

OFFICE LEASE

between

CALFOX, INC.,
Managing Agent for Owner,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO
as Tenant

For the lease of

Fox Plaza, 1390 Market Street
Suites 240, 250, 401, 418, 500, 600, 1008 and 1010
San Francisco, California

September 12, 2000

OFFICE LEASE

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BASIC LEASE INFORMATION

The following is a summary of basic lease information for convenience of reference only. In the event of any conflict or inconsistency between the information below and any provision of the Lease, the provision in the Lease shall control.

Lease Reference Date:	September 12, 2000
Landlord:	CALFOX, INC.. as managing agent for building owner, Polk Market Co.
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (Paragraph 2):	Fox Plaza 1390 Market St. San Francisco, CA
Premises (Paragraph 2):	Suites 240, 250 on the 2 nd Floor Suites 401, 418 on the 4 th Floor Suite 500 on the 5 th Floor Suite 600 on the 6 th Floor Suites 1008, 1010 on the 10 th Floor
Rentable Area of Premises (Paragraph 2):	Total rentable area of Premises: approximately sixty-two thousand eight hundred fourteen (62,814) square feet Suite 240: approximately one thousand six hundred sixty-five (1,665) square feet Suite 250: approximately eleven thousand nine hundred seventy-two (11,972) square feet Suite 401: approximately five thousand five hundred twenty-one (5,521) square feet Suite 418: approximately three thousand seven hundred sixty (3,760) square feet Suite 500: approximately eighteen thousand one hundred twenty-seven (18,127) square feet Suite 600: approximately eighteen thousand one hundred sixty-eight (18,168) square feet Suite 1008: approximately one thousand four hundred fifteen (1,415) square feet Suite 1010: approximately two thousand one hundred eighty-six (2,186) square feet
Initial Term (Paragraph 4):	Commencement Date: January 1, 2001 Expiration Date: December 31, 2007
Extension Options (Paragraph 4):	One (1) option to extend for a period of five (5) years, exercisable by City by notice to Landlord prior to April 1, 2007, with Base Monthly Rental at the then fair market value.

Base Monthly Rental (Paragraph 6):	For the entire Premises, City will pay Base Rent in the amount of Two Hundred Thirty-One Thousand Five Hundred Thirty and 25/100 Dollars (\$231,530.25) per month throughout the Initial Term.
Additional Rent (Paragraph 6):	Commencing January 1, 2002, City pays its share of operating expenses and direct taxes of the office portion of the building.
Base Year (Paragraph 6):	Calendar year 2000
City's Percentage Share (Paragraph 6.B.):	26.92% (only applicable after January 1, 2002)
Use (Paragraph 10 and 32):	Administrative offices of the Office of the City Attorney and the Public Transportation Department for the City and County of San Francisco with infant childcare facilities located within Suite 250.
Tenant Improvements (Paragraph 5 and Work Letter):	Landlord to provide specified improvements and a future allowance.
Services and Utilities (Paragraph 18):	Fully serviced lease, with certain suites separately metered for electricity for power other than central mechanical, elevator and the common area power. See also Paragraph 35 for computer room tenant requirements.
Notice Address of Landlord (Paragraph 28):	425 California Street, Suite 2300 San Francisco, CA 94104 Fax No.: (415) 677-0699
Key Contact for Landlord:	Daniel W. Aljoe
Telephone No.:	(415) 986-0600
E-Mail:	daljoe@calfox.com
Notice Address for Tenant (Paragraph 28)	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

and to: Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place
Room 234
San Francisco, CA 94102
Attn: Jesse Capin Smith,
Deputy City Attorney
Fax No.: (415) 554-4755

Key Contact for Tenant: Charlie Dunn
Telephone No.: (415) 554-9861
Alternate Contact for Tenant: City Attorney Office Manager
Telephone No.: (415) 554-3800
Brokers (Paragraph 28): None

OFFICE LEASE

1. PARTIES. THIS LEASE, dated for reference purposes only as of September 12, 2000, is made by and between CALFOX, INC., a California corporation, as managing agent for owner, Polk Market Co., ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Tenant" or "City").

2. PREMISES. Landlord does hereby lease to Tenant, and Tenant does hereby lease from Landlord, those certain premises situated in the City and County of San Francisco, State of California, known as Suites 240 and 250 on the second floor, Suites 401 and 418 on the fourth floor, Suite 500 on the fifth floor, Suite 600 on the sixth floor, and Suites 1008 and 1010 on the tenth floor of that certain building known as Fox Plaza, 1390 Market Street, San Francisco (the "Building"), and as shown on the floor plans attached hereto as Exhibit "A," hereinafter called the "Premises."

Tenant shall have the non-exclusive right to use and enjoy the elevator lobbies, corridors, sidewalks, elevators, stairways and other public areas of the Building and land upon which the Building is located (collectively, the "Common Areas") and the non-exclusive right of access to and from the Premises by the entrances of the Building. The Common Areas shall be subject to the exclusive control and management of Landlord, and Tenant shall use the Common Areas in accordance with the restrictions contained herein and the Rules and Regulations as provided in Paragraph 11 below. Landlord may, from time to time, alter, eliminate, relocate or reserve for private use any of the Common Areas and may temporarily close or restrict the use of any Common Areas as needed for repairs, provided that any and all such changes shall not materially interfere with Tenant's use and enjoyment of the Premises or Tenant's ability to conduct normal administrative office operations in the Premises.

3. COVENANTS. It is mutually agreed that the letting hereunder is upon and subject to the following terms, covenants and conditions. Tenant covenants, as a material part of the consideration for this Lease, to keep and perform each and all of the terms, covenants and conditions by it to be kept or performed, and this Lease is made upon the condition of such performance.

