shall be made by or through City's Acting Director of Property unless otherwise provided herein, subject to applicable law; provided, however, nothing in this Section 12.8 shall affect the respective rights and obligations of the parties hereunder.

12.10 Interpretation of Agreement

The article, section and other headings of this Agreement and the table of contents are for convenience of reference only and shall not affect the meaning or interpretation of any provision contained herein. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa, and each gender reference shall be deemed to include the other and the neuter. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein. In addition, each party has been represented by experienced and knowledgeable legal counsel. Accordingly, any rule of law (including California Civil Code Section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is

waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purposes of the parties and this Agreement.

12.11 Attorneys' Fees

In the event that either party hereto fails to perform any of its obligations under this Agreement or in the event a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Agreement, reasonable attorneys' fees of the 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. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to claims, appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

12.12 Conflicts of Interest

Through its execution of this Agreement, Seller 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 Seller becomes aware of any such fact during the term of this Agreement, Seller shall immediately notify the City.

12.13 City Charter.

Seller acknowledges that, to the extent required by California law, all of the terms of this Agreement shall be governed by and subject to the applicable provisions of the Charter of the City and County of San Francisco (the "City Charter"); provided, however, that nothing in this sentence shall be deemed to cause this Agreement to be governed by or construed in accordance with such provisions of the City Charter in any respect in which this Agreement would not, as a matter of law, be so governed and construed in the absence of this sentence. There shall be no obligation for the payment or expenditure of money by City under this Agreement unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. If such written certification is not delivered by City to Seller on or before the date occurring ten (10) days after the Effective Date, Seller may terminate this Agreement by written notice to City, in which event the Title Company shall return the Deposit to City and neither party shall have any further obligation hereunder except as otherwise expressly provided herein.

12.14 Time of the Essence.

Time is of the essence in this Agreement.

12.15 Effective Date.

As used herein, the term "**Effective Date**" shall mean the date on which the City's Public Utilities Commission and City's Board of Supervisors and Mayor, in the respective sole discretion of each, shall have enacted a resolution (and taken such other action as may be required) approving, adopting, and authorizing this Agreement and the transactions contemplated hereby, following execution of this Agreement by both parties, and such resolution shall have become effective. City shall provide to Seller written notice of the Effective Date within five (5) business days of the occurrence of such date. If the Effective Date has not occurred on or before November 16, 2012, this Agreement shall be null and void; provided that such date may be extended by mutual agreement of the parties.

12.16 Confidentiality.

As to any records or proprietary information delivered by Seller to City, Seller will clearly designate those financial records which it in good faith determines to be a trade secret or confidential proprietary information protected from disclosure under applicable law. To the extent permitted by law, City will maintain the confidentiality of such financial information as well as any information obtained by City in conducting its investigations of the Property, consistent with City's general practices for maintaining the confidentiality of such information, provided however that Seller acknowledges and agrees that City will comply with applicable public records laws under state and local law, including City's Sunshine Ordinance, and that such laws may compel disclosure of some or all of such financial information and/or information obtained by City in conducting its investigations of the Property. City will not under any circumstances be responsible for any damages or losses incurred because of the release of such financial information as set forth above and/or information obtained by City in conducting its investigations of the Property.

12.17 Unavoidable Delay.

Notwithstanding anything to the contrary set forth in this Agreement, the time or times for performance of any act required hereunder shall be extended in the event of any Unavoidable Delay as set forth in this Section. "Unavoidable Delay" shall mean any delay by reason of acts of God, terror attacks, enemy action, civil commotion, war, riots, or by any other reason without fault and clearly beyond the reasonable control of the party obligated to perform and which directly results in a performance delay. In the event of the occurrence of any such Unavoidable Delay, the time or times for performance of the obligations of the delayed party, including the Closing Date as applicable, will be extended for the period of the delay; provided, however, (i) within five (5) days after the beginning of any such delay, the delayed party shall have first notified the other party in writing by fax or hand messenger and by telephone of the cause or causes of such delay and claimed an extension for the reasonably estimated period of the delay, (ii) the delayed party cannot, through commercially reasonable efforts, make up for the delay within the time period remaining prior to the applicable completion date, and (iii) in no event shall the Unavoidable Delay extend beyond thirty (30) days.

