File No. 121035 Committee Item No. 6
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee **Date** 11/28/2012

Board of Supervisors Meeting **Date** _____

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OTHER **(Use back side if additional space is needed)**

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Completed by: Victor Young **Date** November 21, 2012
Completed by: Victor Young **Date** _____

FILE NO. 121035 RESOLUTION NO.

[Real Property Lease - Cort Family Living Trust - 760 Harrison Street - Department of Public Health - $25,350 Per Month]

Resolution retroactively authorizing the extension of a lease of real property at 760 Harrison Street for the Department of Public Health with the Cort Family Living Trust for a term of an additional 5 years from July 1, 2012, to June 30, 2017, at a monthly rate of $25,350.

WHEREAS, The City, on behalf of the Department of Public Health, entered into a Lease authorized by Resolution 644-96 commencing July 18, 1997 for approximately 13,000 square feet of clinic space at 760 Harrison Street with an initial term terminating on June 30, 2007; and

WHEREAS, The Lease contains two, five-year option periods at 95% of the then current fair market rent; and

WHEREAS, The first, five-year option period was authorized by Resolution 409-07 extending the initial term of the Lease from July 1, 2007, to June 30, 2012; and

WHEREAS, The remaining second, five-year option period extending the Lease term from July 1, 2012, to June 30, 2017, is subject to an enactment of a resolution approving and authorizing the exercise of said option by the Board of Supervisors and Mayor in their respective sole and absolute discretion; and

WHEREAS, The fair market rent for the second, five-year option period will continue at the existing monthly rate of $25,350, or $1.95 per square foot, with a new base year for pass through expenses of 2012; now, therefore, be it

RESOLVED, That in accordance with the recommendation of the Director of Public Health and the Acting Director of Property, the Board of Supervisors hereby retroactively approves the City's exercise of the option to extend the Lease term for five years

commencing on July 1, 2012 on the terms and conditions set forth in the Lease, a copy of which is included in Board of Supervisors File No. 121035, and on a form approved by the City Attorney and authorizes the Acting Director of Property to take all actions, on behalf of the City and County of San Francisco as may be required in furtherance of the City's exercise of the option; and, be it

FURTHER RESOLVED, That the Lease includes a clause indemnifying, holding harmless, and defending the Landlord and its agents from and against any and all claims, costs and expenses, including without limitation, reasonable attorney fees incurred as a result of any default by the City in the performance of any of its material obligations under the Lease, or any negligent acts or omissions of the City, or its agents, in, on or about the Premises or the property on which the Premises are located, excluding those claims, costs and expenses incurred as a result of the negligence or willful misconduct of the Landlord or its agents; and, be it

FURTHER RESOLVED, That any action taken by any City employee or official with respect to this Lease is hereby ratified and affirmed; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Acting Director of Property to enter into any amendments or modifications to the Lease (including without limitation, the exhibits) that the Acting Director of Property determines, in consultation with the City Attorney, are in the best interest of the City, do not increase the rent or otherwise materially increase the obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of the Lease or this resolution, such determination to be conclusively evidenced by the execution and delivery by the Acting Director of Property of any amendments thereto in compliance with all applicable laws, including City's Charter; and, be it

FURTHER RESOLVED, That City shall occupy said premises for the entire extension term expiring June 30, 2017 unless funds for rental payments are not appropriated in any subsequent fiscal year, at which time City may terminate the Lease with written notice to Landlord pursuant to Section 3.105 of the Charter of the City and County of San Francisco.

RECOMMENDED:

See File for Signature

_____
Department of Public Health

See File for Signature

_____
John Updike
Acting Director of Property

$304,200 Available
Appropriation No. HMHMCC 730515

See File for Signature

_____
Controller

Item 6 File 12-1035	Departments: Department of Public Health (DPH) and Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would retroactively approve the exercise of the second of two five-year options to extend the lease between the Department of Public Health (DPH), as tenant, and Cort Family Living Trust, as landlord, for mental health service clinic space at 760 Harrison Street from July 1, 2012 through June 30, 2017.

Key Points

- In 1996, the Board of Supervisors approved a lease between DPH and the Cort Family Living Trust, for approximately 13,000 square feet of clinic space at 760 Harrison Street that includes two five-year options to extend. In July 2007, the Board of Supervisors retroactively approved the first of five-year option to extend from July 1, 2007 through June 30, 2012.

- Under the existing lease, DPH's South of Market Mental Health Services Clinic occupies the space.

Fiscal Impacts

- Under the proposed five-year lease extension, the annual rent is $304,200 with the monthly base rent of $25,350 for all five years of the extension, which the same as the current annual and monthly rent.

- In addition to the first year annual rent of $304,200, DPH incurs annual operating costs of $35,967 and utility costs of $9,349, resulting in first year General Fund costs to DPH of an estimated $349,516.

- According to Ms. Claudine Venegas, Senior Real Property Officer, Real Estate Division, the lease extension was not brought to the Board of Supervisors prior to the termination of the first five-year extension, because DPH and the Real Estate Division were waiting to review the Landlord's base rental determination for the extended term in accordance with the terms of the existing lease.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Under Administrative Code Section 23.27, leases with a term of more than one year or rent of more than $5,000 per month, in which the City is the tenant, are subject to the Board of Supervisors approval, by resolution.

Background

In 1996, the Board of Supervisors approved a lease between the Department of Public Health (DPH), as tenant, and Cort Family Trust, as landlord, for 13,000 square feet of clinic space at 760 Harrison Street from November 1, 1996 through June 30, 2007.Th e lease included two five-year options to extend. In July 2007, the Board of Supervisors retroactively approved the first of five-year option to extend from July 1, 2007 through June 30, 2012. The base monthly rent of the existing lease is $25,350, or approximately $1.95 per square foot per month for 13,000 square feet. Under the lease, DPH's South of Market Mental Health Services Clinic, which is part of DPH Community Programs – Community Behavioral Health Services, occupies the space. As the existing lease extension terminated on June 30, 2012, the landlord, Cort Family Living Trust, and DPH exercised a month-to-month holdover option, with the existing base monthly rent of $25,350 until authorization is obtained from the Board of Supervisors to retroactively exercise the second of the two five-year options. According to Ms. Claudine Venegas, Senior Real Property Officer, Real Estate Division, the lease extension was not brought to the Board of Supervisors prior to the termination of the first five-year extension, because DPH and the Real Estate Division were waiting to review the Landlord's base rental determination for the extended term in accordance with the terms of the existing lease.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve the second of the two five-year options to extend the lease, as follows:

Table 1: Summary of Proposed Extended Lease Terms

Term	5 years (July 1, 2012 through June 30, 2017)
Square feet (approximate)	13,000
Rent per square foot per month	Approximately $1.95
Total rent per month	$25,350
Total annual rent	$304,200
Annual rent increases	None
Utilities and services	Utilities and janitorial services paid by the City

The lease would continue to provide mental health services clinic space for DPH's South of Market Mental Health Services Clinic.

FISCAL IMPACTS

Under the proposed five-year lease extension, the monthly base rent of $25,350,f or all five years of the extension, is the same as the current monthly rent. According to Ms. Venegas, monthly rent of $25,350 was negotiated by the Landlord and the Real Estate Division on behalf of the City and pursuant to the existing lease agreement and proposed extension.

As shown in Table 2 below, the first year total rent and operating costs are $349,516. Total General Fund monies of $349,516 are included in DPH's FY 2012-13 budget as previously approved by the Board of Supervisors.

Table 2: Total First Year General Fund Estimated Costs From July 1, 2012 through June 30, 2013

Cost Category	Annual Amount
Rent	$304,200
Per square foot	$23.40
Operational Costs	
Pest Control Service	$1,234
Janitorial Service & Supplies	33,843
Fire Extinguisher inspection	240
Misc. Repair Allowance	650
Subtotal	$35,967
Subtotal, per square foot	$2.77
Utilities	
Water / Waste Water	$5,311
Electricity	4,038
Subtotal	$9,349
Subtotal, per square foot	$0.72
Total General Fund Costs for FY 2012-13	**$349,516**
Total FY 2012-13 per square foot for 13,000 square feet	**$26.89**

RECOMMENDATION

Approve the proposed resolution.

John Updike
Acting Director of Real Estate

City and County of San Francisco
REAL ESTATE DIVISION

121035

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 OCT 18 PM 2:01
BY DKS

October 12, 2012

Through Naomi Kelly, City Administrator

Honorable Board of Supervisors
City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Re: Exercise of option term under the Lease for 760 Harrison Street

Dear Board Members:

On behalf of the Department of Public Health (DPH), attached for your consideration is a Resolution authorizing the exercise of the City's last option to extend the term of the Lease for the subject property (the "Premises") for an additional five (5) years.

The Premises, comprising 13,000± square feet, are used by the DPH's South of Market Mental Health Service Clinic. The Lease was initially authorized by Board of Supervisors Resolution No. 644-96 approved on July 17, 1996, for the initial term ending June 30, 2007.

Subsequently, the first, five-year option extending the term from July 1, 2007, to June 30, 2012, was authorized by Resolution 409-07.

The exercise of the last option to extend the term from July 1, 2012, to June 30, 2017, is subject to enactment of a resolution by the Board of Supervisors and Mayor authorizing the same in their respective sole and absolute discretion.

The fair market rent for the last five-year option period will continue at the existing monthly rate of $25,350, or $1.95 per square foot, with a new base year of 2012 for the pass through of expenses.

The DPH and the Real Estate Division recommend approval and authorization to exercise the option as set forth in the Lease. We are advised that funds are available in Index Code No. HMHMCC 730515.

If you have any questions in this regard, please contact Claudine Venegas of my staff at 554-9872 or Tyrone Navarro, DPH Manager, Operations Team, at 255-3405.

Sincerely,

John Updike
Acting Director of Property

cvh:\760HarrisonBOS

Attachments

cc: Tyrone Navarro, Department of Public Health

OFFICE LEASE

between

THE CORT FAMILY LIVING TRUST
ROBERT J. CORT, TRUSTEE
VERA CORT, TRUSTEE
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of

760 Harrison Street
San Francisco, California

November 1, 1996

OFFICE LEASE

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LIST OF EXHIBITS:

The following items are attached hereto as of the time of signing and incorporated as an integral part of this Lease:

EXHIBIT A – Floor Plan(s) of Premises
EXHIBIT B – Notice of Commencement Date
EXHIBIT C – Exclusions From Operating Costs
EXHIBIT D – Rules and Regulations
EXHIBIT E – NOT USED
EXHIBIT F – Standards for Janitorial Service
EXHIBIT G – NOT USED
EXHIBIT H – Work Letter

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of November 1, 1996 is by and between THE CORT FAMILY LIVING TRUST, ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	November 1, 1996
Landlord:	THE CORT FAMILY LIVING TRUST Robert J. Cort, Trustee Vera Cort, Trustee
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (Section 2.1):	Assessor's Block 3751, Lots 53 and 150, together with the improvements thereon and commonly known as 760 Harrison Street.
Premises (Section 2.1):	The Building, excluding therefrom the single story concrete block building on Lot 53 and three parking spaces in the parking lot, all as indicated as "NIC" on the attached Exhibit A, together with non-exclusive use of the driveways and common areas required for access thereto.
Rentable Area of Premises (Section 2.1):	Approximately 13,000 square feet, subject to final measurement in accordance with BOMA standards pursuant to Section 2.1
Term (Article 3):	Estimated commencement date: November 1, 1996 Expiration date: June 30, 2007.
Extension Options (Section 3.5):	Two additional terms of 5 years each, exercisable by City by notice to Landlord given not less than 180 days in advance, with rent determined as set forth in Section 3.5 (95% of the prevailing market rate).