4. TERM.

A. The Premises are leased for an initial term (the "Initial Term") commencing on January 1, 2000. The Term of this Lease shall end on December 31, 2007 or such earlier date on which this Lease terminates pursuant hereto, provided that City shall have the right to extend the Initial Term pursuant to Paragraph 4.C. [Extension Options], below. The word "Term" as used herein shall refer to the Initial Term and any Extended Terms if City exercises any of the Extension Options as provided herein.

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 January 1, 2001, then promptly thereafter Landlord shall deliver to City a notice substantially in the form of Exhibit "B" attached hereto, confirming the actual Commencement Date and Expiration Date, but Landlord's failure to do so shall not affect the commencement of the Initial Term.

B. Tenant may terminate this Lease by giving Landlord at least ninety (90) (but not more than one hundred twenty (120)) days written notice if, and only if, at the

time that the City's Board of Supervisors and Mayor approve the City Attorney's budget for any entire fiscal year, (i) sufficient funds for the payment of Rent and any other payments required under this Lease for such entire fiscal year are not appropriated, and (ii) no funds are appropriated in such budget related to the lease, use, occupancy, maintenance, or relocation of office space for the City Attorney, whether located in a City-owned or privately-owned building. If Tenant gives Landlord such notice of termination, this Lease shall terminate upon the last date sufficient funds are appropriated but no later than one hundred twenty (120) days after such failure to appropriate funds (the "Termination Date") with the same effect as if the Termination Date were the Expiration Date hereof; but such termination shall not relieve City of any obligation arising under this Lease prior to the Expiration Date or surrender of the Premises, whichever is later. If this Lease is terminated for non-appropriation, City shall not appropriate funds for the purpose of renting, using, occupying, maintaining or relocating to similar premises in any City or non-City owned building for the City Attorney's Office for a period of one (1) year from and after the Termination Date. If this Lease is terminated for non-appropriation, rent shall be apportioned as of the Termination Date and any prepaid portion of rent for any period after such date shall be refunded by Landlord to City.

C. Extension Option. City shall have the right to extend the Initial Term of this Lease for the additional term set forth below as follows:

1. Extension Option. City shall have the option to extend the Initial Term for an additional term ("Extended Term") of five (5) years commencing upon the expiration of the Initial Term ("Extension Option"). City's lease of the Premises during the Extended Term shall be on all of the terms and conditions set forth in this Lease, except that the Base Monthly Rent shall be adjusted to the prevailing market rate for the Premises, as further described below. Additionally, City shall pay Additional Rent for its share of increased Operating Expenses and Direct Taxes as described below. Landlord will provide building standard carpet and paint throughout the Premises at the commencement of the Extended Term, provided that the determination of prevailing market rate described below shall take into account such tenant improvements provided by Landlord. City may exercise the Extension Option, if at all, by giving written notice to Landlord no later than January 1, 2007; 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 the 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 ninety (90) days after the date such notice of exercise is given. If such approval and authorization is not received by Landlord within ninety (90) days after the date such notice of exercise is given, City's Extension Option shall terminate and City shall have no further option to extend the Term.

2. Determination of Base Monthly Rent for the Extended Terms. At the commencement of the Extended Term, the Base Monthly Rent shall be adjusted to 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 Civic Center area of San Francisco ("Reference Area"); provided, however, in no event shall the Base Monthly Rent be reduced below the Base Monthly Rent for the lease year prior to commencement of such Extended Term, and provided further that City shall continue to pay Additional Rent based on a Base Year of 2000. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space at the time of the appraisal, taking into account (i) any Additional Rent 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, (v) building standard tenant improvement allowances, any other allowances given under such comparable leases, (vi) the quality of property management of the comparable space, and (vii) services provided by the Landlord inclusive in the monthly rent.

Within fifteen (15) days following City's notice of exercise of the Extension Option, Landlord shall provide City with its determination of prevailing market rate, together with sufficient detail for City to evaluate Landlord's determination. 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 in writing within twenty (20) days of the determination of the prevailing market rate.

(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 Civic Center 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.

5. TENANT IMPROVEMENTS. Landlord shall furnish and install the Tenant Improvements set forth in the Exhibit "F" Work Letter at Landlord's expense.

6. RENT. Rent shall be paid by Tenant to Landlord in lawful money of the United States of America at the office of Landlord at 425 California Street, Suite 2300, San Francisco, California 94104, or at such other place as Landlord may designate upon at least 30 days' prior written notice to Tenant. Tenant shall pay rent in advance, on the first day of each month during the Term of this Lease, free from all claims, demands or set-offs against Landlord of any kind or

character whatsoever except as otherwise expressly provided in this Lease. Rent shall begin on the Commencement Date hereunder, and shall be prorated for any partial month based on a thirty (30)-day month. City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Rent"), including the charges for Direct Taxes and Operating Expenses provided for herein. The Base Monthly Rent and Additional Rent are sometimes collectively referred to below as "Rent."

A. Base Monthly Rental. City agrees to pay monthly rent throughout the Initial Term (sometimes referred to herein as the "Base Monthly Rental" or "Base Monthly Rent") in the amount of Two Hundred Thirty-One Thousand Five Hundred Thirty and 25/100 Dollars (\$231,530.25) for the entire Premises including Suite 240.

(i) In the event Suite 240 has not been delivered to City Substantially Complete (as defined in the Work Letter attached as Exhibit F) prior to January 1, 2001, City shall pay a Base Monthly Rental of Two Hundred Twenty-Five Thousand Two Hundred Eighty-Six and 50/100 Dollars (\$225,286.50) until such date as Suite 240 has been delivered.