12.18 Notification of Limitations on Contributions

Through its execution of this Agreement, Seller 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 or the board on which that City elective officer serves, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee

controlled by such individual, 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 months after the date the contract is approved. Seller 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. Seller further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Seller's board of directors, chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in Seller; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Seller. Additionally, Seller acknowledges that Seller must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Seller further agrees to provide to City the name of the each person, entity or committee described above.

12.19 Non-Liability of City Officials, Employees and Agents

Notwithstanding anything to the contrary in this Agreement, no elective or appointive board, commission, member, officer, employee or agent of City shall be personally liable to Seller, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Seller, its successors and assigns, or for any obligation of City under this Agreement.

12.20 No Personal Liability of Seller Agents or Members

Neither Seller, any of Seller's Agents, nor the persons or entities comprising Seller (whether partners, members, shareholders, officers, directors, trustees, or otherwise) shall have any personal liability in the event of any default or breach by Seller, for any amount which may become due to City, its successors and assigns, or for any obligation of Seller under this Agreement.

12.21 Earned Income Credit (EIC) Forms. San Francisco Administrative Code Section 12O requires that employers provide their employees with IRS Form W-5 (Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found.

(a) Seller shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty (30) days following the Effective Date (unless Seller has already provided such EIC Forms at least once during the calendar year in which the Effective Date falls); (ii) promptly after any Eligible Employee is hired by Seller; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Agreement.

(b) Failure to comply with any requirement contained in Subsection (a) of this Section shall constitute a material breach by Seller of the terms of this Agreement. If, within thirty (30) days after Seller receives written notice of such a breach, Seller fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Seller fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Agreement or under applicable law.

(c) Any Subcontract entered into by Seller shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section.

(d) Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

12.22 Counterparts

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

12.23 Severability

If any provision of this Agreement or the application thereof to any person, entity or circumstance shall be invalid or unenforceable, the remainder of this Agreement, 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 Agreement shall be valid and be enforceable to the fullest extent permitted by law, except to the extent that enforcement of this Agreement without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Agreement.

12.24 Cooperative Drafting.

This Agreement has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, 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 Agreement.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, SELLER ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS AGREEMENT UNLESS AND UNTIL APPROPRIATE LEGISLATION OF CITY'S PUBLIC UTILITIES COMMISSION, BOARD OF SUPERVISORS SHALL HAVE BEEN DULY ENACTED APPROVING THIS AGREEMENT AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY, AND CITY'S MAYOR SHALL HAVE APPROVED SUCH LEGISLATION. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON THE DUE ENACTMENT OF SUCH LEGISLATION, AND THIS AGREEMENT SHALL BE NULL AND VOID IF CITY'S PUBLIC UTILITIES COMMISSION, BOARD OF SUPERVISORS AND MAYOR DO NOT APPROVE THIS AGREEMENT, IN THEIR RESPECTIVE SOLE DISCRETION. APPROVAL OF ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH LEGISLATION WILL BE ENACTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

[SIGNATURES ON FOLLOWING PAGE]

The parties have duly executed this Agreement as of the respective dates written below.

SELLER:

3RD & EVANS STREET, LLC,
a California limited liability company

By: _____
Harold Christopher Morgan

Its: [Managing Member]

Date: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
John Updike
Acting Director of Property

Date: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Hazel M. Brandt
Deputy City Attorney

Title Company agrees to act as escrow holder in accordance with the terms of this Agreement and to execute the Designation Agreement (attached hereto as Exhibit F) and act as the Reporting Person (as such term is defined in the Designation Agreement). Title Company's failure to execute below shall not invalidate the Agreement between City and Seller.