Base Rent (Section 4.1):	Annual Base Rent: $180,000.00 ($13.85 per sq. ft.) Monthly payments: $15,000.00 ($1.15 per sq. ft.)
Adjustment Dates (Sections 4.2 and 9.2):	Commencing after the end of the Base Year, the monthly Base Rent shall be reduced by 1/12 of the cost of electric, water and sewer services for the Base Year, and thereafter City shall pay the cost of such services to the Premises.
Additional Charges (Section 4.3):	City's Percentage Share of increases in Operating Costs and Real Estate Taxes above those of the Base Year.
Base Year (Section 4.3):	The initial twelve months of the Term, based on a fully occupied and improved building.
Use (Section 5.1):	General Offices and other uses consistent with use as an outpatient mental health clinic.
Leasehold Improvements (Section 6) and Work Letter (Exhibit H):	Landlord shall construct the Premises, perform the work and make the installations in the Premises and the Common Areas pursuant to the Work Letter attached hereto as Exhibit H (the "Work Letter").
Utilities (Sections 9.1 and 9.2):	Provided and paid for by Landlord, with the exception of electric, water and sewer services, the cost of which will be City's responsibility with an adjustment to Base Rent after the initial year of the term.
Services (Section 9.3):	Provided by Landlord
Notice Address of Landlord (Section 23.1):	c/o Robert J. and Vera Cort 757 3rd Avenue San Francisco, CA 94118 Fax No.:(415) 751-1505
Key Contact for Landlord:	Robert Cort Vera Cort
Landlord Contact Telephone No.:	(415) 751-1505
Notice Address for Tenant (Section 23.1):	Real Estate Department 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Attn: Anthony J. DeLucchi, Director of Property Fax No.: (415) 552-9216

with a copy to:	Department of Public Health 101 Grove Street San Francisco, CA 94102 Attn: Monique Zmuda Chief Financial Officer Fax No.: (415) 554-2888
and to:	Office of the City Attorney Fox Plaza 1390 Market Street, 6th Floor San Francisco, CA 94102 Attn: Robert Bryan Deputy City Attorney Fax No.: (415) 554-3808
Key Contact for Tenant:	Judy Schutzman 1380 Howard Street, 5th Floor San Francisco, CA 94103
Tenant Contact Telephone No.:	(415) 255-3405
Alternate Contact for Tenant:	Mabel Jung 760 Harrison Street San Francisco, CA 94107
Alternate Contact Telephone No.:	(415) 597-7700
Brokers (Section 23.7):	None
Other Noteworthy Provisions:	City to reimburse Landlord $100,000 of the cost of Leasehold Improvement Work (Section 22).

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2. PREMISES

2.1. Lease Premises. Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "Building") and shown on the floor plan(s) attached hereto as Exhibit A (the "Premises"). The Premises contain the rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. As used herein, the term "rentable area" shall mean that measurement of interior floor area computed in accordance with the "Standard Method for Measuring Floor Area in Office Buildings, the American National Standard" (ANSI Z65.1 1980, reaffirmed 1989), adopted by BOMA. The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

2.2. Common Areas. City shall have the non-exclusive right to use, together with other tenants in the Building, the parking and other public areas of the Building and the Property (collectively, the "Common Areas"), and the non-exclusive right of access to and from the Premises by the main entrances to the Building and the Property.

3. TERM

3.1. Term of Lease. The Premises are leased for an initial term (the "Initial Term") commencing on the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or such later or earlier date which is thirty (30) days after the date on which Landlord shall have delivered the Premises to City with the Leasehold Improvements (as defined below) having been Substantially Completed by Landlord and accepted by City pursuant to Section 6 [Leasehold Improvements] and the Work Letter, and City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Lease, in their respective sole and absolute discretion, as further provided herein. The Initial Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 [Extension Options], below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term(s) if City exercises the Extension Options as provided hereinbelow.

3.2. Commencement Date and Expiration Date The dates on which the Term commences and terminates pursuant hereto are referred to respectively as the "Commencement Date" and the "Expiration Date." If the Commencement Date occurs on a date other than the Estimated Commencement Date, then promptly thereafter Landlord shall deliver to City a notice substantially in the form of Exhibit B attached hereto, confirming the actual Commencement Date, but Landlord's failure to do so shall not affect the commencement of the Term.

3.3. Delay in Delivery of Possession. Landlord shall use its best efforts to deliver possession of the Premises with all of the Leasehold Improvements substantially complete and accepted by City's Director of Property pursuant to Section 6 [Leasehold Improvements] and the Work Letter on or before the Estimated Commencement Date. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required hereunder. If the Term commences later or earlier than the Estimated Commencement Date, this Lease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions hereof. If Landlord is unable to deliver possession of the Premises to City as required hereunder within one hundred twenty (120) days after the Estimated Commencement Date, then City may, at its option, terminate this Lease, without any further liability hereunder, upon written notice to Landlord.

3.4. Extension Options. City shall have the right to extend the Initial Term of this Lease (the "Extension Options") for the additional terms specified in the Basic Lease Information (the "Extended Terms"). Such Extension Options shall be on all of the terms and conditions contained in this Lease. City may exercise the Extension Options, if at all, by giving written notice to Landlord no later than one hundred eighty (180) days prior to expiration of the term to be extended; provided, however, if City is in material default hereunder on the date of giving such notice and fails to cure such default as provided herein, Landlord may reject such exercise by delivering written notice thereof to City promptly after such failure to cure. Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, within sixty (60) days after the date such notice of exercise is given.

3.5. Determination of Base Rent for the Extended Term. At the commencement of the Extended Term, the Base Rent shall be adjusted to equal 95% of the prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises situated within the South of Market (SOMA) area of San Francisco ("Reference Area"); provided, however, in no event shall the Base Rent be reduced below the Base Rent for the lease year prior to commencement of such Extended Term. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) building standard tenant improvement allowances and other allowances given under such comparable leases.

If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord within fourteen (14) days following Landlord's notice to City of the prevailing market rate and such dispute shall be resolved as follows:

a) Within thirty (30) days following Landlord's notice to City of the prevailing market rate, Landlord and City shall attempt in good faith to meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve any such disagreement.

b) If within this thirty (30) day period Landlord and City cannot reach agreement as to the prevailing market rate, they shall each select one appraiser to determine the prevailing market rate. Each such appraiser shall arrive at a determination of the prevailing market rate and submit his or her conclusions to Landlord and City within thirty (30) days of the expiration of the thirty (30) day consultation period described in (a) above.

c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the prevailing market rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who will within thirty (30) days of his or her selection make a determination of the prevailing market rate and submit such determination to Landlord and City. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the prevailing market rate.

d) If City's Director of Property does not approve of the prevailing market rate as determined by the appraisal procedure specified above, the Director of Property shall revoke the exercise of the Extension Option by City.

e) All appraisers specified herein shall be members of the American Institute of Real Estate Appraisers (MAI) with not less than five (5) years' experience appraising leases of commercial

properties similar to the Premises in the SOMA area. Landlord and City shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other costs incurred in the arbitration.

4. RENT

4.1. Base Rent. Beginning on the Commencement Date, City shall pay to Landlord during the Term the annual Base Rent specified in the Basic Lease Information (the "Base Rent"). The Base Rent shall be payable in equal consecutive monthly payments on or before the first day of each month, in advance, at the address specified for Landlord in the Basic Lease Information, or such other place as Landlord may designate in writing upon not less than thirty (30) days' advance notice. City shall pay the Base Rent without any prior demand and without any deductions or setoff except as otherwise expressly provided in this Lease. If the Commencement Date occurs on a day other than the first day of a calendar month or the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30) day month.

4.2. Adjustments in Base Rent. On each date specified in the Basic Lease Information for the adjustment of Base Rent (an "Adjustment Date"), the Base Rent payable under Section 4.1 shall be adjusted as follows:

4.3. Additional Charges. City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"), including the charges for Real Estate Taxes and Operating Costs provided for hereinbelow. All such Additional Charges shall be payable to Landlord at the place where the Base Rent is payable. Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to below as "Rent."

4.4. Definitions. For purposes hereof, the following terms shall have the meanings hereinafter set forth:

a) "Base Year" means the year specified in the Basic Lease Information.

b) "City's Percentage Share" means the percentage specified in the Basic Lease Information.

c) "Expense Year" means each twelve month period commencing July 1st of each year during the Term, including any partial year in which this Lease commences. Expense Year shall not include the Base Year.

d) "Operating Costs" means the total reasonable and prudent costs and expenses actually paid or incurred by Landlord in connection with the management, operation, maintenance and repair of the Building, including, but not limited to: (1) the cost of air conditioning, water, heating, mechanical, telephone, ventilating, and elevator systems and all other utilities, (2) the cost of repairs and all labor and material costs related thereto, and the cost of general maintenance, cleaning and service contracts and the cost of all supplies, tools and equipment required in connection therewith, (3) the cost incurred by Landlord for all insurance required to be carried on the Building or the use or occupancy thereof; (4) wages, salaries, payroll taxes and other labor costs and employee benefits, (5) reasonable management fees, (6) fees, charges and other costs of all independent contractors engaged by Landlord, (7) accounting and legal expenses, (8) the cost of capital improvements made to the Building after completion of its construction as a labor-saving or energy saving device or to effect other economies in the operation or maintenance of the Building and which benefit the Premises, or made to the Building after the date of this Lease that are required under any governmental law or regulation that was not applicable to the Building at the time that permits for the construction thereof were obtained, unless caused by Landlord's deliberate or negligent violation of such law, rule or regulation, and

except to the extent such improvements are attributable to or are made for the primary benefit of a tenant or occupant other than City, and (9) any other expenses reasonably incurred in connection with the management, operation, maintenance or repair of the Building (other than Real Estate Taxes and any services for which Landlord is separately and directly reimbursed by City or other tenants in the Building) which would, under generally accepted accounting principles, be considered an operating expense. The computation of Operating Costs shall be made in accordance with generally accepted accounting principles.

Notwithstanding the foregoing, "Operating Costs" shall exclude the items described on the attached Exhibit C.

e) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the portion of the Building owned by Landlord or any personal property of Landlord used in the operation thereof, or Landlord's interest in the Building or such personal property. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental occupants thereof, service payments in lieu of taxes, and any tax, fee, or excise on the act of entering into this Lease or any other lease of space in the Building or any part thereof, or on the rent payable under any lease or in connection with the business of renting space in the Building, that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes, whether or not now customary or in the contemplation of the parties on the date of this Lease.

Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, or capital stock taxes or income taxes measured by the net income of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes hereunder, (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Building, or (4) any increase in Real Estate Taxes due to any reassessment upon a transfer of any of Landlord's interest in the Building or the real property on which the Building is located, or (5) any increase in Real Estate Taxes due to any reassessment based on the Leasehold Improvements or other improvements to the Building or the property as set forth Section 6 [Leasehold Improvements], or (6) any increase in Real Estate Taxes due to any reassessment based on improvements made to any portion of the property which is not part of the Premises.

f) "Tax Year" means each calendar year during the Term, including any partial year during which the Lease may commence; provided that Landlord, upon notice to City, may change the Tax Year from time to time to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Real Estate Taxes shall be equitably adjusted for the Tax Year involved in any such change. Tax Year shall not include the Base Year.

4.5. Payment of Percentage Share of Operating Costs. During the Term, commencing July 1 of the initial Expense Year (1998), City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Operating Costs for each Calendar Year exceed the Operating Costs for the Base Year. Operating Costs for the Base Year shall not include the cost of electric, water and sewer services, which will be paid in accordance with Section 9.2 hereof. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. Landlord may revise such estimates of Operating Costs annually and City shall thereafter make payments on the basis of such revised estimates, provided that payments on the basis of such revised estimates shall commence effective July 1 of the subsequent

Expense Year. Landlord may not make any such revisions more than once for any given Expense Year. With reasonable promptness not to exceed sixty (60) days after the expiration of each Calendar Year, Landlord shall furnish City with a statement (herein called "Landlord's Expense Statement"), setting forth in reasonable detail the Operating Costs for such Calendar Year and City's Percentage Share thereof. If City's Percentage Share of the actual Operating Costs for such Calendar Year exceeds the estimated Operating Costs paid by City for such Calendar Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the amount of estimated Operating Costs paid by City and City's Percentage Share of the actual Operating Costs within thirty (30) days after the receipt of Landlord's Expense Statement. If Landlord fails to furnish Landlord's Expense Statement within sixty (60) days after the expiration of the Calendar Year, Landlord shall not be entitled to receive any additional payment from City of City's Percentage Share of Operating Costs for such Calendar Year. If the total amount paid in advance by City for any such Percentage Share of Operating Costs exceeds City's Operating Costs Share of the actual Operating Costs for such Calendar Year, such excess shall be credited against the next installments of Operating Costs due from City to Landlord hereunder, or refunded to City, at City's option. Notwithstanding anything to the contrary contained herein, in no event shall any annual increase in City's Percentage Share of Operating Costs for any Calendar Year exceed three percent (3%), and the aggregate increase in City's Percentage Share of Operating Costs over the Term shall not exceed twenty percent (20%).