(ii) In the event Suite 240 has been delivered to City for Beneficial Occupancy (as defined in Paragraph 36) Substantially Complete (as defined in the Work Letter attached as Exhibit F) prior to January 1, 2001, the City shall pay to Landlord additional rental of Six Thousand Two Hundred Forty-Three and 75/100 Dollars (\$6,243.75) per month for Suite 240 until December 31, 2000.

If the date of delivery for Suite 240 occurs on a day other than the first day of the calendar month, then the Suite 240 Base Monthly Rental of Six Thousand Two Hundred Forty-Three and 75/100 Dollars (\$6,243.75) shall be prorated based on the number of days in such month.

B. Additional Rent.

1. Commencing on January 1, 2002, for the duration of the Term, as it may be extended, Tenant shall pay to Landlord Additional Rent, in an amount equal to (a) Tenant's Share specified herein below of any increase in Operating Expenses of the Office Portion of the Building (defined below in this Paragraph) paid or incurred by Landlord on account of the operating or maintenance of the Building above such Operating Expenses paid or incurred by Landlord during the Base Year specified herein below and (b) Tenant's Share specified herein below of any increase in Direct Taxes (defined below in this Paragraph) for the Office Portion of the Building paid or incurred by Landlord in excess of those paid or incurred in the Base Tax Year specified herein below, (all such rentals, charges and sums other than minimum monthly rent being referred to in this Lease as "Additional Rent," whether or not the same may be designated Additional Rent). If such amounts are not paid at the time they are due and payable under this Lease, they shall nevertheless be collectable as Additional Rent with the next installment of the Base Monthly Rental. Nothing herein contained shall be deemed to suspend or excuse the payment of any amount of money or charge at the time the same becomes due and payable hereunder, except as otherwise expressly provided in this Lease. Where the time for payment of any Additional Rent is not specified herein, the same shall be due and payable twenty-one (21) days after receipt of Landlord's invoice. If at any time during the Term of the Lease, less than ninety-five percent (95%) of the total rentable area of the Office Portion of the Building is occupied, the Operating Expenses and Direct Taxes shall be adjusted by Landlord to reasonably approximate the Operating Expenses and Direct Taxes which would have been incurred if the Office Portion of the Building had been at least ninety-five percent (95%) occupied.

In December of each calendar year during the Term, Landlord shall notify Tenant in writing of Landlord's estimate of the amount of any increase in Operating Expenses for the succeeding calendar year over Operating Expenses for the Base Year, the amount of any increase in Direct Taxes over those paid or incurred in the Base Year and of the amount of such estimated increases payable by Tenant. Commencing January 1, 2002, Tenant shall pay to Landlord on the first day of each calendar month, one-twelfth (1/12) of the amount of such estimated increases in Operating Expenses and Direct Taxes payable by Tenant hereunder. Such statement shall specify in reasonable detail the basis of Landlord's estimates. Statements of the amount of actual Operating Expenses for the preceding calendar year, of Direct Taxes for the appropriate fiscal year and the amount of such increases payable by Tenant shall be given to Tenant by May 1st of each succeeding calendar year subsequent to the Base Year. All amounts payable by Tenant as shown on such statement, less any amounts theretofore paid by Tenant on account of Landlord's estimate of increases in Operating Expenses and Direct Taxes made pursuant to this Paragraph, shall be paid by Tenant upon delivery of such statement to Tenant. In the event that Tenant has paid in any given year estimated increases beyond those later determined from actual reconciliation, then such over-payment shall be applied toward the next installments of Base Monthly Rental and Additional Rent until satisfied in full or, if the Lease terminates before all of such over-payment has been applied to Base Monthly Rental and Additional Rent due and payable hereunder, the balance of the over-payment shall be promptly refunded to Tenant.

2. The amount of any increase in Operating Expenses and Direct Taxes payable by Tenant for the calendar year in which this Lease terminates shall be prorated on the basis which the number of days from and including the commencement of such calendar year to and including the date on which this Lease terminates bears to three hundred sixty-five (365) and shall be due and payable when rendered notwithstanding termination of this Lease.

3. The term "Operating Expenses" as used herein shall mean all reasonable direct costs of operation, maintenance and management of the Office Portion of the Building (as hereinafter defined) which directly benefit the Building's operation, are generally accepted office building operational expenses and conform with generally accepted accounting practices. The term "Operating Expenses" as used herein shall exclude those costs which are the exclusive responsibility of Tenant or any other tenant of the Building under this Lease or other applicable leases including, without limitation, utility costs paid by Tenant pursuant to Paragraph 18 hereof. which costs shall be clearly excluded on Landlord's statements to Tenant. By way of illustration, but not limitation, Operating Expenses shall include the direct and reasonable cost or charges for the following items: heat, light, water, sewer, steam, and other utilities (including without limitation any temporary or permanent utility surcharge or other exaction, whether now or hereafter imposed), waste disposal, janitorial services, stationary engineering services, lobby attendant services, window cleaning, air conditioning, materials and supplies, equipment and tools and service agreements on elevators, equipment, insurance premiums, licenses, permits and inspections, wages and salaries, related employee benefits and payroll taxes, accounting and legal expenses, management fees, depreciation on personal property, including, without limitation, window coverings, provided by Landlord and carpeting in public corridors and Common Areas, amortization of the capital cost of operating cost saving installations, depreciation or amortization of required capital improvements to Common Areas or Building systems serving Common Areas imposed by governmental regulation, and the cost of contesting the validity or applicability of any governmental enactments which may affect Operating Expenses. The cost of real estate brokerage commissions and promotions, and legal fees for document review and evictions shall not be included as Operating Expenses. Notwithstanding anything to the contrary above, Operating Expenses shall exclude those items described on the attached Exhibit "E."