TITLE COMPANY: CHICAGO TITLE INSURANCE COMPANY

By: _____

Its: _____

Date: _____

EXHIBIT A

REAL PROPERTY DESCRIPTION

All that certain real property located in the County of San Francisco, State of California, described as follows:

Beginning at the southeasterly terminus of a curve having a radius of 32.0 feet, which curve connects the easterly line of Third Street with the northeasterly line of Evans Avenue (having a width of 112 feet), as said Street and Avenue are shown on that certain map entitled, "Map Showing the Opening of Public Streets in the India Basin Industrial Park for the San Francisco Redevelopment Agency, San Francisco, California", filed October 2, 1974, in Book "W" of Maps, at Pages 28 to 35, inclusive, in the Office of the Recorder of the City and County of San Francisco, State of California; running thence northwesterly, northerly and northeasterly along said curve with a radius of 32.0 feet, through a central angle of 70 degrees 01 minutes 38 seconds, an arc distance of 39.111 feet; thence north 15 degrees 33 minutes 17 seconds east, along said easterly line of Third Street, 403.18 feet; thence south 54 degrees 28 minutes 21 seconds east, 565.08 feet; thence south 05 degrees 22 minutes 27 seconds east, 114.89 feet to the northwesterly line of Newhall Street, as shown on the above-mentioned map; thence southwesterly along said northwesterly line of Newhall Street, on an arc of a curve to the left with a radius of 217.000 feet, through a central angle of 49 degrees 05 minutes 54 seconds, an arc distance of 185.95 feet; thence continuing along said line of Newhall Street, south 35 degrees 31 minutes 39 seconds west, 117.146 feet; thence southwesterly, westerly and northwesterly along an arc of a curve to the right with a radius of 32.0 feet, a central angle of 90 degrees 00 minutes 00 seconds, an arc distance of 50.265 feet; thence north 54 degrees 28 minutes 31 seconds west along the said northeasterly line of Evans Avenue, 365.604 feet to the Point of Beginning.

APN: Block 5203, Lot 035

EXHIBIT B

GRANT DEED

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Acting Director of Property
Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102

The undersigned hereby declares this instrument to be exempt from Recording Fees (CA Govt. Code § 27383) and Documentary Transfer Tax (CA Rev. & Tax Code § 11922 and S.F. Bus. & Tax Reg. Code § 1105)

(Space above this line reserved for Recorder's use only)

GRANT DEED
(Assessor's Parcel No. _____)

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, [_____] ("Grantor"), hereby grants to the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the real property the real property located in the City and County of San Francisco, State of California, described on Exhibit A attached hereto and made a part hereof (the "Property").

TOGETHER WITH any and all Grantor's rights, title, privileges and easements incidental or appurtenant to the Property, including, without limitation, any and all minerals, oil, gas and other hydrocarbon substances on and under the Property, as well as any and all development rights, air rights, water, water rights, riparian rights and water stock relating to the Property, and any and all easements, rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Land and all of Grantor's right, title and interest in and to any and all roads and alleys adjoining or servicing the Property.

This Deed is made and accepted subject to the matters listed on Exhibit B attached hereto and made a part hereof.

Executed as of this _____ day of _____, 20___.

[NAME OF GRANTOR],
a [California limited partnership, corporation, etc.]

By: _____
Name: _____
Its: _____

12158.003 2120997v1

By: _____
Name: _____
Its: _____

State of California)
)
County of San Francisco)

On _____, before me, _____, a notary public in and for said State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the foregoing Grant Deed to the City and County of San Francisco, a municipal corporation, is hereby accepted pursuant to Board of Supervisors' Resolution No. 18110 Series of 1939, approved August 7, 1957, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
John Updike
Acting Director of Property

EXHIBIT A - GRANT DEED

Legal Description of Property

All that certain real property located in the County of San Francisco, State of California, described as follows:

Beginning at the southeasterly terminus of a curve having a radius of 32.0 feet, which curve connects the easterly line of Third Street with the northeasterly line of Evans Avenue (having a width of 112 feet), as said Street and Avenue are shown on that certain map entitled, "Map Showing the Opening of Public Streets in the India Basin Industrial Park for the San Francisco Redevelopment Agency, San Francisco, California", filed October 2, 1974, in Book "W" of Maps, at Pages 28 to 35, inclusive, in the Office of the Recorder of the City and County of San Francisco, State of California; running thence northwesterly, northerly and northeasterly along said curve with a radius of 32.0 feet, through a central angle of 70 degrees 01 minutes 38 seconds, an arc distance of 39.111 feet; thence north 15 degrees 33 minutes 17 seconds east, along said easterly line of Third Street, 403.18 feet; thence south 54 degrees 28 minutes 21 seconds east, 565.08 feet; thence south 05 degrees 22 minutes 27 seconds east, 114.89 feet to the northwesterly line of Newhall Street, as shown on the above-mentioned map; thence southwesterly along said northwesterly line of Newhall Street, on an arc of a curve to the left with a radius of 217.000 feet, through a central angle of 49 degrees 05 minutes 54 seconds, an arc distance of 185.95 feet; thence continuing along said line of Newhall Street, south 35 degrees 31 minutes 39 seconds west, 117.146 feet; thence southwesterly, westerly and northwesterly along an arc of a curve to the right with a radius of 32.0 feet, a central angle of 90 degrees 00 minutes 00 seconds, an arc distance of 50.265 feet; thence north 54 degrees 28 minutes 31 seconds west along the said northeasterly line of Evans Avenue, 365.604 feet to the Point of Beginning.