4.6. Payment of Percentage Share of Real Estate Taxes During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Real Estate Taxes for each Tax Year exceed Real Estate Taxes for the Base Year, except that City shall not pay any increase in Real Estate Taxes attributable to any sale or other transfer of the Building or renovation of the Premises or the Building prior to occupancy by City (including, without limitation, due to the Leasehold Improvements) or attributable to improvements, at any time, of any portion of the Building which is not occupied by City. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. With reasonable promptness not to exceed thirty (30) days after Landlord has received the tax bills for any Tax Year, Landlord shall furnish City with a statement ("Landlord's Tax Statement") setting forth the amount of Real Property Taxes for such Tax Year and City's Percentage Share thereof. If City's Percentage Share of the actual Real Estate Taxes for such Tax Year exceeds the estimated Real Estate Taxes paid by City for such Tax Year, City shall pay to Landlord (whether or not this Lease has terminated) City's Percentage Share of the actual Real Estate Taxes within thirty (30) days after the receipt of Landlord's Tax Statement. If the total amount of estimated Real Estate Taxes paid by City for such Tax Year exceeds City's Percentage Share of the actual Real Estate Taxes for such Tax Year, such excess shall be credited against the next installments of Real Estate Taxes due from City hereunder, or at City's option, such excess shall be refunded to City.

a) Proration. If the Commencement Date or Expiration Date shall occur on a date other than the first or last day of a Tax Year or Expense Year, City's Percentage Share of Real Estate Taxes or Operating Costs for the Tax Year or Expense Year in which the Commencement Date or Expiration Date occurs, shall be prorated based on a 365-day year.

b) Audits. City shall have the right, upon not less than five (5) business days' notice to Landlord, to audit the books and records of the Building related to Operating Costs and Real Estate Taxes. If such audit discloses any discrepancies which would result in a reduction of City's Percentage Share of Operating Costs for any Expense Year, Landlord shall immediately refund to City the amount of any overpayment by City. City shall pay the cost of such audit, provided that if such audit discloses any discrepancies which result in a reduction of City's Percentage Share of Operating Costs of three percent (3%) or more for any Expense Year, then Landlord shall pay the costs of such audit.

c) Records. Landlord shall maintain at its offices in San Francisco in a safe and orderly manner all of its records pertaining to this Lease and Real Estate Taxes, Operating Costs and any other charges paid by City pursuant hereto, for a period of not less than three (3) years following expiration of the Term. Landlord shall maintain such records on a current basis and in

sufficient detail to facilitate adequate audit and review thereof. All such books and records shall be available for inspection, copying and audit by City and its representatives, at City's expense, subject to the provisions of subsection (e) above.

5. USE

5.1. Permitted Use City may use the Premises for general office uses and such other uses as may be specified in the Basic Lease Information, and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed.

5.2. Observance of Rules and Regulations. City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions hereof. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit D (the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City upon Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Landlord's obligations hereunder nor interfere with City's business in the Premises, and such additions or modifications must be applicable to the other Building tenants. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building tenants to comply with them. City shall be entitled upon request to any waiver or special dispensation granted by Landlord to any other tenant in the Building with respect to the Rules and Regulations.

5.3. Interference with Access If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition continues for five (5) days and impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 [Damage and Destruction] hereof.

6. LEASEHOLD IMPROVEMENTS

Landlord shall construct the Premises, perform the work and make the installations in the Premises and the Common Areas pursuant to the Work Letter attached hereto as Exhibit H (the "Work Letter"). All work and installations performed pursuant to the Work Letter are referred to as "the Leasehold Improvement Work" and "Leasehold Improvements."

7. ALTERATIONS

7.1. Alterations by City City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below). Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in

connection with any Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

7.2. Title to Improvements Except for City's Personal Property (as defined in the next Section), all appurtenances, fixtures, improvements, equipment, additions and other property permanently installed in the Premises as of the Commencement Date or during the Term shall be and remain Landlord's property. City may not remove such property unless Landlord consents thereto.

7.3. City's Personal Property All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20.1 [Surrender of Premises], below. Landlord acknowledges that some of City's Personal Property may be financed by third party lenders or otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, lessor or lender agrees that it (i) will remove the Property from the Premises within thirty (30) days after the Expiration Date (but if it does not remove City's Personal Property within such time it shall have waived any rights it may have had to City's Personal Property, and (ii) will repair any damage caused by the removal of City's Personal Property. Landlord shall recognize the rights of an supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within thirty (30) days after the Expiration Date.

8. REPAIRS AND MAINTENANCE

8.1. Landlord's Repairs. Landlord shall repair and maintain, at its cost and in first-class condition, the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Building (collectively, the "Building Systems") and the Common Areas. Without limiting the foregoing, Landlord shall maintain the Building in a clean, safe and attractive manner and shall not permit any other tenants of the Building or the Property to disturb or interfere with City's use of the Premises or permit to be done in or about the Building anything that is illegal, is dangerous to persons or property or constitutes a nuisance.

8.2. City's Repairs. Subject to Landlord's warranty under Section 10.1 [Premises Compliance], any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations hereunder, City shall repair and maintain at its cost the interior portions of the Premises and shall keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that Landlord specifies in writing (i) at City's cost, (ii) by contractors or mechanics selected by City and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, (iv) in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term of the Lease, Landlord shall, upon reasonable notice by City, afford City and its Agents with access to those portions of the Building which are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City.

8.3. Liens. City shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by City during the Term. Landlord shall have the right to post on the Premises any notices permitted or required by law or that are needed for the protection of Landlord, the Premises, or the Building, from mechanics' and material suppliers' liens. City shall give Landlord at least ten (10) days' prior written notice of commencement of any repair or construction by City on the Premises.

9. UTILITIES AND SERVICES

9.1. Landlord's Provision of Utilities. Landlord shall furnish the following utilities and services to the Premises: (a) heating, air conditioning and ventilation in amounts required for City's comfortable use and occupancy of the Premises, during the period from 8:00 a.m. to 6:00 p.m., Monday through Friday, except holidays generally recognized in San Francisco; (b) electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); (c) elevator service on a Daily Basis; and (d) water for lavatory, kitchen and drinking purposes on a Daily Basis. Without limiting Landlord's obligations hereunder, and consistent with Section 9.2, Landlord shall furnish all utilities and services required under this Lease in a manner consistent with such utilities and services normally provided in other first class buildings similar to the Building in the San Francisco South of Market District.

9.2. Electric, Water and Sewer Services. City shall establish and maintain the existing electric, water and sewer services to the Premises in its name with the provider, and shall pay the cost thereof. Upon receipt from City of records showing the cost of electric, water and sewer services to the Premises for the Base Year, Landlord shall reimburse to City the cost of such utility services for the Base Year. Commencing after the end of the Base Year, the monthly Base Rent shall be adjusted by deducting from the Base Rent an amount equal to one-twelfth of the cost of such utility service, and the rent so determined shall be the Adjusted Base Rent, and shall be payable by City for the balance of the Term, subject to Additional Charges as set forth in Section 4.3 [Additional Charges]. Thereafter, City shall pay the entire cost of such utility services to the Premises without additional reimbursement.

9.3. Services.

a) Janitorial Service. Landlord shall provide, at its cost, janitorial service in accordance with the specifications contained in Exhibit F attached hereto.

b) Disposal Service. Landlord shall provide, at its cost, daily (Monday through Friday) disposal service in a manner consistent with such services normally provided in other first class buildings similar to the Building in the San Francisco South of Market District.

9.4. Conservation. Landlord may establish reasonable measures to conserve energy and water, including automatic light shut off after hours and efficient lighting forms, so long as these measures do not unreasonably interfere with City's use of the Premises.

9.5. Disruption in Essential Utilities or Services. In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of two (2) or more consecutive business days if such failure is in the reasonable control of Landlord or a period of five (5) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such

abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for sixty (60) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due to the acts, omissions or negligence of City and its Agents.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

10.1. Premises Condition and Landlord's Compliance with Laws; Indemnity. Landlord represents and warrants to City, and covenants with City, as follows: (a) the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, Common Areas, restrooms, elevators, lobbies, telephone banks and drinking fountains and parking areas) are now, or as of the Commencement Date will be, in full compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); (b) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); (c) the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); (d) the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (e) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, Common Areas and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Without limiting Section 16.2 [Landlord's Indemnity], Landlord shall Indemnify City against any and all Losses arising out of any failure of the Property, Building, Common Areas, Building Systems, or any portion thereof, to comply with applicable Laws as provided in this Section or any misrepresentation by Landlord under this Section.

10.2. City's Compliance with Laws; Indemnity. City shall use the Premises during the Term in compliance with applicable Laws, except that City shall not be required to make any structural alterations, additions or other modifications in order to comply therewith unless such modifications are necessary solely because of any Alterations to the Premises made by City pursuant to Article 7 hereof and such modifications are not otherwise Landlord's responsibility under this Lease. City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of City's furniture or other City Personal Property and the operation of any programs in the Premises, other than any requirement relating to the physical structure, fixtures and permanent improvements of the Premises or portions of the Property or Building along the path of travel to the Premises, which are Landlord's obligation as provided in Section 10.1 above. Without limiting Section 16.1 [City's Indemnity], City shall Indemnify Landlord against any and all Losses arising out of City's failure to comply with all applicable Laws as provided in this Section.

10.3. City's Compliance with Insurance Requirements. City shall not conduct any use in or about the Premises that would: (a) invalidate or be in conflict with any fire or other casualty insurance policies covering the Building or any property located therein, (b) result in a refusal by fire or other casualty insurance companies of good standing to insure the Building or any such property in amounts reasonably satisfactory to Landlord or the holder of any mortgage or deed of trust encumbering the Building, (c) cause an increase in the fire or other casualty insurance premium for the Building unless City agrees to pay such increase, or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason solely of any business operation being conducted by City in the Premises; provided, however, Landlord shall provide City with reasonable prior written notice of any applicable insurance requirements and no such insurance requirements shall materially and adversely interfere with City's normal business in the Premises.

11. SUBORDINATION

This Lease is and shall be subject and subordinate to the following (each an "Encumbrance"): (a) any reciprocal easement agreements and ground leases or other underlying leases that may now exist or hereafter be executed affecting the Property, or any portion thereof, and (b) the lien of any mortgage or deed of trust that may now exist or hereafter be executed in any amount for which any part of the Property, any ground leases or underlying leases, or Landlord's interest or estate therein, is specified as security; provided that as a condition to any such Encumbrance, the holder of the Encumbrance shall, at City's request, enter into a subordination and nondisturbance agreement with City in a form then commercially reasonable. Notwithstanding the foregoing, Landlord shall have the right to subordinate or cause to be subordinated to this Lease any Encumbrance. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, City shall pay subsequent Rent and attorn to and become the tenant of such successor Landlord, at the option of such successor-in-interest, provided that City has received proper written notice of such succession and the name and address of the successor landlord, and further provided that, in the case of any Encumbrance hereafter executed, as a condition to such attornment the holder of such Encumbrance shall, at City's request, agree that so long as City is not in default hereunder, such holder shall recognize this Lease and shall not disturb City in its possession of the Premises for any reason other than one that would entitle Landlord to terminate this Lease or otherwise dispossess City of the Premises in accordance with the terms hereof. The provisions of this Article shall be self-operative and no further instrument shall be required other than as provided herein. City agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to City, any additional documents evidencing the priority or subordination of this Lease with respect to any such Encumbrance as provided herein.

Landlord shall use its best efforts to provide to City, before the Effective Date, executed non-disturbance and attornment agreements from the holder of any existing Encumbrance. The form of such agreement shall be subject to City's reasonable approval.

12. DAMAGE AND DESTRUCTION

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, Landlord shall repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if City at its sole option makes funds available to Landlord, Landlord shall also repair the Leasehold Improvements), provided that such repairs can be made under applicable laws within sixty (60) days after Landlord obtains all necessary permits for such repairs but not later than two hundred ten (210) days after the date of such damage (the "Repair Period"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in Rent shall be based upon the extent to which such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents, Servants, Employees or Invitees.

Within twenty (20) days after the date of such damage, Landlord shall notify City whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then either party hereto may, by written notice to the other given within thirty (30) days after the date of such damage, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Rent up to the date of termination. Landlord shall refund to City any Rent previously paid for any period of time subsequent to such date of termination.

Notwithstanding the foregoing, in the event the Premises are damaged or destroyed by reason of flood or earthquake, and such damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry hereunder (excluding any deductible, for which Landlord shall be responsible), Landlord may terminate this Lease by written notice to City within thirty (30) days of the date Landlord receives written notice that such damage is not covered by insurance. If Landlord does not elect to terminate this Lease as provided above, the Lease shall remain in full force and effect, and Landlord shall repair and restore the Premises as provided above.

If at any time during the last six (6) months of the Term of this Lease there is substantial damage that Landlord would be required to repair hereunder, Landlord or City may, at the respective option of each, terminate this Lease as of the date such damage occurred by giving written notice to the other party of its election to do so within thirty (30) days after the date of such damage; provided, however, Landlord may terminate this Lease only if it would take more than thirty (30) days to repair such damage.

The parties intend that the provisions of this Section govern fully their rights and obligations in the event of damage or destruction, and Landlord and City each hereby waives and releases any right to terminate this Lease in whole or in part under Section 1932, subdivision 2, and Section 1933, subdivision 4, of the Civil Code of California or under any similar law, statute or ordinance now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

13. EMINENT DOMAIN

13.1. Definitions.

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

b) "Date of Taking" means the earlier of (i) the date upon which title to the portion of the Property taken passes to and vests in the condemnor or (ii) the date on which Tenant is dispossessed.