The term "Direct Taxes" as used herein shall mean the Office Portion of the Building's share of all real property taxes and assessments, imposition, levies and fees on the Building and the land on which the Building is situated and shall also include all personal property taxes levied on the property used in the operation of the Building; taxes of every kind and nature whatsoever levied and assessed in lieu of, in substitution for, or in addition to, existing or additional real property taxes on the Building or land, whether or not now customary or within the contemplation of the parties hereto, other than taxes associated with Tenant equipment, furniture, fixtures and other personal property to the extent that Landlord is reimbursed therefor by Tenant or by any other tenant of the Building; taxes upon the gross or net rental income of Landlord derived from the Building and land (excluding, however, state and federal personal or corporate income taxes measured by the income of Landlord from all sources) and a reasonable cost to Landlord of contesting the amount or validity or applicability of any of the aforementioned taxes. Net recoveries through protest, appeals or other actions taken by Landlord in its discretion, after deduction of all costs and expenses, including counsel and other fees, shall be deducted from Direct Taxes for the year of receipt. Notwithstanding the foregoing, Direct Taxes shall exclude (i) 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 include reasonable legal fees, costs, and disbursements incurred in connection with proceedings to contest, determine, or reduce Direct Taxes, (ii) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent the same is attributable to Tenant's failure to pay its portion of Direct Taxes hereunder, (iii) any personal property taxes payable by Tenant hereunder or by any other tenant or occupant of the Building.

During the Initial Term only, Tenant's share of any increase in Direct Taxes resulting from the re-assessment of the Building, which re-assessment is attributable to the sale or transfer of any interest in or title to the Building, the land upon which the Building sits, the Indenture of Lease identified in Paragraph 22 or any other lease of the land or the Building (collectively, a "Re-assessment") shall be limited to not more than One Dollar (\$1.00) per square foot of the Premises per year from and after the year of the Re-assessment over Tenant's share of Direct Taxes per square foot without the Re-assessment ("Tax Limit"). Tenant will not be responsible for the amount by which any increase in Tenant's share of Direct Taxes due to a Re-assessment exceeds the Tax Limit in any calendar year. The Tax Limit will not apply to Tenant's share of Direct Taxes from a Re-assessment during the Extended Term.

For example, assume the Building is sold and Re-assessed in 2004 and Tenant's share of Direct Taxes for calendar year 2004 resulting from the Re-assessment is \$2.30 per rentable square foot of the Premises. If Tenant's share of Direct Taxes in the absence of the Re-assessment would have been \$0.60 per rentable square foot, the increase attributable to the Re-assessment is \$1.70 per rentable square foot ($\$2.30/\text{RSF} - \$0.60/\text{RSF}$). Because the Tax Limit would limit the increase in Tenant's share of Direct Taxes due to a Re-assessment to \$1.00 per rentable square foot increase per year, Tenant's share of Direct Taxes in 2004 would be \$1.60 per rentable square foot of the Premises. In 2005, if Tenant's share of Direct Taxes was \$2.36 per rentable square foot ($1.02 \times \$2.30$), Tenant would pay \$2.36 per rentable square foot, which represents a \$0.76 per rentable square foot increase from the previous year. For purposes of this example only, in no event would Tenant's share of Direct Taxes exceed \$2.60 per rentable square foot in 2005.

In calculating Operating Expenses of the Office Portion of the Building and Direct Taxes of the Office Portion of the Building, the parties recognize that the Building is a multi-use facility with retail and a large residential area. Certain expenses are shared by residential and retail areas and actual usage cannot be determined. The parties agree to the

following allocations of total Building Operating Expenses and Direct Taxes to the Office Portion of the Building:

(a) Real estate taxes, licenses, gross receipts tax, landscaping, insurance, management fee, water, waste disposal, gas, administrative salaries and expense, public area maintenance and life safety maintenance: Forty-five and 98/100ths percent (45.98%).

(b) Electrical: From total electric charges paid by Landlord, deduct (i) apartment consumption, if paid by Landlord, (ii) apartment related equipment electric consumption listed on Rent Board Utility Pass Through, (iii) retail and office tenant electrical reimbursements, (iv) garage consumption, and (v) for Suites 250, 500 and 600 only thirty-nine and 9/10ths percent (39.9%) of total electric charges, the percentage to which City and Landlord have stipulated as representing electrical costs for lighting and power outlets in office spaces of the Building. The remaining electrical cost shall be allocated to Office Portion of the Building.

(c) Other expenses and taxes shall be prorated to Office Portion of the Building based upon invoice or identified use. If an item cannot be specifically identified to an area of the Building, the proration method set forth in (a) above shall be used.

4. The annual determination and statement of Operating Expenses and Direct Taxes as those terms are defined in Paragraph 6.B.3. above shall be made in reasonable detail and shall be certified by an accounting or auditing officer designated by Landlord. A copy of such determination shall be made available to Tenant upon demand. Tenant shall have the right to have the statement audited within one year of the payments made in reliance thereon, in conformity with generally accepted accounting principles, and standard building office expenses, subject to cash-basis accounting if used by Landlord, by Tenant's Controller or by an accounting firm mutually acceptable to Landlord and Tenant, at the offices of Landlord and during regular business hours. Tenant shall keep (and shall cause its agents and employees conducting the audit to keep) confidential any and all information contained in such statement, except to the extent disclosure of such information is required by ordinance, statute, regulation, a court order or decision, or any other law. Any investigation of such statement conducted by Tenant shall be conducted for it by Tenant's Controller or by a so-called "Big Six" accounting firm under a compensation arrangement that does not provide for incentive payments based upon the amount of savings that the audit procures. The audit shall be binding on the parties; if the audit determines an over-payment by Tenant, Landlord shall promptly refund the amount of such overpayment to Tenant; if the audit determines an underpayment by Tenant, Tenant shall promptly pay the amount of such underpayment to Landlord. Should the audit determine an overcharging by Landlord of three percent (3%) or more of the amount determined by the audit to be chargeable to Tenant, then Landlord shall pay the cost of the audit; should the variance between the amount charged by Landlord and the amount determined by the audit to be chargeable to Tenant have a variance of less than three percent (3%), then Tenant shall pay the cost of the audit. Landlord shall maintain at the Building in a safe and orderly manner all of its records pertaining to this Lease and Direct Taxes and Operating Expenses and any other charges paid by Tenant pursuant hereto, for a period of not less than three (3) years following expiration of the Term of this Lease. 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 Tenant and its representatives, at Tenant's expense, in accordance with the audit provisions above.

5. The Base Year referred to herein above is defined as calendar year 2000; the Base Tax Year referred to herein above is defined as the tax payments payable during calendar year 2000, except that any tax or assessment resulting from a new tax or from an assessment district imposed after the date of execution of the herein Lease and which has an

initial assessment date prior to January 1, 2001 shall be excluded from Direct Taxes of the Base Year.

Tenant's Share, as referred to herein above, is defined as:

<u>Premises</u>	<u>Tenant's Share</u>	<u>Tenant's Rentable Area</u>
Suite 240	0.71%	1,665 s. f.
Suite 250	5.13%	11,972 s.f.
Suite 401	2.37%	5,521 s.f.
Suite 418	1.61%	3,760 s.f.
Suite 500	7.77%	18,127 s.f.
Suite 600	7.79%	18,168 s.f.
Suite 1008	0.60%	1,415 s.f.
Suite 1010	0.94%	2,186 s.f.

For purposes hereof, the Premises contain the rentable area of 62,814 square feet and the Office Portion of the Building contains a total rentable area of 233,339 square feet. As used herein, the term "rentable area" shall mean that measurement of rentable interior floor area computed in accordance with the "Standard Method for Measuring Floor Area in Office Buildings, the American National Standard" (ANSI Z65.1 1996), approved June 7, 1996 by American National Standard Institute Incorporated, and adopted by Building Owners and Managers Association International in 1996.

The "Office Portion of the Building," as referred to herein, is defined as that portion of the Building on the first to the 12th floors, excluding (i) the retail area on the first and second floors containing a rentable area of 21,419 square feet, (ii) the residential portion of the Building above the 12th floor, and (iii) the building garage.

C. Electronic Funds Transfer.

1. Landlord Option to Collect Via Electronic Funds Transfer ("EFT").

Tenant agrees to pay Basic Monthly Rental and (after Tenant's review and approval) Tenant's share of Operating Expenses and Direct Taxes to Landlord via wire transfer or other form of EFT. Such payments shall be transferred to Landlord's designated bank account on the date due, or, in the event that the due date is on a weekend or bank holiday, then on the business day immediately preceding such due date. If City makes payment by automated clearing house ("ACH") or other form of automatic deduction EFT payment available to its departments, Tenant

will diligently pursue and arrange payment of Basic Monthly Rental and (after Tenant's review and approval) Tenant's share of Operating Expenses and Direct Taxes to Landlord via ACH or other available method.

2. Fees and Charges. Tenant shall promptly pay all reasonable service fees and related bank charges to Landlord resulting from insufficient funds in Tenant's designated bank account or de-authorized EFT transactions. Landlord shall credit Tenant for any bona fide bank charges up to \$20.00 per transfer charged by Tenant's bank or financial institution incurred by Tenant due to Tenant's EFT payment.

3. Tenant to Notify of Change in Bank. In the event that Tenant elects to change the bank or financial institution from which any Rent under the Lease is automatically debited, Tenant shall notify Landlord of such change no later than fifteen (15) days prior to the date of the next Rent payment and shall take all steps necessary to ensure timely payments are made.

4. Mistake in Debit. Tenant shall remain responsible to Landlord for all payments of Rent, even if Tenant's bank account is incorrectly debited in any given month. If any error in the debit is made in the favor of Tenant, Tenant shall correct the underpayment within ten (10) business days of receipt of notice from Landlord. If any error in the debit is made in favor of Landlord, Landlord shall refund the overpayment within the sooner of ten (10) business days of Landlord's discovery of the error or ten (10) business days after receipt of notice from Tenant.

5. Tenant EFT Default. Tenant's failure to comply with the provisions of this Paragraph 6.C shall, upon notice, constitute an event of default of the Lease if not cured within the time set forth in the Lease. For the purposes of this paragraph, cure of an EFT default shall mean timely delivery to Landlord of a cashier's check for all sums due and reactivation of EFT payments as required by this paragraph.

7. SURRENDER. Tenant agrees to surrender the Premises at the termination of the tenancy herein created, in the same condition as herein agreed they have been received, except for reasonable use and wear thereof and damage by act of God, the elements, fire or any other casualty not caused by Tenant. Upon termination of this Lease, Tenant shall remove from the Premises all of its personal property described in Paragraph 14 below and any Tenant Work City is required to remove from the Premises pursuant to the provisions of Paragraph 14 hereof. Tenant shall repair or pay for the cost of repairing any damage to the Premises or the Building resulting from such removal. Tenant shall not be obligated to remove or demolish any of the Tenant Improvements. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall at the option of Landlord, terminate all of any existing subleases or subtenancies, or may, at the option of Landlord, operate as an assignment to him of any or all such subleases or subtenancies, in the absence of any other agreement between Landlord and Tenant or such subtenants.

8. HOLDING OVER. If Tenant holds possession of the Premises after the Term of this Lease, Tenant shall, at the option of Landlord to be exercised by Landlord's giving written notice to Tenant, become a tenant from month to month upon the terms and conditions herein specified, so far as applicable, at a Base Monthly Rental equal to prevailing fair market rent but in no event less than one hundred sixty percent (160%) of the sum of Base Monthly Rental and Additional Rent payable for the final month of the Term, payable as if the Term of this Lease had been extended. Tenant shall continue to be such tenant until thirty (30) days after Tenant shall have given to Landlord or Landlord shall have given to Tenant a written notice of intention to terminate such month-to-month tenancy. Unless Landlord shall consent to the holdover tenancy

as provided above, Tenant shall be a tenant at sufferance only, whether or not Landlord shall accept any rent from Tenant while Tenant is so holding over.

9. DELIVERY OF POSSESSION. In the event of the inability of Landlord to deliver possession of Suite 240 at the time of the commencement of the Term of this Lease in the condition required hereunder, neither Landlord nor its agents shall be liable for any damage caused thereby, nor shall this Lease thereby become void or voidable, nor shall the Term herein specified be in any way extended, but in such event Tenant shall not be liable for any Base Monthly Rental, Additional Rent or other charges for Suite 240 until such time as Landlord can deliver possession in accordance with the provisions of this Lease

10. USE. The Premises are to be used for administrative offices of the City Attorney's Office and for no other purpose without the written consent of Landlord. The Premises shall not be used for a police, sheriff, correctional, probation, social services intake, social services disbursement, medical, counseling clinic or drug treatment facility or for an employment agency or high volume public visitation. Tenant shall not do or permit anything to be done in or about the Premises, nor bring nor keep anything therein which will in any way materially increase or cause a cancellation or a policy exclusion of fire or other insurance upon the Building, or any of its contents, or which shall violate any law, ordinance, rule or regulation affecting the occupancy and use of the Premises, which is or may hereafter be enacted or promulgated by any public authority, or obstruct or interfere with the rights of other tenants of the Building, or injure or annoy them, nor use, nor allow the Premises, to be used, for any improper, immoral, unlawful or objectionable purpose, or for any kind of eating house, or for sleeping purposes, or for washing clothes, or cooking therein (except for microwave cooking in the kitchens), and nothing shall be prepared, manufactured, or mixed in the Premises which would emit an odor into the corridors of the Building. Tenant will not, without the written consent of Landlord, either (1) use any apparatus or device in connection with the Premises which will injure, vibrate or shake the Premises or materially increase the amount of electricity or water usually furnished or supplied to the Premises, or (2) connect with the water pipes any apparatus or device for the purpose of using water.

Landlord shall maintain the Building in a good, clean and safe manner and shall not permit any other tenants of the Building to disturb or interfere with Tenant's use of the Premises or permit to be done in or about the Building or anything that is illegal, will be dangerous to life or limb or will constitute a nuisance to Tenant, its agents, contractors, officers, employees and invitees.

If Tenant's use of any of the Premises is interrupted as a result of the Premises' being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason, then, without limiting any of Tenant's other rights or remedies hereunder or at law or in equity, Landlord shall immediately undertake all necessary steps to correct such condition, and, in the event such condition continues for five (5) days, the Base Monthly Rental and Additional Rent shall be subject to abatement based on the then current monthly rental rate per rentable square foot and on the extent to which such default materially interferes with Tenant's ability to conduct normal administrative office operations in the Premises. If any such condition shall continue for thirty (30) days or more after Landlord has been advised in writing by Tenant and shall materially impair Tenant's ability to carry on its business in the Premises, then Landlord shall promptly provide Tenant with its good-faith estimate of the time required to restore the Premises or eliminate the condition. If Tenant's normal and safe use of the Premises cannot be restored within ninety (90) days of the date City's use was interrupted, then Tenant may, without limiting any of its other rights or remedies hereunder or at law or in equity, by written notice given to Landlord given within one hundred (100) days after the date of Tenant's notice, terminate this Lease as of the date specified in such

notice, which date shall not be less than thirty (30) nor more than ninety (90) days after the date of Landlord's notice.

11. RULES. Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall promulgate from time to time for the safety, care and cleanliness of the Premises and the preservation of good order thereon, as provided below. The current rules and regulations for the Premises are attached hereto as Exhibit "D" (the "Rules and Regulations") and are hereby expressly made a part hereof. Any reasonable additions or modifications thereto by Landlord shall be binding upon Tenant upon Landlord's delivery to Tenant of a copy thereof, provided that such additions or modifications shall not reduce the obligations of Landlord hereunder nor materially interfere with Tenant's use of the Premises, and such additions or modifications must be applicable to other office tenants in the Building. Landlord agrees to administer the Rules and Regulations in a fair and nondiscriminatory manner, and to cause other tenants or occupants to comply with the Rules and Regulations.

12. ASSIGNMENT. Tenant will not assign, mortgage or hypothecate this Lease, or any interest therein, or permit the use of the Premises by any person or persons other than Tenant, or sublet the Premises, or any part thereof, without the written consent of Landlord, provided that Tenant may assign this Lease or sublet the Premises to any other department or agency of the City and County of San Francisco for administrative office use by giving Landlord written notice thereof so long as such administrative office use by any such other City department or agency shall not (i) include psychological or substance abuse counseling, medical treatment, correctional, police or probation work as part of the business conducted on the Premises, (ii) involve substantial walk-in visitation from the general public without appointments (such as a welfare or recorder's office) or (iii) cause a material increase in the demands upon the utilities, services or Common Areas of the Building. Consent to any assignment or subletting requiring Landlord's consent as provided above shall not operate as a waiver of the necessity for such a consent to any subsequent assignment or subletting, and the terms of such consent shall be binding upon any person holding under or through Tenant. Landlord shall not unreasonably withhold its consent to subletting or assigning the Premises, subject to the following provisions:

A. If Tenant desires at any time to assign this Lease or sublet all or any portion of the Premises, Tenant shall first notify Landlord at least sixty (60) days prior to the proposed effective date of the assignment or sublease, in writing, of its desire to do so and shall submit in writing to Landlord (1) the name of the proposed subtenant or assignee, (2) the nature of the proposed subtenant's or assignee's business to be carried on in the Premises, (3) a copy of the proposed sublease or assignment and (4) financial statements for the two most recent completed fiscal years of the proposed subtenant or assignee, and a bank and a landlord reference. Thereafter, Tenant shall furnish such supplemental information as Landlord may reasonably request concerning the proposed subtenant or assignee. At any time within fifteen (15) days after Landlord's receipt of the information specified above, Landlord may by written notice to Tenant elect to (1) terminate this Lease not less than forty-five (45) nor more than ninety (90) days after the end of such fifteen (15)-day period as to the portion of the Premises so proposed to be assigned or subleased, with a proportionate abatement in rent payable hereunder, (2) consent to the sublease or assignment, or (3) reasonably disapprove of the sublease or assignment, setting forth in writing Landlord's ground for so doing. Such grounds may include, without limitation, a material increase in the impact upon the Common Areas of the Building, a material increase in the demands upon the utilities and services supplied by Landlord, a possible material adverse effect upon the reputation of the Building from the nature of the business to be conducted, or a reputation for financial reliability on the part of the proposed subtenant or assignee which is unsatisfactory in the reasonable judgment of Landlord. If Landlord consents to the sublease or assignment within the fifteen (15)-day period or if Landlord takes no action within that period, Tenant may thereafter enter into such assignment or sublease of the Premises, or a portion

thereof, upon the terms and conditions and as of the effective date set forth in the information furnished by Tenant to Landlord.

B. Each permitted assignee, transferee or sublessee, other than Landlord, shall assume and be deemed to have assumed this Lease and shall be and remain liable jointly and severally with Tenant for the payment of the rent and for the due performance or satisfaction of all of the provisions, covenants, conditions and agreements herein contained on Tenant's part to be performed or satisfied. No permitted assignment shall be binding on Landlord unless such assignee or Tenant shall deliver to Landlord a counterpart of such assignment which contains a covenant of assumption by the assignee, but the failure or refusal of the assignee to execute such instrument of assumption shall not release or discharge the assignee from its liability as set forth above.

C. Any notice by Tenant to Landlord pursuant to Paragraph 12.A. of a proposed assignment or subletting that requires Landlord's consent, shall be accompanied by a payment of Three Hundred Fifty and No/100 Dollars (\$350.00) as a non-refundable fee for Landlord's time and the processing of Tenant's request for Landlord's consent. In the event that Tenant should sublease to another tenant, Tenant shall pay to Landlord monthly on or before the first of each month sixty percent (60%) of the excess rent actually received, if any, from such subtenant or subtenants over and above the concurrent underlying Rent payable by Tenant to Landlord for that portion of the Premises being sublet, after deduction of tenant improvement costs, leasing commissions, free rent (if any), advertising expenses, and other reasonable and ordinary costs incurred by Tenant associated with such sublet. Tenant shall furnish Landlord with a true signed copy of such sublease or subleases and any supplementary agreements or amendments thereto, within five (5) days after their respective execution.

13. SALE. If Landlord sells or conveys the Building containing the Premises and the successor-in-interest of Landlord expressly assumes the terms, covenants and conditions of this Lease in writing, then upon notice to Tenant of the name and address of Landlord's successor, Landlord shall be released thereby from any further liability upon any of such terms, covenants and conditions upon receipt of a copy of such assumption, and Tenant agrees to look solely to the responsibility of such successor-in-interest of Landlord for claims arising on or after the date of the transfer.

14. MAINTENANCE AND REPAIRS; ALTERATIONS. Tenant has examined and inspected and knows the condition of the Premises and every part thereof and, subject to the provisions of Paragraph 5 hereof, the Work Letter and the Plan (Exhibits "F" and "G"), accepts the Premises in their present "as is" condition. Tenant shall maintain the interior portions of the Premises and shall keep the Premises in good working order and in a safe and sanitary condition, subject to Landlord's obligations hereunder and except for ordinary wear and tear and damage by casualty. Tenant shall not alter, repair or change the Premises without the prior written consent of Landlord. However, installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building systems or structural integrity of the Premises, shall not constitute an alteration requiring Landlord's consent for purposes hereof. Tenant waives the provisions of California Civil Code Section 1932(1), 1941 and 1942 with regard to Landlord's obligation for tenantability of the Premises and Tenant's right to make repairs at Landlord's expense. Tenant, with prior written approval by Landlord, shall have the right during the Term hereof to make alterations, attach fixtures and erect additions or structures ("Tenant Work") in or upon the Premises provided the same shall not be detrimental to the structural integrity or appearance of the Building. All Tenant Work shall at once become part of the realty and belong to the Landlord. Movable furniture and equipment and other items of personal property shall remain the property of Tenant. However, at Landlord's election, Tenant shall, at Tenant's expense, remove any or all Tenant Work and restore the Premises to the condition

before the last day of the Term if Landlord requires such removal at the time of Landlord's consent to any such Tenant Work as provided below. At least thirty (30) days before the commencement of Tenant Work, Tenant shall submit to Landlord reproducible plans, specifications, and product samples of the proposed Tenant Work for Landlord's review and consent. Tenant shall be responsible to assure that the Tenant Work shall include properly engineered modifications to Landlord's air conditioning, lighting, fire sprinkler and life safety systems and shall comply with all governmental regulations, including life safety, handicap and seismic requirements applicable to such Tenant Work, which compliance shall be done at Tenant's sole cost and expense. Repair of all damage or injury done to the Premises by Tenant, or by any person who may be in or upon the Premises with the consent of Tenant, shall be paid for by Tenant. To the extent permissible under applicable laws, Tenant shall not at any time prior to or during the Term hereof, either directly or indirectly, use any contractors, labor or materials whose use would conflict with union contractors or labor engaged by Tenant or by Landlord or by others in the construction, maintenance, or operation of the demised Premises or the Building.

Landlord shall maintain in first-class condition consistent with other Class A office buildings in the Civic Center area, the exterior and structural portions of the Building (including, without limitation, the roof, foundation, bearing and exterior walls and subflooring), the windows in the Building, the Common Areas of the Building, 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"), except for damage occasioned by the act of Tenant, which damage, upon Landlord's request, shall be repaired by Tenant at Tenant's expense. Landlord shall maintain the Common Areas of the Building and the Building Systems in compliance with all applicable earthquake, life safety and disability access laws and all other applicable laws, rules and regulations of all governmental authorities, including, without limitation, the Americans with Disabilities Act, so long as Tenant is using the Premises for their intended purpose and the repairs are not made necessary due to the negligence or willful misconduct of Tenant or by any Tenant Work made by or on behalf of Tenant to the Premises. The foregoing sentence notwithstanding, Landlord shall retain any right to which it may be entitled to contest or appeal an interpretation of said laws, rules and regulations prior to compliance. Tenant shall maintain its use of the Premises in compliance with all applicable laws, statutes and regulations, except that Tenant shall not be required to make any structural or non-structural alterations in order to comply therewith unless such alterations shall be necessitated by Tenant's unique use of the Premises or any Tenant Work made by or on behalf of Tenant to the Premises.

15. DAMAGE OR DESTRUCTION. For the purposes of this Section 15 (Damage or Destruction), Landlord's and City's rights below to terminate the Lease in its entirety shall be for damage which renders more than seventy five percent (75%) of the Premises inaccessible, untenable, or unusable and such condition cannot be remedied by Landlord within the one hundred fifty (150) days after the date of damage as provided below. It is hereby agreed that for damage which renders less than seventy five percent (75%) of the Premises inaccessible, untenable, or unusable, and such condition cannot be remedied by Landlord within the one hundred fifty (150) days after the date of damage as provided below, that references to termination in this Section shall be only for those portions of the Premises which are rendered inaccessible, untenable, or unusable and to affect such a termination for less than seventy five percent (75%) of the Premises, the Lease shall be amended in writing to exclude those damaged portions of the Premises and modified to reflect the appropriate adjusted Rent and City's share of Operating Expenses and Direct Taxes based on the remaining undamaged area of the Premises.

If during the Term the Premises or any major Building System, e.g., mechanical or electrical, is totally or partially damaged or destroyed from any cause, rendering the Premises

totally or partially inaccessible, untenable or unusable, Landlord shall restore the Premises (including the Tenant Improvements) to substantially the same condition as they were in immediately before destruction, if the restoration can be made under the existing laws and can be completed within one hundred fifty (150) days after the date of destruction.

In such event, this Lease shall remain in full force and effect; provided, however, unless such damage is the result of the negligence or willful misconduct of Tenant or Tenant's employees or invitees, Tenant shall be entitled to a proportionate reduction of Base Monthly Rental and Additional Rent while such repairs to be made hereunder by Landlord are being made. Such proportionate reduction shall be based upon the then current monthly rental rate per rentable square foot and the extent to which such damage and the making of such repairs by Landlord shall interfere with Tenant's ability to conduct normal administrative office operations in the Premises.

Within thirty (30) business days after the date of such damage, Landlord shall notify Tenant whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made within one hundred fifty (150) days after the date of such damage. If such repairs cannot be made within such one hundred fifty (150) day period, then either party may, by written notice to the other given at any time within fifty (50) business days after the date of such notice, terminate this Lease as of the date specified in such notice, which termination date shall be not less than thirty (30) nor more than ninety (90) business days after the date of Landlord's notice. If Landlord and Tenant do not terminate this Lease and if restoration is permitted under the existing laws, Landlord shall restore the Premises within a reasonable time and this Lease shall continue in full force and effect. If the existing laws do not permit the restoration, either party can terminate this Lease immediately by giving notice to the other party. In case of termination, the Base Monthly Rental and Additional Rent shall be reduced by a proportionate amount based upon the then current monthly rental rate per rentable square foot and the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Base Monthly Rental and Additional Rent up to the date of termination. Landlord shall refund to City any Base Monthly Rental and Additional Rent previously paid for any period of time subsequent to such date of termination.

Provided that the events are not the result of Landlord's or its authorized representatives' active negligence or willful misconduct, Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any restoration or replacement of any Tenant Work made by or on behalf of Tenant (unless Landlord's insurance covers the same) or of any of Tenant's personal property including, but not limited to, any decorations, partitions, railings, or office fixtures. Except as provided above, Tenant shall be responsible for restoring or replacing such Tenant Work and personal property in the event of damage if Tenant desires to repair or restore the same. Except for any abatement of Base Monthly Rental and Additional Rent, Tenant shall have no claim against Landlord for any damage suffered by reason of any such damage, destruction, repair or restoration (except to the extent of events that result from Landlord's or its employees, contractors, agents or authorized representatives' willful misconduct or negligent acts or omissions), nor shall Tenant have the right to terminate this Lease as the result of any statutory provision now or hereafter in effect pertaining to the damage and destruction of the Premises or the Building, except as expressly provided herein. Tenant hereby waives the provisions of Sections 1932(2) and 1933(4) of the California Civil Code.

Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of Tenant. Tenant's employees, agents or contractors, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or