APN: Block 5203, Lot 035

EXHIBIT C

ASSIGNMENT OF WARRANTIES AND GUARANTIES AND OTHER INTANGIBLE PROPERTY

THIS ASSIGNMENT is made and entered into as of this ___ day of _____, 20___, by and between _____, a _____ ("Assignor"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Assignee").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, effective as of the Effective Date (as defined below), Assignor hereby assigns and transfers to Assignee all of Assignor's right, title, claim and interest in and under:

A. all warranties and guaranties made by or received from any third party with respect to any building, building component, structure, system, fixture, machinery, equipment, or material situated on, contained in any building or other improvement situated on, or comprising a part of any building or other improvement situated on, any part of that certain real property described in Exhibit A attached hereto including, without limitation, those warranties and guaranties listed in Schedule 1 attached hereto (collectively, "Warranties");

B. any other Intangible Property (as defined in that certain Agreement of Purchase and Sale of Real Estate dated as of _____, 20___, between Assignor and Assignee (or Assignee's predecessor in interest) (the "Purchase Agreement").

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

1. In the event of any litigation between Assignor and Assignee arising out of this Assignment, the losing party shall pay the prevailing party's costs and expenses of such litigation, including, without limitation, attorneys' fees.

2. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest and assigns.

3. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

4. For purposes of this Assignment, the "Effective Date" shall be the date of the Closing (as defined in the Purchase Agreement).

5. This Assignment may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first written above.

ASSIGNOR: _____,
a _____

_____

[NAME]

Its: _____

_____
[NAME]

Its: _____

ASSIGNEE:

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

_____
[NAME]

Its: _____

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

_____
[DEPUTY'S NAME]
Deputy City Attorney

EXHIBIT D

APPROVED TITLE MATTERS

Title Exception Nos. 1-6 set forth in that certain amended preliminary title report issued by Chicago Title Insurance Company dated August 16, 2012, having Title No. 12-36912951-A-MK.

EXHIBIT E

CERTIFICATE OF TRANSFEROR
OTHER THAN AN INDIVIDUAL
(FIRPTA Affidavit)

Section 1445 of the Internal Revenue Code provides that a transferee of a United States real property interest must withhold tax if the transferor is a foreign person. To inform the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the transferee of certain real property located in the City and County of San Francisco, California, that withholding of tax is not required upon the disposition of such U.S. real property interest by _____ _____, a _____ ("Transferor"), the undersigned hereby certifies the following on behalf of Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

2. Transferor's U.S. employer identification number is _____; and

3. Transferor's office address is _____ _____.

Transferor understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

Dated: _____, 20___.

On behalf of:

_____,
[NAME]

a _____

By: _____
[NAME]

Its: _____

EXHIBIT F

DESIGNATION AGREEMENT

This DESIGNATION AGREEMENT (the "Agreement") dated as of _____, 20___, is by and between _____, a _____ ("Seller"), the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City"), and _____ TITLE INSURANCE COMPANY ("Title Company").

A. Pursuant to that certain Purchase Agreement entered into by and between Seller and City, dated _____, 2012 (the "Purchase Agreement"), Seller has agreed to sell to City, and City has agreed to purchase from Seller, certain real property located in City and County of San Francisco, California, more particularly described in Exhibit A attached hereto (the "Property"). The purchase and sale of the Property is sometimes hereinbelow referred to below as the "Transaction").