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

13.2. General. If during the Term or during the period between the execution of this Lease and the Commencement Date, there is any Taking of all or any part of the Premises or any interest in this Lease, the rights and obligations of the parties hereunder shall be determined pursuant to this Section. City and Landlord intend that the provisions hereof govern fully in the event of a Taking and accordingly, the parties each hereby waive any right to terminate this Lease in whole or in part under Sections

1265.120 and 1265.130 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

13.3. Total Taking; Automatic Termination. If there is a total Taking of the Premises, then this Lease shall terminate as of the Date of Taking.

13.4. Partial Taking; Election to Terminate.

a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease shall terminate in its entirety if all of the following exist: (A) the partial Taking, in City's reasonable judgment, renders the remaining portion of the Premises untenantable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises, (B) the condition rendering the Premises untenantable or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure such condition, and (C) City elects to terminate.

b) In the case of a partial taking of a substantial portion of the Building, and where Subsection (a) above does not apply, City and Landlord shall each have the right to terminate this Lease by written notice to the other within thirty (30) days after the Date of Taking, provided that as a condition to City's right to terminate, the portion of the Building taken shall, in City's reasonable judgment, render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises.

c) Either party electing to terminate under the provisions of this Section 13.4 shall do so by giving the other party written notice before or within thirty (30) days after the Date of Taking, and thereafter this Lease shall terminate upon the later of the thirtieth day after such written notice is given or the Date of Taking.

13.5. Rent; Award. Upon termination of this Lease pursuant to an election under Section 13.4 above, then: (i) City's obligation to pay Rent shall continue up until the date of termination, and thereafter shall cease, except that Rent shall be reduced as provided in Section 13.6 below for any period during which this Lease continues in effect after the Date of Taking, and (ii) Landlord shall be entitled to the entire Award in connection therewith, except that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.6. Partial Taking; Continuation of Lease. If there is a partial Taking of the Premises under circumstances where this Lease is not terminated in its entirety under Section 13.4 above, then this Lease shall terminate as to the portion of the Premises so taken, but shall remain in full force and effect as to the portion not taken, and the rights and obligations of the parties shall be as follows: (a) Rent shall be reduced by an amount that is in the same ratio to the Rent as the area of the Premises taken bears to the area of the Premises prior to the Date of Taking, and (b) Landlord shall be entitled to the entire Award in connection therewith, provided that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.7. Temporary Taking. Notwithstanding anything to contrary in this Section, if a Taking occurs with respect to the Premises for a limited period of time not in excess of sixty (60) consecutive days, this Lease shall remain unaffected thereby, and City shall continue to pay Rent and to perform all of the terms, conditions and covenants of this Lease. In the event of such temporary Taking, City shall be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Premises during the Term up to the total Rent owing by City for the period of the Taking.

14. ASSIGNMENT AND SUBLETTING

City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed.

15. DEFAULT; REMEDIES

15.1. Events of Default by City. Any of the following shall constitute an event of default by City hereunder:

a) City's failure to make any timely payment of Rent and to cure such nonpayment within five (5) business days after receipt of written notice thereof from Landlord; provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City, City shall have twenty (20) days to cure any such nonpayment after written notice thereof from Landlord;

b) City's abandonment of the Premises for in excess of twenty (20) consecutive days; or

c) City's failure to perform any other covenant or obligation of City hereunder (not involving the payment of money) and to cure such non-performance within thirty (30) days, provided that if more than thirty (30) days are reasonably required for such cure, no event of default shall occur if City commences such cure within such period and diligently prosecutes such cure to completion.

15.2. Landlord's Remedies. Upon the occurrence of any event of default by City that is not cured within the applicable grace period as provided above, Landlord shall have all rights and remedies available pursuant to law or granted hereunder, including the following:

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

b) The rights and remedies provided by California Civil Code Section 1951.4 (continuation of lease after breach and abandonment), which allows Landlord to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due, for so long as Landlord does not terminate City's right to possession, if City has the right to sublet or assign, subject only to reasonable limitations.

15.3. Landlord's Default . If Landlord fails to perform any of its obligations under this Lease, then City may cure such default at Landlord's expense if such default continues after ten (10) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such 10-day period, such 10-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the

Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such 60-day period. City's rights hereunder and under Section 3.3 [Delay in Delivery of Possession], Section 5.3 [Interference with Access], and Section 9.4 [Disruption in Essential Services], shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1. City's Indemnity. City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees, (collectively, "Claims"), incurred as a result of (a) City's use of the Premises, (b) any default by City in the performance of any of its obligations under this Lease, or (c) any negligent acts or omissions of City or its Agents, Servants, Employees or Invitees of whatever character, in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the active negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents by reason of any Claim Indemnified by City hereunder, City may, at its sole option, elect to defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. City's obligations under this Section shall survive the termination of the Lease.

16.2. Landlord's Indemnity. Landlord shall Indemnify City and its Agents against any and all Claims incurred as a result of (a) any default by Landlord in the performance of any of its obligations under this Lease or any breach of any representations or warranties made by Landlord hereunder, or (b) any negligent acts or omissions of Landlord or its Agents in, on or about the Premises or the Property; provided, however, Landlord shall not be obligated to Indemnify City or its Agents to the extent any Claim arises out of the active negligence or willful misconduct of City or its Agents. In any action or proceeding brought against City or its Agents by reason of any Claim Indemnified by Landlord hereunder, Landlord may, at its sole option, elect to defend such Claim by attorneys selected by Landlord. Landlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Landlord's obligations under this Section shall survive the termination of the Lease.

17. INSURANCE

17.1. City's Self-Insurance. Landlord acknowledges that City maintains a program of self-insurance and agrees that City shall not be required to carry any third-party comprehensive general liability insurance or other insurance with respect to this Lease. City assumes the risk of damage to any of City's Personal Property, except for damage caused by the negligence or willful misconduct of Landlord or its Agents.

17.2. Landlord's Insurance. At all times during the Term, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under an all risk insurance policy in an amount equal to one hundred percent of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, prior to the Commencement Date and thereafter within thirty (30) days prior to the expiration of such policy, provide to City an original certificate of insurance issued by the insurance carrier, evidencing the insurance required above. The certificate shall expressly provide that the policy is not cancelable or subject to reduction of coverage or otherwise be subject to modification except after thirty (30) days prior written notice to City. Landlord

hereby waives any rights against City for loss or damage to the Premises or any other part of the Property, to the extent covered by Landlord's property insurance.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (i) inspecting the Premises, (ii) supplying any service to be provided by Landlord hereunder, (iii) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (iv) posting notices of non-responsibility, and (v) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be interfered with.

19. ESTOPPEL CERTIFICATES

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, shall execute, acknowledge and deliver to the other party, or such persons or entities designated by such other party, a certificate stating: (a) the Commencement Date and Expiration Date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (c) that there are no defaults under this Lease (or if so, specifying the same), (d) the date to which Rent has been paid, and (e) any other information that may be reasonably required.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Within ten (10) days after the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 [Alterations by City], above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary herein, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1. Definitions. As used herein, the following terms shall have the meanings hereinafter set forth:

a) "Environmental Laws" shall mean any federal, state, local or administrative law, rule, regulation, order or requirement relating to industrial hygiene, environmental conditions or Hazardous Material, whether now in effect or hereafter adopted.

b) "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 25316 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 Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

c) "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 the Building, or in, on, under or about the Property.

21.2.Landlord's Representations and Covenants. Landlord represents and warrants to City that, to the best of Landlord's knowledge, the following statements are true and correct and will be true and correct as of the Commencement Date: (a) the Property is not in violation of any Environmental Laws; (b) the Property is not now, nor has it been, used 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, which limited use has been and is in compliance with Environmental Laws; (c) the Property does not consist of any landfill or contain any underground storage tanks; (d) the Building does not consist of any asbestos-containing materials, lead based paint or building materials that contain any other Hazardous Material; (e) there has been and is no Release of any Hazardous Material in the Building or in, on, under or about the Property; and (f) the Property is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Building or in, on, under or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, Landlord shall maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety and welfare of City's employees or City's use, occupancy or enjoyment of the Premises for their intended purposes.

21.3.Landlord's Environmental Indemnity. Without limiting Landlord's Indemnity in Section 16.2 [Landlord's Indemnity], above, Landlord shall Indemnify City and its Agents against any and all Claims arising during or after the Term of this Lease (a) as a result of any breach of any of Landlord's representations, warranties or covenants in the preceding Section, or (b) in connection with any presence or Release of Hazardous Material in the Building or on, under or about the Property, unless City or its Agents, Servants, Employees or Invitees caused such Release.

21.4.City's Covenants. Neither City nor its Agents shall cause any Hazardous Material to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or the Property, or transported to or from the Premises or the Property, in violation of any Environmental Laws, provided that City may use such substances in such limited amounts as are customarily used in offices or outpatient mental health clinics so long as such use is in compliance with all applicable Environmental Laws.

21.5.City's Environmental Indemnity. If City breaches its obligations contained in the preceding Section, or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims arising during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting form the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

22. SPECIAL PROVISIONS

22.1. Reimbursement for Cost of Leasehold Improvements. Upon substantial completion of the Leasehold Improvements set forth in the attached Exhibit H, and acceptance by City of the Premises as Substantially Complete as provided in Section F.2. [Substantial Completion] of Exhibit H, City agrees to reimburse Landlord the sum of One Hundred Thousand Dollars ($100,000) toward the cost of completion ("City's Contribution"). Such sum shall be payable by City together with the first payment of the Base Rent under this Lease.

22.2. Amortized Value of City's Contribution. If the Lease is terminated as a result of damage or destruction of the Premises under the provisions of Section 12 [Damage and Destruction], Landlord shall, immediately upon said termination, reimburse to City an amount equal to the unamortized balance of City's Contribution, any other provision of the Lease to the contrary notwithstanding. The balance due City shall be calculated based on full amortization of City's Contribution at an interest rate of nine percent (9%) per annum over the Term of the Lease.

23. GENERAL PROVISIONS

23.1. Notices. Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, to: (a) City at Tenant's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) such other address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile.

23.2. No Implied Waiver. No failure by either party to insist upon the strict performance of any obligation of the other party under this Lease or to exercise any right, power or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of such term, covenant or condition. No acceptance of full or partial Rent by Landlord while City is in default hereunder shall constitute a waiver of such default by Landlord. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of Landlord or City given in one instance under the terms of this Lease shall not relieve the other party of any obligation to secure the consent to any other or future instance under the terms of the Lease.

23.3. Amendments. Neither this Lease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof.

23.4. Authority. Landlord represents and warrants to City that the execution of this Lease by Landlord has been duly authorized and does not violate any provision of any agreement to which Landlord or the Property is subject.

23.5. Parties and Their Agents; Approvals. If applicable, the word "Landlord" as used herein shall include the plural as well as the singular. As used herein, the term "Agents" when used with respect

to either party shall include the agents, employees, officers and contractors of such party. All approvals, consents or other determinations permitted or required by City hereunder shall be made by or through City's Director of Property unless otherwise provided in this Lease, subject to City's Charter and Administrative Code.

23.6.Interpretation of Lease. The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intents and purposes of the parties, without any presumption against the party responsible for drafting any part of this Lease. Except as otherwise specifically provided herein, wherever in this Lease Landlord or City is required or requested to give its consent or approval to any matter or action by the other, such consent or approval shall not be unreasonably withheld or delayed and the reasons for disapproval of consent shall be stated in reasonable detail in writing. Provisions in this Lease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

23.7.Successors and Assigns. Subject to the provisions of Section 14 relating to assignment and subletting, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of Landlord and City and, except as otherwise provided herein, their personal representatives and successors and assigns. There are no third-party beneficiaries to this Lease.

23.8.Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, 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 lease contemplated herein, except for the broker, if any, identified in the Basic Lease Information, whose commission, if any is due, shall be the sole responsibility of Landlord pursuant to a separate written agreement between Landlord and such broker, and City shall have no liability 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, the party through whom the broker or finder makes his claim shall be responsible for such commission or fee and shall indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

23.9.Severability. If any provision of this Lease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, 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 Lease shall be valid and be enforceable to the full extent permitted by law.

23.10.Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California.

23.11.Entire Agreement. The parties intend that this Lease (including all of the attached exhibits, which are made a part of this Lease) 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 written or oral agreements or understandings. The parties further intend that this Lease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts hereof and changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Lease.

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

23.13.Holding Over. Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of the Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the period of such holding over shall be one hundred ten percent (110%)] of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein.

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

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

23.16.Survival of Indemnities. Termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, nor shall it affect any provision of this Lease that expressly states it shall survive termination hereof. Each party hereto specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the indemnitor by the indemnitee and continues at all times thereafter.

23.17.Signs. City may erect or post signs on or about the Premises subject to Landlord's prior approval as provided below. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed.

23.18.Quiet Enjoyment and Title. Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full Term of this Lease as against all persons or entities claiming by and through Landlord or on account of any action, inaction or agreement of Landlord or its Agents. Without limiting the provisions of Section 16.2 [Indemnities], Landlord agrees to Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

23.19.Bankruptcy. Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the

best of Landlord's knowledge, no such filing is threatened. Landlord and City agree that City's leasehold estate created hereby includes, without limitation, all rights to receive and enjoy all services, facilities and amenities of the Premises and the Building as provided herein, and that if any of such services, facilities or amenities are terminated, or materially limited or restricted on account of any such case or proceeding, or for any other reason, City shall have the right to (i) contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and (ii) offset against the Base Rent or other charges payable hereunder any and all reasonable costs and expenses incurred by City in obtaining such services, facilities or amenities.

23.20. Transfer of Landlord's Interest. Landlord shall have the right to transfer its interest in the Real Property, the Building or this Lease to any other financially responsible person or entity. In the event of any such transfer, Landlord shall be relieved, upon notice to City of the name and address of Landlord's successor, of any obligations accruing hereunder from and after the date of such transfer and upon delivering to City an express assumption by the transferee of all of Landlord's obligations hereunder.

23.21. 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 Landlord, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Landlord, its successors and assigns, or for any obligation of City under this Lease.

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

23.23. Controller's Certification of Funds. The terms of this Lease shall be governed by and subject to the budget and fiscal provisions of the Charter of the City and County of San Francisco. Notwithstanding anything to the contrary contained in this Lease, 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 of the City and County of San Francisco, 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. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the Term of this Lease commences, sufficient funds for the payment of Rent and any other payments required under this Lease are not appropriated for any reason, then City may terminate this Lease, without penalty, liability or expense of any kind to City, as of the last date on which sufficient funds are appropriated. City shall use its reasonable efforts to give Landlord reasonable advance notice of such termination. City agrees that it will not fail to appropriate sufficient funds for the payment of Rent and any other payments required hereunder for the purpose of appropriating funds for the rental of similar space in another non-City building in which the City will conduct the operations then being conducted by City in the Premises.

23.24. Prevailing Wages for Construction Work. Landlord agrees that any person performing labor in the construction of the Leasehold Improvements or other improvements to the Premises which Landlord provides under this Lease shall be paid not less than the highest prevailing rate of wages and that Landlord shall include, in any contract for construction of such improvements, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord further agrees that, as to the construction of such improvements under this Lease, Landlord shall comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Sections 6.33 through 6.45 of the San Francisco Administrative Code that relate to payment of prevailing wages.

23.25.Tropical Hardwood Ban. (a) Except as expressly permitted by the application of Sections 12I.3.b and 12I.4.b of the San Francisco Administrative Code, neither Landlord nor any of its contractors shall provide any items to City in the construction of the Leasehold Improvements or otherwise in the performance of this Lease which are tropical hardwoods or tropical hardwood products. (b) The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product. (c) In the event Landlord fails to comply in good faith with any of the provisions of Section 12I of the San Francisco Administrative Code, Landlord shall be liable for liquidated damages for each violation in any amount equal to Landlord's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greatest. Landlord acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County of San Francisco upon demand and may be set off against any moneys due to Landlord from any contract with the City and County of San Francisco.

23.26. Bicycle Storage Facilities. Under Article 1.5 of the San Francisco Planning Code ("Code") bicycle storage must be available at all properties leased by City, provided that there is no cost to Landlord and that there are funds available from public and/or private donations, grants or other sources to pay the cost of the equipment, installation and any other associated costs. City, at no cost to Landlord, may provide bicycle storage on the Property to comply with the Code. In the event bicycle storage lockers or similar devices are installed, the equipment so installed shall be Personal Property in accordance with Section 7 [Alterations]and may be removed by City at the expiration or earlier termination of this Lease in accordance with Section 20.1 [Surrender of Premises]. At City's option, any Class 2 bicycle racks installed shall be considered a permanent building improvement which City shall not be required to remove at Lease termination. Landlord, at no cost to Landlord, shall cooperate with any reasonable effort by City to comply with the Code.

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

23.28.Effective Date. The date on which this Lease shall become effective (the "Effective Date") is the date upon which (i) City's Mayor and Board of Supervisors enact a resolution approving this Lease in accordance with all applicable laws and (ii) this Lease is duly executed by the parties hereto.

23.29.Acceptance of Lease by Landlord. This Lease shall be null and void unless Landlord accepts it and returns to City three (3) fully executed counterparts.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL A RESOLUTION OF CITY'S BOARD OF SUPERVISORS HAS BEEN DULY ADOPTED APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS LEASE SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

BALANCE OF PAGE INTENTIONALLY BLANK.

Landlord and City have executed this Lease as of the date first written above.

LANDLORD:
CORT FAMILY LIVING TRUST

BY: _____
Robert J. Cort, Sr., Trustee

BY: _____
Vera Cort, Trustee

CITY:

CITY AND COUNTY OF SAN FRANCISCO
a municipal corporation

_____
Mayor

_____
Clerk of the Board of Supervisors

RECOMMENDED:

_____
Director, Department of Public Health

_____
Director of Property

APPROVED AS TO FORM:
LOUISE H. RENNE, City Attorney

By _____
Deputy City Attorney

OFFICE LEASE

EXHIBIT A

FLOOR PLAN
CONSISTING OF 1 PAGE

760 Harrison Street

San Francisco

Measurements are approximate. Diagrams are for general reference only and may not be to scale or accurate.

Site

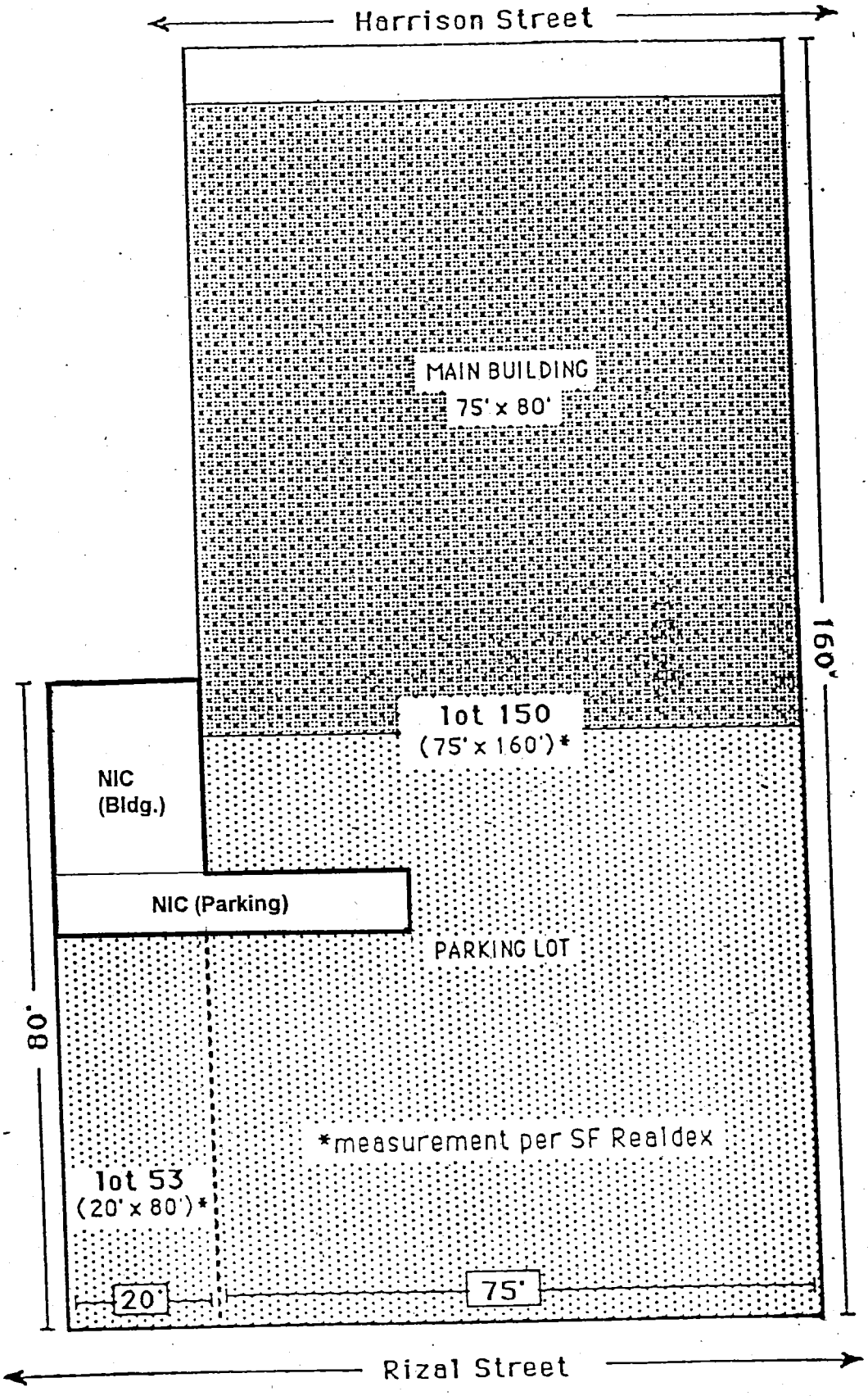

Exhibit A

EXHIBIT B

[Date]

Mr. Anthony J. DeLucchi
Director of Property
Real Estate Department
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

RE: Acknowledgment of Commencement Date, Lease Between _____ (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises known as _____ located at _____

Dear Mr. DeLucchi:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as defined in Section 3.2 of the Lease) is _____, 199_.

Please acknowledge your acceptance of this letter by signing and returning a copy of this letter.

Very truly yours,

_____

By _____
Title _____

Accepted and Agreed:

By _____
Director of Property
Dated _____

EXHIBIT C

EXCLUSIONS FROM OPERATING COSTS

1. Costs of capital repairs, capital improvements and equipment, except for those (i) required by laws enacted on or after the date of the Lease amortized over the useful life of the improvement and/or equipment, together with interest at the actual interest rate incurred by Landlord in connection with such capital improvements, or (ii) acquired to cause, in Landlord's good faith judgment, an immediate (i.e., commencing within the first year after completion of such repairs or improvements or installation of such equipment) reduction in other Operating Costs, amortized over the useful life of such improvements at an annual rate reasonably calculated to equal the amount of Operating Costs to be saved in each calendar year throughout the Term (as determined at the time Landlord elected to proceed with the capital improvement or acquisition of the capital equipment to reduce operating expenses), together with interest at the actual interest rate incurred by Landlord;

2. Rentals for items (except when needed in connection with normal repairs and maintenance of permanent systems) which if purchased rather than rented, would constitute a capital improvement which is specifically excluded in item 1 above (excluding, however, equipment not affixed to the Building which is used in providing janitorial or similar services);

3. Costs incurred by Landlord for the repair of damage to the Building, to the extent that Landlord is reimbursed by insurance proceeds (excluding any deductible) and costs occasioned by the exercise of the right of eminent domain;

4. Costs, including, without limitation, permit, license and inspection costs, incurred with respect to the installation of improvements made for other tenants or occupants of the Building or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for other tenants or occupants in the Building;

5. Depreciation, amortization and interest payments, except to the extent provided herein pursuant to items 1(i) and 1(ii) above and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied (as applied to commercial real estate), and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life (as reasonably determined by Landlord);

6. Leasing commissions, attorneys' fees, space planning costs and all other costs and expenses in connection with negotiations with present or prospective tenants or other occupants in the Building or any present or future ground lessors or holders of any mortgages or other encumbrances affecting any of the Building or the defense of Landlord's title to the Building or the real property on which it is located;

7. Expenses in connection with services or other benefits which are not offered to City or for which City is charged directly but which are provided to another tenant or occupant of the Building;

8. Costs incurred by Landlord due to violation by Landlord or any other tenant or occupant of the Building of applicable laws, rules or regulations, the terms and conditions of any lease, ground lease, mortgage or deed of trust, or other covenants, conditions or restrictions encumbering the Building;

9. Overhead and profit increments paid to Landlord or to subsidiaries or affiliates of Landlord, or to any party as a result of a non-competitive selection process, for management, or other services, supplies or materials, to the extent the same exceed the costs of such goods and/or services rendered by unaffiliated third parties on a competitive, arms-length basis;

10. Any ground lease rental or rental under any other underlying leases;

11. Except as specifically permitted by items 1(i) and 1(ii) above, interest, principal, points and fees on debts or amortization on any mortgage, deed of trust or any other debt instrument encumbering any of the Building;

12. Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord or in the parking garage in the Building;

13. Except for making repairs or keeping permanent systems in operation while repairs are being made, rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature, excluding equipment not affixed to the Building which is used in providing janitorial or similar services;

14. All items and services for which City or any other tenant or occupant of the Building separately reimburses Landlord (other than through such tenant's or occupant's proportionate share of operating expenses), or which Landlord provides selectively to one or more other tenants or occupants without reimbursement, or which are not provided in reasonable proportion to the space leased by City but which Landlord provides to another tenant or other occupant of the Building;

15. Advertising or promotional expenditures, and the costs of acquiring and installing signs in or on any of the Building identifying the owner of the Building or any other tenant or occupant of the Building;

16. Electric power costs for which any tenant or occupant directly contracts with the local public service company (provided that the charge for such services shall be computed for purposes of the gross-up provision of the Lease (i.e. expenses to be grossed up to reflect full occupancy of the Building) to reflect an average charge for power costs);

17. Services provided, taxes attributable to, and costs incurred in connection with the operation of retail, restaurant and garage operations in the Building;

18. Costs incurred in connection with upgrading the Building to comply with disabled access, life, fire and safety codes in effect prior to the date of the Lease, and costs incurred in connection with upgrading the Building to comply with the Americans with Disabilities Act of 1990 and Title 24 of the California Code of Regulations (or its successor), the San Francisco Sprinkler Ordinance and the San Francisco Unreinforced Masonry Building Ordinance;

19. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due;

20. Costs arising from the presence of Hazardous Material in or about the Building including, without limitation, groundwater or soil conditions, except if such Hazardous Material is brought on to the Building by City in violation of applicable laws;

21. Landlord's charitable or political contributions;

22. To the extent the following costs arise during any applicable warranty periods, costs as a result of repairs of latent defects in the Building core and shell or improvements installed by Landlord or in the Building Systems, and any costs incurred by Landlord in the event any portion of the Building is made untenantable by fire or other casualty required to be insured against pursuant to the terms of the Lease;

23. Capital costs for sculpture, paintings or other objects of art;

24. Costs (including, without limitation, all attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes, including, without limitation,

tax disputes where the tenants of the Building would receive benefits if Landlord prevails) in connection with potential or actual claims, litigation or arbitrations pertaining to Landlord or the Building;

25. Landlord's general corporate overhead and general and administrative expenses not related to the operation or management of the Building; and

26. Any other expense that under generally accepted accounting principles would not be considered a maintenance or operating expense.

EXHIBIT D

BUILDING RULES AND REGULATIONS

EXHIBIT D

Rules and Regulations

1. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Building without the written consent of Landlord, and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.

All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved of by Landlord.

Tenant shall not place anything or allow anything to be placed near the glass or any window, door, partition or wall which may appear unsightly from outside the Premises. Landlord shall furnish and install a Building standard window covering at all exterior windows which shall not be modified by Tenant without the prior written consent of Landlord.

2. The sidewalks shall not be obstructed by tenant or used by them for any purpose other than for ingress, and egress from the premises.

3. ~~Tenant shall not alter any lock or install any new or additional locks to any bolts on any doors or windows of the Premises~~.

4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or invitees, shall have caused it.

5. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.

6. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord shall not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant. Tenant shall pay for any damage to halls, doors, walls, paint, elevator cabs or other items caused by Tenant's movers.

7. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Promises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building.

8. No cooking shall be done or permitted by the Tenant on the Premises except for microwave, nor shall the Premises be used for the storage of merchandise, for washing clothes, for lodging, or for any improper, objectionable or immoral purposes.

9. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord, if any.

10. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the prior consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Promises shall be subject to the prior approval of Landlord.

11. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 PM and 8:00 AM the following day, access to the Building, or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. The Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property in the Building and the Building.

12. Blank

13. No vending machines or machines of any description shall be installed, maintained or operated on the Premises without the written consent of Landlord.

14. Tenant shall not disturb, solicit, or canvas any occupant of the Building and shall cooperate to prevent same.

15. Without the prior written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

16. Landlord shall have the right to control and operate the public portions of the Building and the public facilities, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.

17. All entrance doors in the Premises shall be left locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the entire Premises.

18. The entire building is a "NON SMOKING" building. Tenant, its employees, invitees, vendors, clients or any other persons whomsoever shall not smoke in and about the premises, including the hallways, leased area, stairwells, lobbies, elevators, restrooms or any other portion of the building.

EXHIBIT F

STANDARDS FOR JANITORIAL SERVICE
760 Harrison Street

I. SPECIFICATION OF SERVICES TO BE PERFORMED - SCOPE OF WORK

A. Landlord's Contractor shall furnish all labor, materials and equipment required to perform exterior and interior janitorial service five days a week, Monday through Friday, excluding holidays, at the above location in accordance with these specifications:

B. All windows and glass broken by Landlord's Contractor will be replaced at its expense.

C. Landlord's Contractor must, at all times, maintain adequate staffing meet these specifications. All employees must wear uniforms (See Section II). Tenant may request Landlord to remove any janitor from the Premises at any time it desires and for any reason whatsoever, and an immediate replacement will be provided. All written reports are to be submitted to:

City and County of San Francisco
Community Mental Health Services
1380 Howard Street
San Francisco, CA 94103
Attn.: Judy Schutzman

D. All services must be performed after 5:00 p.m.

E. All employees of Landlord's Contractor shall be fully trained and experienced in the custodial service trade.

F. Landlord will assign space in the Building to Contractor for the storage of supplies and equipment. Materials and equipment shall be neatly stored only in areas provided by the Landlord. No supplies or equipment will be stored in the Premises without the prior approval of Tenant.

G. Tenant's Recycling Program includes recycling materials from offices in the Building. Bins for recyclable materials can be obtained from Tenant.

H. Landlord's Contractor will provide, upon Lease Commencement, a schedule for all periodic services specified herein.

I. Janitorial Service Specifications for Offices and Common Areas.

1. Nightly Services

a) Secure all lights as soon as possible each night.
b) Vacuum all carpets. Move electric cords to prevent damage to the corner bead.
c) Dust mop all resilient and composition floors with treated dust mops. Damp mop to remove spills and water stains as required.
d) Spot clean any stains on carpet.
e) Dust all desks and office furniture with treated dust cloths.
f) Papers and folders on desks are not to be moved.
g) Sanitize all telephone receivers.
h) Empty all waste paper baskets and other trash containers and remove all trash from floors to the designated trash areas. Sort and put ALL RECYCLABLE MATERIAL into bins provided by the Tenant.
i) Remove fingerprints, dirt smudges, graffiti, etc., from all doors, frames, glass partitions, windows, light switches, and walls.
j) Return chairs and waste baskets to proper positions.
k) Clean, sanitize and polish drinking fountains.
l) Police any interior public planters.
m) Dust and remove debris from all metal door thresholds.
n) Wipe clean smudged brightwork.
o) Spot clean resilient and composition floors as required.

p) Service all walk-off mats as required.
q) Close all window coverings.
r) Check for burned out lights and replace from building stock (supplied by Landlord).

2. Weekly Services
   a) Shower-scrub or otherwise recondition resilient or composition flooring in the Pharmacy and Kitchen areas to provide a level of appearance equivalent to a completely refinished floor.
   b) Dust all low reach areas including, but not limited to, chair rungs, structural and furniture ledges, baseboards, window sills, door louvers, wood paneling, molding, etc.
   c) Dust inside of all door jambs.
   d) Clean and polish all metal door thresholds.
   e) Wipe clean and polish all brightwork
   f) Sweep the service stairwell.
   g) Damp mop all vinyl bases.
   h) Edge all carpeted areas.
3. Monthly Services
   a) Dust all high reach areas including, but not limited to, tops of door, frames, structural and furniture ledges, air conditioning diffusers and return grilles, tops of partitions, picture frames, etc.
   b) Vacuum upholstered furniture.
   c) Move all plastic carpet protectors and thoroughly vacuum under and around all desks and office furniture.
   d) Clean and buff all building standard resilient and/or composite flooring.
4. Quarterly Services
   a) Shower-scrub or otherwise recondition all resilient or composition flooring to provide a level of appearance equivalent to a completely refinished floor.
   b) Wash all chair pads.
5. Semi-Annual Services
   a) Vacuum all window coverings.
   b) Dust light diffusers.
6. Annual Services
   a) Shampoo carpets in offices (schedule to be approved in advance), using products and methods recommended by manufacturer and/or carpet installation contractor.

J. Rest Room Service Specifications
1. Daily Service
   a) Re-stock all rest rooms with supplies from the Owner's stock, including paper towels, toilet tissue, seat covers and hand soap, as required.
   b) Re-stock all sanitary napkin and tampon dispensers from Contractor's stock, as required.
   c) Wash and polish all mirrors, dispensers, faucets, flushometers and brightwork with non-scratch disinfectant cleaner. Wipe dry all sinks.
   d) Wash and sanitize all toilets, toilet seats, urinals and sinks with non-scratch disinfectant cleaner.
   e) Remove stains, scale toilets, urinals and sinks, as required.
   f) Mop all rest room floors with disinfectant, germicidal solution, include scrubbing of all base, inside corners and hard to reach areas.
   g) Empty and sanitize all waste and sanitary napkin and tampon receptacles.
   h) Remove all rest room trash.
   i) Spot clean fingerprints, marks and graffiti from walls, partitions, glass, aluminum and light switches as required.

j) Check for burned out lights and replace from building stock (supplied by Landlord).

2. Weekly Services
   a) Dust all low reach and high reach areas, including but not limited to, structural ledges, mirror tops, partition tops and edges, air conditioning diffusers and return air grilles.

3. Monthly Services
   a) Wipe down all walls and metal partitions. Partitions shall be left clean and not streaked after this work.
   b) Clean all ventilation grilles.
   c) Dust all doors and door jambs.

4. Quarterly Services
   a) Thoroughly clean and reseal all ceramic tile floors, using approved sealers.

K. Main Floor Elevator Lobbies and Public Corridors Specifications

1. Nightly Services
   a) Spot clean all glass including low partitions and the corridor side of all windows and glass doors to tenant premises.
   b) Spot clean all chrome brightwork including swinging door hardware, kick plates, base partition tops, handrails, waste paper receptacles, planters, elevator call button plates, hose cabinets and visible hardware on the corridor side of tenant entry doors.
   c) Thoroughly clean all door saddles of dirt and debris.
   d) Empty, clean and sanitize all waste paper baskets and refuse receptacles as required.
   e) Vacuum and spot clean all carpets as necessary.
   f) Spot clean all elevator doors and frames.

L. Exterior Structure and Grounds Services Specifications

1. Daily Service
   a) Spot clean accumulations of dirt, papers and leaves in all corner areas where winds tend to cause collections of debris.
   b) Spot clean all exterior glass at building entrances.
   c) Lift nap on all entry walk-off mats as necessary with a heavy bristle brush and vacuum.
   d) Empty all waste receptacles and remove trash to designated trash areas.
   e) Clean sidewalk, steps and landscaped area, walks and benches; including gum removal.

2. Monthly Weekend Services
   a) Steam clean exterior sidewalk and walk way areas.

M. Carpet Cleaning

1. Provide spot cleaning to tenant space as necessary and shampoo carpets in tenant office space and any common areas once each year (exact schedule to be approved in advance by Tenant).

N. Window Cleaning

1. All work to be performed in accordance with generally accepted industry standards.
2. Proper safety standards are to be maintained at all times, including but not limited to, use of proper warning signs and clean up of water in compliance with all City, State and Federal laws (OSHA).
3. Window cleaning standards are to include clean up of water, wipe down of adjacent window mullions and ledges to prevent streaking, spotting, and excessive runoff.
4. When necessary, drop cloths are to be used to prevent damage to floors and adjacent surfaces.

5. Interior and exterior window washing shall be scheduled immediately prior to Lease Commencement. Interior glass shall be cleaned not less than once per year. Exterior glass shall be cleaned as needed, but not less than once every six months, including May of each year.
6. Contractor to notify the Tenant for specific scheduling of window washing one week prior to scheduled cleaning.
7. Contractor will be responsible for removing paint and putty etc. from both glass and plastic windows.
8. Exterior surfaces of windows are not be washed when it is raining.
9. The words "window" and "light" as used herein are synonymous and are to be construed to mean any pane of glass, or glass substitute.

II. UNIFORMS

A. Janitors must wear their uniform whenever on duty.
B. All personnel, including the coordinator and supervisors, will be uniformed. All personnel shall have a visible company name, logo, badge, etc., on their uniform.

III. EMPLOYEE SAFETY

Landlord's Contractor shall accept responsibility for determining that all necessary safeguards for protection of Contractor's employees are available, or will be furnished. All work performed must conform to CAL-OSHA standards.

IV. SUPPLIES

Landlord or its Contractor shall supply floor wax, wax stripper, and other expendable supplies required for daily cleaning and maintenance, as well as janitorial supplies such as hand soap, paper hand towels, paper toilet tissue, paper seat covers and deodorants. Furthermore, Landlord or its Contractor shall supply all equipment including, but not limited to, ladders, vacuum cleaners, extractors, floor machines, mops and buckets.

V. APPROVAL OF PRODUCTS

The Tenant shall have the right to prohibit the use of any product proposed or being used by Landlord's Contractor should the Tenant deem the product to be unsafe or harmful to those items being cleaned or to Tenant's staff. In this regard, Landlord must provide upon request a complete list of products to be used in the course of this Contract, together with Material Safety Data Sheets for each cleaning chemical.

VI. DISPOSITION OF REFUSE

All trash and refuse collected by the custodians shall be deposited in a debris box as designated by the Landlord. (Landlord will pay for debris box service).

VII. MAINTENANCE PROBLEMS

Employees of Landlord's Contractor shall note maintenance problems (such as broken glass, light bulbs missing or burned out, inoperative fixtures, etc.) and report them to the Landlord. Any problem which prevents performance must be noted in the log (Section VIII) before the end of the shift. Contractor shall not claim, and Tenant will not entertain any claim that such problems prevented Contractor's performance if said claim is not entered in the log.

VIII. JANITORIAL LOG

Landlord's Contractor shall provide, and Tenant shall keep, a janitorial log on which deficiencies in performance, special problems or instruction shall be noted. Landlord's Contractor shall check the log daily, as arranged with the Tenant, and correct any deficiencies in service within twenty-four (24) hours of the log entry. Contractor shall initial and date each entry when deficiency has been corrected.

IX. EMERGENCY CONTACT

Landlord's Contractor shall provide the Tenant with an emergency telephone number where Contractor may be reached at any time during normal business hours (Monday - Friday, 8:00 a.m. - 5:00 p. m.). Contractor must respond to emergency calls relating to deficiency of service by correcting said deficiency within two hours of receipt of the call.

X. PERFORMANCE

Landlord and its Contractor shall guarantee that workmanship required for the performance of this Contract shall be in accordance with highest level of workmanship and accomplished according to the highest professional standards. The determination as to the adequacy of performance shall be made by the Tenant or the Director of Property, City & County of San Francisco. Contractor or Contractor's agent must be available at reasonable intervals during regular business hours as requested by Tenant, to participate in inspection walk through. Contractor will supervise all janitors during all shifts.

XI. VERIFICATION OF SERVICE

Tenant may provide, install, or establish a system of sign off slips, service receipts, or room service sign off cards. Landlord's Contractor shall faithfully comply with same by initialing, dating, and indicating time at which service was completed. It is agreed that no such service has been completed unless signed off by Contractor and countersigned by the Tenant if said system so requires.

XII. HOLIDAY SCHEDULE FOR TENANT

New Year's Day
Martin Luther King Day
President's Day
Memorial Day
Independence Day
Labor Day
Columbus Day
Veteran's Day
Thanksgiving Day
Friday after Thanksgiving Day
Christmas Day

EXHIBIT H

WORK LETTER

760 Harrison Street, San Francisco, California

This Work Letter is part of the Office Lease dated for reference as of November 1, 1996 (the "Lease"), by and between Cort Family Living Trust, as Landlord, and the City and County of San Francisco, as Tenant, covering certain premises described in the Lease. All terms that are capitalized but not defined herein shall have the same meanings given to them in the Lease.

Landlord, at its sole cost and expense (except as otherwise specifically set forth herein), and through its general contractor approved by City (the "Contractor"), shall furnish and install within the Premises the improvements shown on the Construction Documents finally approved by City pursuant to Paragraph A-4 below (the "Leasehold Improvements"), in accordance with the provisions of this Work Letter.

A. Plans and Specifications

1. Schematic Design Documents. City and Landlord hereby approve the schematic design plans for the Leasehold Improvement Work dated August 23, 1996, prepared by Hooks Design + Architecture (the "Schematic Design Documents") in accordance with the program requirements of City; provided, however, such approval shall not limit Landlord's obligations hereunder.

2. Construction Documents. Based on the approved Schematic Design Documents and any adjustments approved by City, on or before November 1, 1996, Landlord shall have caused its architect or space planner approved by City (the "Architect"), and its qualified and licensed engineer approved by City (the "Engineer"), to have prepared and submitted to City for its approval plans and specifications expanding in greater detail the representations of the Schematic Design Documents and fixing and describing the size and character of the Leasehold Improvements, including, without limitation, architectural, structural, mechanical, electrical, fire and life safety systems, materials and such other elements as may be appropriate, together with fully developed floor plans, interior elevations, reflected ceiling plans, wall and building sections and details (collectively, the "Construction Documents"). Such Construction Documents shall be subject to approval by City in accordance with Paragraph A-4 below. The Construction Documents shall show, without limitation, the following:

a) location of all demolition;
b) location and type of all partitions;
c) location and type of all doors, with door hardware specifications;
d) location of telephone equipment room, with all special electrical and cooling requirements;
e) location and type of all electrical outlets, switches, telephone outlets and lights;
f) location and type of all computer and other equipment requiring special electrical requirements;
g) location, weight per square foot and description of any heavy equipment or filing system exceeding [50] pounds per square foot live and dead load;
h) requirements for special air conditioning or ventilation for the Premises;
i) location of all heating and air conditioning ducts;

j) location, type and color of floor covering;
k) location, type and color of all window treatment;
l) ceiling plans including light fixtures;
m) location of sprinklers;
n) location, type and color of wall covering;
o) location, type and color of paint or finishing;
p) location and type of plumbing;
q) location and type of kitchen equipment;
r) location, type and finishes of counters, cabinets, shelves and millwork;
s) disabled accessibility standards, including any improvements to the lobbies, corridors, drinking fountains, elevator, elevator vestibule, stairs, stair vestibules and restrooms on all floors of the Building in which the Premises are located;
t) location, capacity and type of water tower or chilling equipment or air conditioning equipment;
u) critical dimensions for construction; and
v) other interior improvement work required by City.

3. Design in Accordance with City's Requirements. City has prepared and submitted to Landlord, in cooperation with Landlord's Architect, documents which outline City's space requirements for the Premises. Landlord's Architect shall design the Premises and prepare all plans and specifications hereunder, including the Construction Documents, in conformity with such documents. Landlord's Architect shall consult and hold periodic meetings with City and its architectural consultants and space planners as needed, in the preparation of the Construction Documents.

4. City's Approval of Plans. The Construction Documents (and any Landlord Change Orders thereto, as described below) shall be subject to approval by City, which approval shall not be unreasonably withheld or delayed, in accordance with the following procedure. After submission of the Construction Documents or proposed Change Order by Landlord to City, City shall have ten (10) days to disapprove any element thereof. If City does so, then City shall notify Landlord within such period of its disapproval and of the revisions that City reasonably requires in order to obtain approval consistent with the terms of this Work Letter. As soon as reasonably possible thereafter, but in no event later than five (5) days after receipt of such notice, Landlord shall submit to City documents incorporating the required revisions. Such revisions shall be subject to approval by City, which shall not be unreasonably withheld or delayed. Such revisions shall be deemed approved by City if City fails to notify Landlord of any objection within five (5) days after receipt of the revision.

5. Payment for Plans. The costs of preparing the Schematic Design Documents and the Construction Documents shall be paid by Landlord.

B. Changes to Approved Construction Documents.

1. City Change Orders. If following its approval of the Construction Documents, City requests any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("City Change Order"), Landlord shall cause the Architect or Engineer, as applicable, to prepare plans and specifications with respect to such change, addition or alteration. Within five (5) days of City's request, Landlord shall notify City of the reasonable cost that would be incurred by reason of such proposed City Change Order ("Cost of City Change Order") and any delay in the anticipated date of Substantial Completion that would result from such City Change Order. If City approves the Cost of City Change Order within five (5) days of receipt from Landlord, then

Landlord's Contractor shall proceed with such City Change Order as soon as reasonably practical thereafter. If City does not approve such cost within the above-mentioned five (5) day period, construction of the Premises shall proceed in accordance with the original completed and approved Construction Documents. City shall be responsible for the Cost of City Change Order and for the reasonable cost actually incurred by Landlord in the preparation of the plans and specifications relating to any City Change Order, each as evidenced by invoices or other substantiation reasonably required by City.

2. Reimbursement Of Landlord For Cost Of City Change Orders. For each City Change Order, City agrees to reimburse Landlord the Cost of City Change Order approved in advance by City under Paragraph B-1 above. City shall pay said cost within sixty (60) days of receipt from Landlord of true, accurate and complete statements and records of payment, which Landlord shall deliver to City along with any other documents reasonably requested by City as evidence that Landlord has incurred such cost; however, in no event shall said payment be due prior to Substantial Completion of the Leasehold Improvements as defined in Paragraph F-2 hereof.

3. Landlord Change Orders. If following City's approval of the Construction Documents, Landlord requests or is required to make any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("Landlord Change Order"), Landlord shall provide City with proposed plans and specifications with respect to such change, addition or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from such Landlord Change Order. Any such Landlord Change Order shall be subject to City's prior written approval, in accordance with paragraph B-1 above. No approval by City of any such Landlord Change Order shall relieve or modify Landlord's obligations hereunder to complete the construction of the Leasehold Improvements in accordance with the approved Construction Schedule, nor shall any such approval limit any of City's rights or remedies hereunder or under the Lease. Landlord shall be solely responsible for the cost of the Landlord Change Order, including, without limitation, the costs of preparing the plans and specifications relating thereto.

4. Appointment of Representatives. City and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("Representative"), and an alternate for such Representative ("Alternate"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to this Work Letter. Landlord and City shall not make any inquiries of or requests to, and shall not give any instructions or authorizations to, any other employee or agent of the other party, including without limitation, the other party's architect, engineers, consultants and contractors or any of their agents or employees, with regard to matters associated with this Work Letter. The initial Representatives and Alternates shall be:

City:

Representative --	Steve Alms	554-9865
Alternate --	Judy Schutzman	255-3405

Landlord:

Representative --	Vera Cort	751-1505
Alternate --	Robert Cort	751-1505

5. Each party may at any time and from time to time change its Representative or Alternate by written notice to the other party. Each party's Representative or Alternate shall be available during ordinary business hours so that questions and problems may be quickly resolved and so that the Leasehold Improvements may be

completed economically and in accordance with the Construction Schedule. All approvals made by City's Representative or Alternate shall be made in writing.

C. Permits

1. Responsibility for Obtaining Permits. Landlord shall have the responsibility for obtaining all governmental permits and approvals required to commence and complete the Leasehold Improvement Work, and promptly upon receipt thereof shall deliver copies of all of such permits and approvals to City. Landlord shall use its best efforts to obtain all such approvals and permits on or before November 1, 1996. Landlord shall have the responsibility of calling for all inspections required by City's Bureau of Building Inspection.

D. Construction

1. Construction of Leasehold Improvements. Following City's approval of the Construction Documents, Landlord shall cause the Leasehold Improvements to be constructed and installed in a good and professional manner in accordance with sound building practice and in conformity with the Construction Documents, as revised by any Change Orders, and the terms of this Work Letter. City shall not have any obligation with respect to any such work other than as provided herein.

2. Construction Schedule. Landlord shall commence construction of the Leasehold Improvements within 10 days after approval of all required permits for construction in accordance with the approved Construction Documents, and shall diligently pursue construction to completion, all in accordance with the detailed construction schedule (the "Construction Schedule") which shall be included in and approved as a part of the Construction Documents.

3. Status Reports; Inspections. Landlord shall keep City apprised of the status of permit approval and the progress of construction. Landlord or its Contractor shall furnish City with weekly reports on construction. From time to time during the design and construction of the Leasehold Improvements, City shall have the right upon reasonable advance oral or written notice to Landlord to enter the Premises at reasonable times to inspect the Premises, provided such inspections do not unreasonably interfere with the construction. Landlord or its representative may accompany City during any such inspection.

4. General Conditions. The performance of all Leasehold Improvement Work by Landlord shall be subject to the following terms and conditions:

   a) All of the Leasehold Improvement Work shall be performed in compliance with all laws, codes, regulations and building requirements (collectively, "Laws") bearing on construction of the Leasehold Improvements;
   b) Without limiting the foregoing, the construction of the Leasehold Improvements shall comply with all requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabled Access Laws"), and with City's work plan for accessibility improvements; and
   c) Landlord and its Contractor shall be responsible for all required insurance.

5. Cooperation. Landlord shall cooperate at all times with City in bringing about the timely completion of the Leasehold Improvements. Landlord shall resolve any and all disputes arising out of the construction of the Leasehold Improvements in a manner which shall allow work to proceed expeditiously.

6. Telecommunications, Data and Computer Cabling Installation Work to be Performed by City. City, or its consultants and contractors, shall, at City's cost, perform surveys and develop plans and specifications for the installation of telecommunications, data and computer cabling for City's occupancy of the Premises. Landlord shall cause the Contractor to cooperate with City in the installation work and coordinate such work with the Leasehold Improvement Work. Landlord shall be responsible for providing telecommunications, data and computer cabling up to the point where it is stubbed out in the Building's core area. Beyond that point, City shall be responsible for installing such cabling at its expense. Landlord agrees to cause Contractor to cooperate reasonably with City and its consultants, contractors and subcontractors during all surveying work and the installation of such telecommunications, data and computer cabling. The foregoing obligation shall include, without limitation, an obligation to give City and its consultants, contractors and subcontractors access and entry to the Premises and sufficient opportunity and time during each work day without separate charge therefor, to enable City to install such telecommunications, data and computer cabling. Such access shall include reasonable access to the elevator in the Building designated for freight use (i) on a non-exclusive basis during normal business hours and (ii) on an exclusive basis after hours as reasonably needed from time to time. City and Landlord shall use their good faith efforts to coordinate any such activities to allow the Leasehold Improvements and the installation of such telecommunications, data and computer cabling facilities and equipment to be completed in a timely and cost-effective manner. Landlord understands that the conduit for the telecommunications, data and computer cabling shall be included in the Construction Documents and installed by Contractor.

7. Asbestos Related Work. In the event that City, its consultants, contractors or subcontractors encounter any asbestos containing materials (ACM) in the Building in connection with the installation of City's telecommunications, data and computer cabling, Landlord agrees to be responsible for all legally required work or other work necessary to effect construction of the Leasehold Improvements, relating to the proper containment, abatement, removal and disposal of such ACM and all costs thereof. In no event shall any such costs be deducted from the Tenant Improvement Allowance or otherwise be City's responsibility. Any delay due to the presence of unknown ACM in the Building shall be considered a Landlord Delay.

E. Payment for Work; Allowance

1. Accessibility Improvements. Landlord shall, through its approved Contractor, furnish and install all improvements that are required to bring the Premises and the Common Areas serving the Premises, including, without limitation, the lobbies, corridors, drinking fountains, elevator, elevator vestibules, stairs, stair vestibules and restrooms, and signage in all such areas, into full compliance with all Disabled Access Laws and City's work plan in accordance with paragraph D-4 above. All costs of such work shall be performed at Landlord's sole cost and expense.

2. Required Documentation of Costs. Landlord shall, upon request by City, provide City with copies of (i) all invoices received by Landlord from the Contractor in connection with the construction of the Leasehold Improvements, (ii) satisfactory

evidence of payment of such invoices, including unconditional lien waivers, or if such invoices have not been paid, conditional lien waivers, all such lien waivers being in the form prescribed by California Civil Code Section 3262 and executed by each subcontractor and material supplier, and (iii) such additional supporting data substantiating the Contractor's right to payment as City may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

3. City's Cure Right. If Landlord does not make timely payment to Contractor or any of its subcontractors or material suppliers, City may, but shall not be obligated to, advance City's funds directly to such Contractor or its subcontractors or material suppliers to pay the cost of the Leasehold Improvements, and any such advance shall be payable to City immediately upon demand, with interest at a rate of the lesser of twelve percent (12%) per annum or the maximum rate permitted by law.

F. Substantial Completion

1. Construction Schedule. Landlord shall use its best efforts to complete the Leasehold Improvement Work on or before the date which is one hundred twenty (120) days after the Effective Date. However, in no event shall construction of the Leasehold Improvements be Substantially Complete later than April 1, 1997, except as extended by Tenant Delays and Unavoidable Delays (as such terms are defined in Paragraph G-1below). When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be Substantially Complete in accordance with the approved Construction Documents and the provisions hereof. Landlord shall notify City when the Leasehold Improvement Work is in fact Substantially complete and the Premises are ready for occupancy by City, and City or its representatives shall be permitted to accompany Landlord or its architect on an inspection of the Premises on such date or other mutually agreeable date soon thereafter.

2. Substantial Completion. The Leasehold Improvements shall be deemed to be "Substantially Complete" for purposes hereof when the Leasehold Improvements are sufficiently complete in accordance with the approved Construction Documents and the terms of this Work Letter so that City can occupy the Premises and conduct its business and City, through its Director of Property, shall have approved the Leasehold Improvements after its inspection of the Premises. City may, at its respective option, approve the Leasehold Improvements even though there remain minor details that would not interfere with City's use. Landlord shall diligently pursue to completion all such details. Notwithstanding the foregoing, City shall have the right to present to Landlord within thirty (30) days after acceptance of the Premises, or as soon thereafter as practicable, a written "punch list" consisting of any items that have not been finished in accordance with the approved Construction Documents and the terms of this Work Letter. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and in any event within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the Construction Documents and the provisions hereof, nor constitute a waiver of any latent defects.

G. Delays in Construction

1. Unavoidable Delays. For purposes hereof, "Unavoidable Delays" shall mean any delays by reason of acts of God, accidents, breakage, repairs, strikes, lockouts, other labor disputes, inability to obtain labor or materials after using diligent and timely efforts, enemy action, civil commotion, protests, riots, demonstrations, or by any other reason without fault and beyond the reasonable control of the party obligated to perform. In the event of any such delay, the party affected by such delay shall give prompt written notice to the other of the occurrence of such event and the projected delay in performance, and thereafter shall keep the other party regularly informed of the status of such Unavoidable Delay. Under no circumstances shall the number of days of Unavoidable Delays exceed a total of sixty (60) days.

2. Tenant Delays. Subject to any Unavoidable Delay, City shall be responsible for any delay in the construction, including commencement of construction, of the Leasehold Improvements due solely and directly to any of the following (collectively, "Tenant Delays"): (i) a delay in granting its reasonable approval of plans and specifications (beyond the period granted therefor), (ii) City Change Orders to the Construction Documents, provided such delay shall be limited to the number of days consented to by City, and (iii) City's delay in granting its reasonable approval of any costs to be included in the Allowance (beyond the period granted therefor). Such Tenant Delays in the completion of construction of the Leasehold Improvement Work shall extend the date for Substantial Completion hereunder. Notwithstanding the foregoing, City shall be responsible and the date for Substantial Completion shall be extended only to the extent any delays are actually and directly caused by Tenant Delays.

H. General Provisions.

1. Notices. Except as may be otherwise specifically provided herein, any notice given under this Work Letter shall be in writing and given by delivering the notice in person, by commercial courier or by sending it by first class mail, certified mail with a return receipt requested, or Express Mail, return receipt requested, with postage prepaid, and addressed to the parties as follows:

City:
Real Estate Department
Van Ness Avenue, Ste. 400
San Francisco, CA 94102
Attn: Director of Property

Landlord:
Cort Family Living Trust
757 3rd Avenue
San Francisco, CA 94118
Attn: Robert and Vera Cort

or such other address as a party may designate to the others as its new address for such purpose by notice given to the others in accordance with the provisions of this paragraph. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first class, certified mail, one day after the date when it is mailed if sent by U.S. Express Mail, or upon the date personal delivery is made. Neither party may give official or binding notice by facsimile.

2. Landlord's Duty to Notify City. Landlord shall promptly notify City in writing of (i) any written communication that Landlord may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that the Property, Building or Leasehold Improvements fail in any respect to comply with applicable laws, rules and regulations; (b) any known material adverse change in the physical condition of the Property, including, without limitation, any damage suffered as a result of earthquakes; and (c) any known default by the Contractor or any subcontractor or material supplier, or any known material adverse change in the financial condition or business operations of any of them.

3. Prevailing Wages for Construction Work. Landlord agrees that any person performing labor in the construction of the Leasehold Improvements which Landlord is obligated to provide under this Work Letter shall be paid not less than the highest prevailing rate of wages and that Landlord shall include, in any contract for construction of the Leasehold Improvements, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord further agrees that, as to the construction of the Leasehold Improvements under this Work Letter, Landlord shall comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Sections 6.33 through 6.45 of the San Francisco Administrative Code.

4. Tropical Hardwood Ban. Except as expressly permitted by the application of Sections 12I.3.b and 12I.4.b of the San Francisco Administrative Code, neither Landlord nor any of its contractors shall provide any items to City in the construction of the Leasehold Improvements or otherwise in the performance of this Lease which are tropical hardwoods or tropical hardwood products. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product. In the event Landlord fails to comply in good faith with any of the provisions of Section 12I of the San Francisco Administrative Code, Landlord shall be liable for liquidated damages for each violation in any amount equal to Landlord's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greatest. Landlord acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County of San Francisco upon demand and may be set off against any monies due to Landlord from any contract with the City and County of San Francisco.

5. Days. Unless otherwise provided herein, all periods specified by a number of days shall refer to business days. Saturdays, Sundays and recognized City holidays shall not constitute business days.

6. Approvals. Landlord understands and agrees that City is entering into this Work Letter in its proprietary capacity and not as a regulatory agency with certain police powers. Notwithstanding anything to the contrary herein, no approval by City of the plans for the Leasehold Improvements (including the Construction Documents), completion of the Leasehold Improvement Work nor any other approvals by City hereunder shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises. All approvals or other determinations of City as tenant hereunder may be made by City's Director of Property unless otherwise specified herein.

7. Time of the Essence. Time is of the essence with respect to all provisions of this Work Letter in which a definite time for performance is specified, including, without limitation, the date for Substantial Completion.

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FILE NO. 64-96-9

RESOLUTION NO. 644-96

RO#96006

[Lease of Real Property]

AUTHORIZING A LEASE OF REAL PROPERTY AT 760 HARRISON STREET, SAN FRANCISCO, FOR THE SOUTH OF MARKET MENTAL HEALTH SERVICE CLINIC OF THE MENTAL HEALTH DIVISION OF THE DEPARTMENT OF PUBLIC HEALTH.

RESOLVED, In accordance with the recommendation of the Health Commission, The Director of the Department of Public Health, and the Director of Property that the Mayor and the Clerk of the Board of Supervisors, on behalf of the City and County of San Francisco, as Tenant, be and they are hereby authorized to execute a lease with Cort Family Living Trust, as Landlord, for the entire two story office building at 760 Harrison Street, San Francisco, comprising a net rentable area of approximately 13,000 square feet, for the Mental Health Division of the Department of Public Health.

FURTHER RESOLVED, The lease shall commence on the date that Landlord satisfactorily completes the required leasehold improvements or City's Mayor and Board of Supervisors approve the lease, whichever occurs later, and shall end June 30, 2007. City shall have an option to extend the term for two additional periods of five (5) years each at ninety-five percent (95%) of the fair market rental.

It is understood that City shall occupy said premises for the entire lease term expiring June 30, 2017, if both options to extend the term are exercised, unless funds for rental payments are not appropriated in any subsequent fiscal year, at which time City may terminate this lease with advance notice to Landlord.

(REAL ESTATE)

BOARD OF SUPERVISORS

FURTHER RESOLVED, The base rent shall be $15,000.00 per month, with Landlord paying for all services to the building. The base rent of $15,000.00 shall remain unchanged through the entire ten years of the initial term. After the initial year of the term, City shall pay certain increases in operating expenses of the subject building over the base year of January 1, 1997 - December 31, 1997.

Landlord shall agree to complete, at its sole cost and expense, certain alterations duly and properly required in writing, and City shall reimburse to Landlord together with the initial payment of rent, the amount of $100,000 for specialized Tenant Improvements.

FURTHER RESOLVED, City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees, (collectively, "Claims"), incurred as a result of (a) City's use of the Premises, (b) any default by City in the performance of any of its obligations under this Lease, or (c) any negligent acts or omissions of City or its Agents, in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the active negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents by reason of any Claim Indemnified by City hereunder, City may, at its sole option, elect to defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. City's obligations under this Section shall survive the termination of the Lease.

(REAL ESTATE)

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BOARD OF SUPERVISORS

Said Lease shall be subject to certification of funds by the Controller pursuant to Section 6.302 of the Charter.

The City Attorney shall approve the form of the Lease and any related documents.

RECOMMENDED:

Director, Department of Public Health

Director of Property

$ 220,000.00 Available

Controller

1G-AGF-AAA 87-00-00
HMHMCC4417AC 03011

JUN 12 1996

(REAL ESTATE)

BOARD OF SUPERVISORS

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cc

Adopted - Board of Supervisors, San Francisco July 15, 1996

Ayes: Supervisors Alioto Ammiano Bierman Brown Hsieh Katz Kaufman Teng Yaki

Absent: Supervisors Leal Shelley

I hereby certify that the foregoing resolution was adopted by the Board of Supervisors of the City and County of San Francisco

Clerk

File No. 64-96-9

JUL 17 1996
Date Approved

Mayor

File No. 121035

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: **Cort Family Living Trust**	
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.*** 1. Robert J. Cort Martial Trust 2. Vera Cort, Sole Trustee 3. NA 4. NA 5. NA	
Contractor address: 757 – 3rd Avenue, San Francisco CA 94118	
Date that contract was approved: *(By the SF Board of Supervisors)*	Amount of contracts: $ $25,350 per month for 60 months
Describe the nature of the contract that was approved: Renewal of an existing Lease at 1380 Howard St. for the Department of Public Health	
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