B. Section 6045(e) of the United States Internal Revenue Code of 1986 and the regulations promulgated thereunder (collectively, the "Reporting Requirements") require an information return to be made to the United States Internal Revenue Service, and a statement to be furnished to Seller, in connection with the Transaction.

C. Pursuant to Subsection 2(b)(i) of the Purchase Agreement, an escrow has been opened with Title Company, Escrow No. _____, through which the Transaction will be or is being accomplished. Title Company is either (i) the person responsible for closing the Transaction (as described in the Reporting Requirements) or (ii) the disbursing title or escrow company that is most significant in terms of gross proceeds disbursed in connection with the Transaction (as described in the Reporting Requirements).

D. Seller, City and Title Company desire to designate Title Company as the "Reporting Person" (as defined in the "Reporting Requirements") with respect to the Transactions.

ACCORDINGLY, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller, City and Title Company agree as follows:

1. Title Company is hereby designated as the Reporting Person for the Transaction. Title Company shall perform all duties that are required by the Reporting Requirements to be performed by the Reporting Person for the Transaction.

2. Seller and City shall furnish to Title Company, in a timely manner, any information requested by Title Company and necessary for Title Company to perform its duties as Reporting Person for the transaction.

3. Title Company hereby requests Seller to furnish to Title Company Seller's correct taxpayer identification number. Seller acknowledges that any failure by Seller to provide Title Company with Seller's correct taxpayer identification number may subject Seller to civil or criminal penalties imposed by law. Accordingly, Seller hereby certifies to Title Company, under penalties of perjury, that Seller's correct taxpayer identification number is _____.

4. The names and addresses of the parties hereto are as follows:

SELLER: _____
_____
_____
Attn: _____
Facsimile No.: (__) _____

CITY: Acting Director of Property
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Facsimile No.: (__) _____

TITLE COMPANY: _____
_____
_____
Attn: _____
Facsimile No.: (__) _____

5. Each of the parties hereto shall retain this Agreement for a period of four (4) years following the calendar year during which the date of closing of the Transaction occurs.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date and year first above written.

SELLER: _____

_____

_____

Attn: _____

Facsimile No.: (__) _____

Date: _____

By: _____

Its: _____

CITY: CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

_____

Acting Director of Property

Date: _____

Title Company: _____ TITLE INSURANCE COMPANY

Date: _____

By: _____

Its: _____

EXHIBIT G

DUE DILIGENCE INFORMATION OBTAINED BY CITY

[TO BE COMPLETED BY CITY PRIOR TO EXPIRATION OF DUE DILIGENCE PERIOD]

I. Appraisal

A. Appraisal Report – June 2007 – Carneghi-Blum & Partners, Inc.
B. Appraisal Report – March 2012 – Carneghi-Blum & Partners, Inc.

II. Environmental Review

A. Environmental Assessment/Phase I – July 2012 – AEW Engineering, Inc.
B. Environmental Assessment/Phase II – August 2012 – AEW Engineering, Inc.
C. Phase I Environmental Site Assessment – January 2007 – Fugro West, Inc.
D. Limited Hazardous Materials Survey Report – January 12, 2007 – North Tower Environmental
E. Polarized Light Microscopy Analysis for Asbestos Content – January 3, 2007 – Analytical Labs San Francisco
F. Lead Paint Inspection Report – January 5, 2007 – North Tower Environmental
G. EDR Database Report – December 22, 2006 – Environmental Data Resources, Inc.
H. Subsurface Investigation Report – August 5, 2009 – P&D Environmental, Inc.
I. Geotechnical Assessment Report – July 5, 2012 – Geotechnical Consultants, Inc.
J. Rapid Seismic Evaluation – June 29, 2012 – Structus Consulting Engineers

III. Structural Review

A. Structural Evaluation Report – June 29, 2012 – Structus Consulting Engineers
B. Natural Hazard Disclosure Report – July 10, 2012 – Disclosure Source
C. Roof Warranty – January 27, 2000 – Firestone Building Products Company
D. Asbestos Certification Removal – January 22, 2000 – Quality Asbestos Control, Inc.

IV. Systems Inspections

A. Mechanical Assessment Report – December 18, 2006 – BOE Mechanical
B. Architectural Review – ADA Compliance – Inspected September 11-12, 2012 - AECOM
C. HVAC System Review – Inspected September 11-12, 2012 – ACCO Engineered Systems, Inc.
D. Electrical System Review – Inspected September 11-12, 2012 – AMS Electric
E. Elevator System Review – Inspected September 11-12, 2012 – Syska Hennessy Group
F. Fire Alarm System Review – Inspected September 11-12, 2012 – Bilcor, Inc.

V. Utilities

A. Backflow Prevention Assembly Test Report – October 24, 2011 – San Francisco Water Quality Division

VI. Title

A. Preliminary Title Report – August 27, 2008 – Chicago Title Company
B. Preliminary Title Report – May 23, 2012, amended August 16, 2012 – Chicago Title Company
C. California Commercial Disclosure Report – July 10, 2012 – Disclosure Source
D. UCC Lien Search – May 23, 2012 – Chicago Title Company
E. City and County Tax Statements – June 6, 2012 – TRI Commercial
F. Past Litigation Report – May 23, 2012 – Chicago Title Company

VII. Land Use and Zoning

A. Historical Building Permits – Obtained July 10, 2012 – San Francisco Building Department
B. Plans & Specifications – Obtained July 10, 2012 – San Francisco Building Department

C. Confirmation of Current Zoning – March 2012 – Carneghi-Blum & Partners, Inc.
D. Property Insurance Certification – October 5, 2011 – Arthur J. Gallagher & Co.
E. Planning Code Analysis – April 18, 2007 – Studios Architecture

VIII. Miscellaneous

A. India Basin Design Guidelines – Undated – San Francisco Redevelopment Agency
B. Sanborn Map Report – December 21, 2006 – Environmental Data Resources, Inc.
C. Historical Topographic Map Report – December 22, 2006 – Environmental Data Resources, Inc.
D. Tenant Improvement Report – January 27, 2009 – E.A. Davidovits & Co., Inc.
E. Floor Plans – September 27, 1977 – Perini Architecture and Planning

EXHIBIT H

[intentionally omitted]

EXHIBIT I

FORM OF OWNER'S DECLARATION

The undersigned hereby declares and certifies to Chicago Title Insurance Company (the "Title Company"), with respect to that certain real property commonly known as 1550 Evans Avenue and 330 Newhall Street, located in the City and County of San Francisco, California (the "Property"), that:

(1) the undersigned has not entered into any written agreement for any repair, work of improvement or materials furnished to the Property within the last one hundred eighty (180) days, which has not been paid for, and the undersigned has not received any written notice asserting any currently existing claim based on any such repair, work or materials; and

(2) to the actual knowledge of the undersigned, there is no one in possession of the Property.

This Declaration is given for the purpose of inducing the Title Company to issue its policy(ies) of title insurance in favor of the City and County of San Francisco ("Transferee"), which may provide coverage as to the items mentioned above in connection with the undersigned's transfer of the Property to Transferee on or about the date hereof.

Dated this _____ day of _____, 20___.

[NAME]

_____

EXHIBIT J

SELLER'S INSURANCE CERTIFICATE

[See following pages]

File No. 121020

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information *(Please print clearly.)*	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

Contractor Information *(Please print clearly.)*	
Name of contractor: 3rd and Evans Street LLC	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. ***Use additional pages as necessary.*** Members of the LLC are: Mary Jo Morgan, Harold Christopher Morgan, Anne Elizabeth Schultz, Mary Jo Morgan, Harold Christopher Morgan and Anne Elizabeth Schultz, Trustees of the Chris Morgan Exempt Family Trust Mary Jo Morgan, Harold Christopher Morgan and Anne Elizabeth Schultz, Trustees of the Mary Jo Morgan Exempt Family Trust Mary Jo Morgan, Harold Christopher Morgan and Anne Elizabeth Schultz, Trustees of the Anne E. Schultz Exempt Family Trust	
Contractor address: 38 Washington Avenue, Point Richmond, CA 94801	
Date that contract was approved: *(By the SF Board of Supervisors)*	Amount of contract: $15,000,000
Describe the nature of the contract that was approved: Purchase and Sale Agreement for Real Estate	
Comments:	

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☑ a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

_____
Print Name of Board

Filer Information *(Please print clearly.)*	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

_____ _____
Signature of City Elective Officer (if submitted by City elective officer) Date Signed

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed