OFFICE LEASE

between

VERA CORT, AS TRUSTEE OF THE ROBERT J. CORT MARITAL TRUST
AND THE VERA CORT SURVIVOR'S TRUST
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
1380 Howard Street
San Francisco, California

October 23, 2017

TABLE OF CONTENTS
[NEEDS UPDATING]

Page

1. BASIC LEASE INFORMATION 1
2. PREMISES 4
2.1 Lease Premises 4
2.2 Common Areas 4
2.3 Disability Access 4
3. TERM 5
3.1 Term of Lease 5
3.2 Commencement Date and Expiration Date 5
3.3 Extension Option(s) 5
3.4 Termination of 1996 Lease 5
4. RENT 6
4.1 Base Rent 6
4.2 Additional Charges 6
4.3 Determination of Base Rent For an Extended Term Extension Option(s) 5
5. USE 6
5.1 Permitted Use 8
5.2 Observance of Rules and Regulations 8
5.3 Interference with Access 8
6. LEASEHOLD IMPROVEMENTS 9
6.1 Landlord’s Obligation to Construct Improvements 9
6.2 Construction of Leasehold Improvements 12
6.3 Installation of Telecommunications and Other Equipment 14
6.4 Construction of Improvements that Disturb or Remove Exterior Paint 15
7. ALTERATIONS 21
7.1 Alterations by City 21
7.2 Title to Improvements 22
7.3 City’s Personal Property 22
7.4 Alteration by Landlord 22
8. REPAIRS AND MAINTENANCE 22
8.1 Landlord’s Repairs 22
8.2 City’s Repairs 22

8.3 Liens 23
9. UTILITIES AND SERVICES 23
9.1 Landlord's Provision of Utilities 23
9.2 Services 24
9.3 Conservation 24
9.4 Disruption in Essential Utilities or Services 25
10. COMPLIANCE WITH LAWS; PREMISES CONDITION 25
10.1 Premises Condition and Landlord's Compliance with Laws; Indemnity 25
10.2 City's Compliance with Laws; Indemnity 26
10.3 City's Compliance with Insurance Requirements 27
11. SUBORDINATION 27
12. DAMAGE AND DESTRUCTION 28
13. EMINENT DOMAIN 29
13.1 Definitions 29
13.2 General 29
13.3 Total Taking; Automatic Termination 29
13.4 Partial Taking; Election to Terminate 29
13.5 Rent; Award 30
13.6 Partial Taking; Continuation of Lease 30
13.7 Temporary Taking 30
14. ASSIGNMENT AND SUBLETTING 30
15. DEFAULT; REMEDIES 31
15.1 Events of Default by City 31
15.2 Landlord's Remedies 31
15.3 Landlord's Default 31
16. INDEMNITIES 32
16.1 City's Indemnity 32
16.2 Landlord's Indemnity 32
17. INSURANCE 33
17.1 City's Self-Insurance 33
17.2 Landlord's Insurance 33
17.3 Waiver of Subrogation 34
18. ACCESS BY LANDLORD 34
19. ESTOPPEL CERTIFICATES 34

20. SURRENDER OF PREMISES 35
21. HAZARDOUS MATERIALS 35
21.1 Definitions 35
21.2 Landlord's Representations and Covenants 35
21.3 Landlord's Environmental Indemnity 36
21.4 City's Covenants 36
21.5 City's Environmental Indemnity 36
22. RIGHT OF FIRST OFFER 26
23. GENERAL PROVISIONS 36
23.1 Notices 39
23.2 No Implied Waiver 39
23.3 Amendments 39
23.4 Authority 40
23.5 Parties and Their Agents; Approvals 40
23.6 Interpretation of Lease 40
23.7 Successors and Assigns 40
23.8 Brokers 41
23.9 Severability 41
23.10 Governing Law 41
23.11 Entire Agreement 41
23.12 Attorneys' Fees 41
23.13 Holding Over 42
23.14 Cumulative Remedies 42
23.15 Time of Essence 42
23.16 Survival of Indemnities 42
23.17 Signs 43
23.18 Quiet Enjoyment and Title 43
23.19 Bankruptcy 43
23.20 Transfer of Landlord's Interest 43
23.21 Non-Liability of City Officials, Employees and Agents 43
23.22 MacBride Principles - Northern Ireland 43
23.23 Controller's Certification of Funds 44
23.24 Prevailing Wages 44
23.25 Non Discrimination in City Contracts and Benefits Ordinance 44

23.26 Tropical Hardwood and Virgin Redwood Ban 45
23.27 Bicycle Storage Facilities 46
23.28 Resource-Efficient City Buildings 46
23.29 Counterparts 46
23.30 Effective Date 46
23.31 Certification by Landlord 46
23.34 Sunshine Ordinance 47
23.35 Conflicts of Interest 47
23.36 Notification of Limitations on Contributions 47
23.37 Preservative-Treated Wood Containing Arsenic 47
23.38 Cooperative Drafting 48

LIST OF EXHIBITS AND SCHEDULES

EXHIBIT A- 1 – Floor Plans of Premises
EXHIBIT A- 2 – Excluded Property
EXHIBIT B – Rules and Regulations
EXHIBIT C – Form of Nondisturbance Agreement

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of October 23, 2017, is by and between VERA CORT, AS TRUSTEE OF THE ROBERT J. CORT MARITAL TRUST AND THE VERA CORT SURVIVOR'S TRUST ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

RECITALS

A. City leased a portion of the building located at 1380 Howard Street in San Francisco, California (the "Original Premises") pursuant to an Office Lease between the Cort Family Living Trust, with Robert J. Cort and Vera Cort as trustees, and City, dated June 1, 2001, as amended by a Lease Amendment dated June 23, 2006, and extended by a letter dated June 25, 2012, as authorized by Board of Supervisors Resolution Nos. 459-01, 332-06, and 437-12 (the "2001 Lease"), which is scheduled to expire on December 31, 2017.

B. The Property is now owned by Vera Cort, as trustee of the Robert J. Cort Marital Trust under a Restatement dated November 4, 2003 to the Cort Family Living Trust dated December 9, 1994, which holds an undivided ninety-nine percent (99%) tenancy in common interest, and as trustee of the Vera Cort Survivor's Trust under a Restatement dated November 4, 2003 to the Cort Family Living Trust dated December 9, 1994, which holds an undivided one percent (1%) tenancy in common interest.

C. City and Landlord wish to now enter into this Lease to provide for (1) City's lease of the Original Premises through June 30, 2022, with additional City options to extend the term, (2) the construction of certain improvements to the premises, and (3) certain other material modifications to the 2001 Lease.

AGREEMENT

Now, therefore, in consideration of the foregoing and the respective agreements contained below, 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:	October 23, 2017
Landlord:	VERA CORT, AS TRUSTEE OF THE ROBERT J. CORT MARITAL TRUST AND THE VERA CORT SURVIVOR'S TRUST
Tenant:	CITY AND COUNTY OF SAN FRANCISCO, a charter city and county
Premises (Section 2.1):	Except for the Excluded Property (defined as follows), the entire real property ("Real Property") commonly known as 1380 Howard Street, San Francisco, CA (Assessors Block 3509, Lot 11), including the building thereon ("Building"). The Premises shall not include

	the portion of the Building parking area marked as "NIC" on the attached Exhibit A-2 (the "Excluded Property").
Rentable Area of Premises (Section 2.1):	79,950 rentable square feet, as may be modified during an Extended Term under Section 4.3
Initial Term (Section 3):	Commencement Date: January 1, 2018 Expiration date: December 31, 2022
Extension Options (Section 3.4):	Three (3) additional terms of five (5) years each, exercisable by City by notice to Landlord given not less than 270 days in advance.
Base Rent (Section 4.1):	Annual Base Rent: $3,417,862.50 (approx. $42.75 per sq. ft.) Monthly payments: $284,821.88
Use (Section 5):	General offices and any other uses as permitted by applicable zoning.
Leasehold Improvements (Section 6)	Landlord, at Landlord's cost up to the Allowance, shall construct the leasehold improvements described in Section 6 in accordance with a budget approved in writing by the Director of Property. The City shall have no obligation to pay for amounts above the approved budget, and Landlord shall have no obligation to construct improvements that exceed the approved budget. If the Landlord discovers that the approved budget is not sufficient to complete the leasehold improvements described in Section 6, Landlord shall promptly notify the City and the parties agree in good faith to either (i) reach agreement on an increase in the budget, as needed to complete the work, or (ii) revise the work to that which can be completed within the approved budget.
Services (Section 9.2):	Gas, water and electricity are separately metered to the Building. City shall pay directly to the service provider for all such utility services, provided that Landlord shall maintain the existing utility connections to the Building. City shall provide, at its sole cost, graffiti removal and its desired refuse removal, pest

	control, window washing, janitorial services and security services to the Premises. If Landlord agrees to provide other lease services requested by City, such services shall be provided at City's cost, which cost shall be approved in advance in writing by City.
Notice Address of Landlord (<u>Section 23.1</u>):	Vera Cort, Trustee 757 3rd Avenue San Francisco, CA 94118 Fax No.: (415) 933-9510 and (415) 285-2603
Key Contact for Landlord:	Vera Cort
Landlord Contact Telephone No.:	(415) 730-5578
Notice Address for Tenant (<u>Section 23.1</u>):	Real Estate Division 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Attn: John Updike, Director of Property Re: 1380 Howard St Fax No.: (415) 552-9216
with a copy to**:**	Department of Public Health 101 Grove Street San Francisco CA 94102 Attn: Director Fax No.: (415) 554-2811
and to:	Office of the City Attorney City Hall, Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102-4682 Attn: Special Projects Team Re: 760 Harrison Lease Fax No.: (415) 554-4757
Key Contact for Tenant:	David Borgognoni DPH Facilities 1380 Howard Street San Francisco, CA
Tenant Contact Telephone No.:	(415) 255-3405
Alternate Contact for Tenant:	Lisa Zayas-Chien
Alternate Contact Telephone No.:	(415) 554-2889
Brokers (<u>Section 23.8</u>):	None
Other Noteworthy Provisions (<u>Section 22</u>):	City has a right of First Offer to Purchase.

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, all of the Real Property and the Building, as further described in the Basic Lease Information and shown on the floor plans attached hereto as Exhibit A-1 (the "Premises"), but excluding the Excluded Property marked as "NIC" on the attached Exhibit A-2. The Parties hereby agree for the purposes of this Lease, Base Rent (as defined in Section 4.1) was determined based on the location and utility of the Building and the rentable area of the Premises specified in the Basic Lease Information, and any discrepancy regarding the rentable area will not affect the Base Rent during the Initial Term (as defined in Section 3.1). The Real Property, including the Building and all other improvements on or appurtenances to such land, but excluding the Excluded Property, shall be collectively referred to as the "Property."

2.2 Common Areas

City and Landlord shall each share the non-exclusive right of access to and from the Building parking area by the main entrances to the Building and the Property.

2.3 Disability Access

California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements. City is hereby advised that the Premises have not been inspected by a CASp and City shall have the right to obtain such a CASp inspection at its sole cost. Further, Landlord recommends that City obtain a CASp report prior to its execution of this Lease.

Even though City is not the owner of the Property, City, as tenant, shall be solely responsible for the legal and financial liabilities if the Property does not comply with the applicable Federal and State disability access laws with respect to City's use of the Premises. City represents and warrants to Landlord that City understands its obligation to comply with such Federal and State disability access laws.

2.4 Premises As Is

SUBJECT TO LANDLORD'S OBLIGATION TO COMPLETE THE LEASEHOLD IMPROVEMENTS IN ACCORDANCE WITH SECTION 6, AS A MATERIAL INDUCEMENT TO LANDLORD FOR EXECUTION OF THIS LEASE, CITY AGREES AND ACKNOWLEDGES THAT CITY ACCEPTS THE PROPERTY IN ITS AS-IS CONDITION. CITY ACKNOWLEDGES THAT CITY HAS LEASED AND OCCUPIED THE PROPERTY SINCE 1988 AND HAS SUBSTANTIALLY MORE INFORMATION ABOUT THE CONDITION OF THE PROPERTY THAN DOES LANDLORD. FURTHER, AS A MATERIAL CONSIDERATION FOR THE EXECUTION OF THIS LEASE, CITY, AT ITS SOLE COST, SHALL BE RESPONSIBLE FOR COMPLIANCE WITH DISABILITY ACCESS LAWS AND ALL OTHER LAWS, RULES, CODES AND REGULATIONS GOVERNING THE CITY'S USE AND OCCUPANCY OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY DISABILITY UPGRADES TRIGGERED BY THE LEASEHOLD IMPROVEMENTS DESCRIBED IN SECTION 6. CITY HEREBY REPRESENTS AND WARRANTS THAT IT HAS PERFORMED ALL NECESSARY DUE DILIGENCE WITH RESPECT TO THE PROPERTY AND WILL RELY SOLELY THEREON.

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "Initial Term") commencing on January 1, 2018. The Initial Term shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, 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 Terms (as defined below) if City exercises the Extension Options as provided below.

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."

3.3 Extension Options

(a) Exercise

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 (each, an "Extended Term"). Such Extension Options shall be on all of the terms and conditions contained in this Lease, except that Base Rent for the first twelve (12) months of an Extended Term shall be adjusted as set forth in Section 4.3 (Determination of Base Rent for an Extended Term). City may exercise an Extension Option, if at all, by giving written notice to Landlord no later than two hundred seventy (270) days prior to expiration of the Term to be extended (each, an "Exercise Date"); provided, however, if City is in material default under this Lease on the date of giving such notice and fails to cure such default within the applicable cure period as provided in this Lease, 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 the ninety (90) day period (the "Approval Period") immediately following the date the parties mutually agree to the Base Rent for the applicable Extended Term pursuant to Section 4.3 below.

(b) General

(i) The Extension Option must be exercised, if at all, only with respect to the entire Premises being leased by City at such time.

(ii) City's right to exercise an Extension Option is personal to, and may be exercised only by, City. If City assigns this Lease to another party pursuant to Section 14, City's right to exercise the Extension Options shall be null and void and of no further force or effect as of the effective date of such assignment. If City subleases more than twenty-five percent (25%) of the rentable area of the Premises to another party pursuant to Section 14, City's right to exercise the Extension Options shall be null and void and of no further force and effect as of the effective date of such sublease. No assignee or subtenant shall have any right to exercise any Extension Option granted herein.

(iii) If City does not timely exercise an Extension Option, such Extension Option shall be null and void and of no further force and effect as of its applicable

Exercise Date and any other unexercised Extension Options shall be null and void and of no further force and effect. By way of example, if the first Extension Option becomes null and void pursuant to this subsection, the second and third Extension Options shall become null and void and of no further force and effect as of the Exercise Date for the first Extension Option.

(iv) Except for the determination of the new Base Rent for an Extended Term, neither party shall have the right to change the other provisions of this Lease with respect to such Extended Term without the expressed written consent of the other party.

(v) If City's Board of Supervisors and Mayor do not approve and authorize the exercise of an Extension Option within the Approval Period (subject to any extension as may be agreed to by Landlord in writing), then City's exercise of such Extension Option shall be null and void, and unless earlier terminated under the terms of this Lease, this Lease, including City's right of first offer to purchase pursuant to Section 22, shall terminate on the Expiration Date (in the case of the failure to approve and authorize City's exercise of the first Extension Option) or the end of the first Extended Term (in the case of the failure to approve and authorize City's exercise of the exercise of the second Extension Option).

(vi) Upon determination of new Base Rent for an Extended Term, City and Landlord shall memorialize such new Base Rent in an amendment to this Lease; provided, however, that the parties' failure to do so shall not affect the extension of this Lease through such Extended Term.

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 provided in this Lease. Notwithstanding anything to the contrary in this Section, if this Lease is fully executed after the Commencement Date, then City shall pay Base Rent for the period between the Commencement Date through the last day of the month of such full execution to Landlord within ten (10) days of such full execution.

4.2 Additional Charges

City shall pay to Landlord any charges or other amounts required under this Lease, if any, as additional rent ("Additional Charges"). 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."

4.3 Determination of Base Rent for an Extended Term

At the commencement of the Extended Term, the Base Rent shall be adjusted to equal the Prevailing Market Rate (defined as follows) 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 and South of Market- West areas of San Francisco ("Reference Area"); provided, however, in no event shall the Base Rent be reduced below the Base Rent for the lease year immediately prior to the commencement of such Extended Term. As used herein, "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 in base rent

payable under leases of such comparable space, (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) annual market rent escalations, if any, (v) free rent given under such comparable leases and any other tenant concessions given under such comparable leases and (vi) expenses paid or not paid. The value of on-site parking and three sides of natural light at the Premises shall also be considered in determining the Prevailing Market Rent.

Before the commencement of any Extended Term, Landlord shall have the right to re-measure the Premises according to then Building Owners and Managers Association (BOMA) adopted standards for single-tenant office buildings and the Base Rent for such Extended Term shall be based on the re-measured rentable area. Landlord shall not be required to provide any tenant improvements for any Extended Term other than the exterior painting described in Section 9.2(d). If City disagrees with Landlord's determination of the measurement of the Premises pursuant to such BOMA standards, Landlord and City shall use their best efforts to meet and confer with one another in an attempt to agree upon the proper measurement of the Premises within thirty (30) days thereafter. If, following such period, Landlord and City are still unable to agree, Landlord and City shall jointly select an independent consultant, experienced in measuring leased space under such BOMA standards, to remeasure the Premises, and the determination of such consultant shall be binding upon the parties. Landlord and City shall share equally the cost of any such consultant.

Within thirty (30) days following City's exercise of an Extension Option, Landlord shall notify City of Landlord's determination of the Prevailing Market Rate for the Premises along with reasonable substantiation for the Prevailing Market Rate, including three (3) comparable and executed lease transactions. If City disputes Landlord's determination of the Prevailing Market Rate, City shall notify Landlord of City's differing good faith determination of the Prevailing Market Rate along with reasonable substantiation for such determination, including three (3) comparable and executed lease transactions, within fourteen (14) days following Landlord's notice of the Prevailing Market Rate, to City. If City and Landlord still disagree after Landlord's review of such City determination, then the 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 Landlord and City cannot reach agreement as to the prevailing market rate within this thirty (30) day period, 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 conclusion to Landlord and City within thirty (30) days of the expiration of the thirty (30) day consultation period described in subsection (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 which of the two appraisals is closest to such third appraiser's determination of the prevailing market rate and submit such determination to Landlord and City.

(d) All appraisers specified herein shall be "MAI" designated members of the Appraisal Institute with not less than five (5) years' experience appraising leases of commercial properties similar to the Premises in the Reference 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.

4.4 Late Penalty

City acknowledges that late payment by City of any Rent will cause Landlord to incur administrative costs not contemplated by this Lease, the exact amount of which is extremely difficult and impracticable to ascertain based on the facts and circumstances pertaining as of the date hereof. Except as otherwise specified in Section 6.1(i), Section 6.4(h), or the last sentence of this Section, if any Rent is not paid by City within ten (10) business days after City's receipt of written notice that such sum was not received when due, then City shall pay to Landlord interest from the due date until paid to Landlord at a rate equal to the lesser of (i) twelve percent (12%) or (ii) the maximum rate permitted by applicable law if Landlord is registered as an approved City vendor and is enrolled in City's electronic payment system for Automated Clearing House (ACH) payments at such time. The parties acknowledge that such late interest represents a fair and reasonable estimate of the administrative costs and loss of use of funds Landlord will incur by reason of City's failure to pay Rent when due (a "Late Penalty"), but Landlord's acceptance of such Late Penalty shall not constitute a waiver of a default with respect to such Rent or prevent Landlord from exercising any other rights and remedies provided under this Lease. Notwithstanding the foregoing and in recognition of the City's budgeting process, the Late Penalty shall be waived for any payment of Rent owed by City during any July in the Term as long as such payment is paid within thirty (30) days after the date such payment is due.

5. USE

5.1 Permitted Use

City may use the Premises for general office uses, a pharmacy, 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. City shall not use, occupy, or permit the use or occupancy of the Premises for any purpose that is illegal or dangerous or for any purposes where, except for the ground floor, the Premises is accessible to the public for social services of any kind, including, without limitation, medical or counseling services, drug or alcohol or other dependency rehabilitation services, housing, job training, policing activities, or cannabis-related.

5.2 Observance of Rules and Regulations

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit B (the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period 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 do not conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 (Permitted Use) hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner.

5.3 Interference with Access

Landlord shall provide to City access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, in its reasonable judgment, interrupt City's access to the Premises in the event of an immediate threat of the Premises being rendered unsafe for human occupancy. If City's use of any of the Premises or

access thereto 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, then Landlord shall immediately undertake all necessary and reasonable steps to correct such condition. If such condition (i) is within the direct control of Landlord (ii) is not due to the acts and omissions of City, (iii) continues for five (5) or more business days, and (iv) impairs City's ability to carry on its business in the Premises, as evidenced by City vacating the Premises, the Rent payable hereunder shall be abated during the period of time that City has so vacated the Premises. If any such default by Landlord shall continue for sixty (60) 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 under this Lease 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 ninety (90) days of the date City's use was interrupted, and such use is actually restored within such ninety (90) 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

6.1 Landlord's Obligation to Construct Improvements

As set forth in Section 2.4 of this Lease, City accepts the Premises in as-is condition subject to Landlord's obligations below to perform the work and make the installations to the Premises shown on the Construction Plans (as defined in Section 6.1(c) below). Such work and installations are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements." Landlord, through its general contractor approved by City ("General Contractor") and pursuant to a written contract between Landlord and General Contractor (the "Initial Construction Contract"), shall construct the Leasehold Improvements at City's sole cost pursuant to the City-approved Construction Plans and in accordance with the provisions of this Section below.

(a) Plans and Specifications

City hereby approves the space plans and specifications dated _______, and prepared by ASD Architects (the "Space Plans"). Promptly following the Commencement Date, Landlord shall cause its architect ("Architect") and any Leadership in Energy and Environmental Design ("LEED") consultant requested by City (each, a "LEED Consultant"), all approved by City, to prepare and submit to City for its approval an architectural plan, power and signal plan, reflected ceiling plan, floor plans, and tenant finish specifications for the Leasehold Improvements, based on the Space Plans and City's program requirements for use of the Premises, designed to achieve LEED ID+C Gold certification, if required by City, and meet City's obligations to cause the Leasehold Improvements to comply with the requirements of Sections 700 through 713 of the San Francisco Environment Code, and in form and detail sufficient for purposes of contractor pricing (the "Pricing Plans"). City agrees to provide to Architect any information needed to prepare the Pricing Plans within ten (10) days of Architect's email request for such information. The City email address for such requests is _______________@sfgov.org, or any other email address provided in writing by City to Landlord. City shall have fifteen (15) days following its receipt of the Pricing Plans to review and either approve of the Pricing Plans or provide Landlord with City's adjustments to the Pricing Plans.

Immediately following City's approval of the Pricing Plans, based on the approved Pricing Plans and any adjustments authorized by City, Landlord shall cause final plans, specifications and working drawings for the Leasehold Improvements (the "Construction Drawings") to be prepared, in conformity with the requirements hereof. Landlord shall submit a copy of the Construction Drawings to City within sixty (60) days after the City's approval of the Pricing Plans. The Construction Drawings shall be subject to City's approval, which approval shall not be unreasonably withheld or delayed. If City disapproves of any portion of the

Construction Drawings, City shall promptly notify Landlord of the revisions that City reasonably requires. As soon as reasonably possible thereafter, but in no event later than thirty (30) days after receiving such City notice, Landlord shall submit to City revised Construction Drawings that incorporate the revisions required by City. Such revisions shall be subject to City's approval, which shall not be unreasonably withheld or delayed. The final Construction Drawings approved by City shall be referred to as the "Construction Documents."

(b) HVAC Improvements

City hereby agrees the Leasehold Improvements shall include any and all improvements necessary so the Building's heating, ventilating and air conditioning ("HVAC") systems can be maintained in accordance with the requirements of Title 8 California Code of Regulations, Chapter 4. Division of Industrial Safety, Subchapter 7. General Industry Safety Orders, Group 16. Control of Hazardous Substances, Article 107. Dusts, Fumes, Mists, Vapors and Gases Section 5142, Mechanically Driven Heating, Ventilating and Air Conditioning (HVAC) Systems to Provide Minimum Building Ventilation. Such HVAC improvements shall be designed by a licensed mechanical engineer and shall be subject to City's review and approval.

(c) Mayor's Office of Disability Review; Permits

Landlord acknowledges that City requires that the Construction Documents must be reviewed by the San Francisco Mayor's Office of Disability ("MOD") for compliance with the Americans With Disabilities Act of 1990 ("ADA") and other access laws before Landlord submits them to the San Francisco Department of Building Inspection ("DBI") for construction permits. Landlord shall cause the Architect to submit the Construction Documents to MOD for review promptly following City's approval of the Construction Documents. If MOD requires revisions to the Construction Documents or modifications or additional improvements to the Building, Landlord shall cause Architect to revise the Construction Documents and/or design and prepare all additional plans and specifications required for such MOD review in conformity with ADA and other legal requirements. Such revised Construction Documents and additional plans and specifications shall thereafter to be referred to as the "Construction Plans." If MOD approves the Construction Documents without requiring any such revisions or additional plans and specifications, such MOD-approved Construction Documents shall be the "Construction Plans." Upon MOD's approval of the Construction Plans, Landlord shall cause Architect to notify Landlord and City that the Construction Plans have been approved and to identify the additional work, if any, specified therein as a result of the MOD review.

Landlord shall cause its General Contractor to secure and pay for any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Leasehold Improvement Work. Promptly following MOD's approval of the Construction Plans and City's approval of the Construction Budget, as defined in the following subsection, Landlord shall apply for any permits, approvals or licenses necessary to complete the construction shown on the Construction Plans and shall provide copies to City promptly following receipt thereof. The Initial Construction Contract shall require General Contractor to arrange for all inspections required by DBI.

(d) City's Approval of Costs

As soon as practicable and prior to submitting permit applications for the Leasehold Improvement Work, Landlord shall require the General Contractor to provide to City, for City's approval, a good faith initial construction budget ("ROM") that is based on the Pricing Plans and includes all project hard and soft costs, including but not limited to a third party construction management fee of two and a half percent (2.5%) (the "Project Management Fee"). City shall have five (5) business days following its receipt of the ROM to review and approve or disapprove the ROM. If City desires to reduce the ROM, Landlord and City shall work in good

faith to promptly reduce the scope of work and the ROM, and the Construction Plans shall be revised as required to reflect such changes.

Prior to commencing the Leasehold Improvement Work, Landlord shall require General Contractor to prepare and submit a good faith cost estimate for the Leasehold Improvement Work to City, based on the Construction Plans, showing all costs to be paid by City, and including a contract contingency of five percent (5%) (the "Construction Budget"). City shall have five (5) business days following receipt to review and approve or disapprove the Construction Budget. As of the Effective Date, the parties agree the Construction Budget shall not exceed $1,590,000, and the parties shall work in good faith to prepare plans and Construction Documents that can be implemented within this approved amount. If during the course of construction, the Leasehold Improvements cannot be completed in strict conformity with the most recently City-approved Construction Budget, Landlord shall cause the General Contractor to immediately submit to City for its approval a revised Construction Budget and shall identify to City changes in line items and the reasons for the changes. City acknowledges that renovation or improvement of existing facilities inherently involves risk of unanticipated costs necessary to obtain a final certificate of occupancy. If further changes are required, Landlord shall seek City's approval following the same procedure. City shall not be obligated to pay costs, if any, that exceed the last City-approved Construction Budget, provided Landlord shall not be required to incur any costs above the last City-approved Construction Budget. If costs exceed the approved Construction Budget, the parties agree to meet and confer in good faith to either (i) obtain City approval of any increased costs, with an appropriation for such amount, if required, or (ii) revise the Leasehold Improvement Work so that it does not exceed the City-approved Construction Budget. City shall have the right to approve or disapprove any proposed Construction Budget or revised Construction Budget in its reasonable judgment, which approval or disapproval shall not be unreasonably delayed. The most recent City-approved Construction Budget shall supersede all previous City-approved Construction Budgets. If Landlord and City cannot agree to a proposed ROM or Construction Budget, City shall reimburse Landlord for all of Landlord's reasonable and necessary costs incurred to produce such ROM or Construction Budget to the date Landlord requests such City approval for it.

(e) Construction

Immediately upon City's approval of the Construction Plans and the Construction Budget and Landlord's procurement of all necessary permits and approvals for the Leasehold Improvements, Landlord shall require General Contractor to construct the Leasehold Improvements and cause them to be completed in a good and professional manner in accordance with sound building practice. Landlord shall require General Contractor to comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements shall comply with all applicable disabled access laws, including, without limitation, the most stringent requirements of the ADA, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. The Initial Construction Contract shall require General Contractor pay prevailing wages and meet certain working conditions in connection with the Leasehold Improvement Work, as further provided in Section 23.24 (Prevailing Wages and Working Conditions) below, and not use tropical hardwood wood products or virgin redwood wood products, as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban) below, or preservative-treated wood containing arsenic, as further provided in Section 23.35 (Preservative-Treated Wood Containing Arsenic) below. Landlord shall use commercially reasonable efforts to ensure that General Contractor complies with such requirements.

(f) Construction Schedule; Substantial Completion

Landlord shall keep City apprised on a regular basis of the status of plan preparation, permit issuance and the progress of 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 portion of the Premises that City must reasonably and temporarily vacate for the performance of the Leasehold Improvement Work (the "Affected Areas") at reasonable times to inspect the Leasehold Improvement Work, provided such inspections do not unreasonably interfere with the construction. Landlord or its representative may accompany City during any such inspection. As construction progress 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 completed in accordance with the Construction Documents. Landlord shall revise such notice of the approximate Phase 1 Substantial Completion Date (as defined below) as appropriate from time to time and shall immediately notify City when the Leasehold Improvement Work is in fact substantially completed and the Affected Areas are ready for resumed occupancy by City. On such date or other mutually agreeable date as soon as practicable thereafter, City and its authorized representatives shall have the right to accompany Landlord or the Architect on an inspection of the Affected Areas and any other portion of the Premises modified by the Leasehold Improvement Work.

The "Phase 1 Substantial Completion Date" shall be when the Leasehold Improvements are sufficiently completed in accordance with the approved Construction Plans so that City can occupy the Affected Areas to conduct its business for its intended uses and City, through its Director of Property, has approved the Leasehold Improvements. City may, at its option, approve the Leasehold Improvements even though there may 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 Affected Areas, or as soon thereafter as practicable, a written punchlist consisting of any items that have not been finished in accordance with the Construction Plans. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and shall in any event complete all items within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter the Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the approved Construction Plans, nor constitute any waiver of any latent defects.

No approval by City or any of its Agents (as defined in Section 23.5) of the Space Plans, Pricing Plans, Construction Drawings, Construction Documents, Construction Plans, or completion of the Leasehold Improvement Work for purposes of this Lease shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises, and nothing herein shall limit Landlord's obligations to obtain all such approvals.

(g) 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 the Leasehold Improvement Work. 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. The initial Representatives and Alternates shall be:

City: Representative – David Borgognoni (415) 255-3405
Alternate -- Charles Maranon (415) 255-3404

Landlord: Representative – Steve Alms (650) 740-9654
Alternate – Vera Cort (415) 730-5578

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 Leasehold Improvement Work construction schedule. Notwithstanding anything to the contrary in this Section, any approvals made by City that increase the Construction Budget and any City-requested change to the Construction Plans must be made by the Director of Property, or her/his designee, in writing.

(h) Changes to Construction Plans

If City inquires (orally or in writing) about any change, addition or alteration relating to the design or specifications of the Leasehold Improvement Work (a "Change Order"), Landlord shall cause its Architect and General Contractor to promptly supply a good faith not to exceed change order cost estimate. If a Change Order would delay the Phase 1 Substantial Completion Date, Landlord shall also provide its good faith estimate of such a delay. Within five (5) business days of receipt of such cost and delay estimates, City shall notify Landlord in writing whether City approves the proposed Change Order and an increase in the Construction Budget (if required). If City timely approves the proposed Change Order, then General Contractor shall proceed with such Change Order as soon as reasonably practical thereafter

(i) Costs

Landlord shall pay for the cost of the Leasehold Improvement Work up to Four Hundred Seventy-Nine Thousand Seven Hundred Dollars ($479,700) (approximately $6.00 per rentable square foot) in the Premises (the “Allowance”). The Allowance shall be used for all costs associated with the Leasehold Improvements, including but not limited to project management, ADA compliance, the Resource Efficient Building Ordinance (San Francisco Environmental Code Sections 700 *et seq.*), and San Francisco Building Code upgrades. If any portion of the Allowance is not used for the Leasehold Improvement Work, such portion shall be credited against Base Rent next due or payable under the Lease or, at City’s option, refunded to City.

If the City-approved Construction Budget shows costs in excess of the Allowance, such excess costs shall be paid by City (the “City Share”), which shall not exceed Seven Hundred Ninety-Nine Thousand Five Hundred Dollars ($799,500) (approximately $10.00 per rentable square foot) unless otherwise approved in writing by the City’s Director of Property pursuant to this Section. If the City Share is less than $100,000, City shall pay such excess costs within thirty (30) days of receiving the invoices, evidence of payment, and documentation required under subsection (j) below. If the City Share is more than $100,000, throughout the course of construction, City shall make monthly payments of the City Share to Landlord based on a payment schedule to be agreed to concurrent with the approval of the ROM. Such payment schedule shall set forth the number of months for the performance of the Leasehold Improvement Work, with each monthly payment of the City Share equal to the total City Share divided by such number of months. Such payment schedule shall also be designed to permit timely payments to the Architect and General Contractor of the costs to construct the Leasehold Improvement based on the approved Construction Budget and construction schedule, in conformance with the payment obligations under Landlord’s contracts with the Architect and General Contractor for the Leasehold Improvements and subject to adjustments resulting from any Change Orders. City’s payments of the City Share shall be due as Additional Charges and, unless the City Share is less than $100,000 (in which case it shall be made within the 30-day period specified above), payment shall be made monthly together with payment of Base Rent hereunder. If City fails to make any City Share payment when due, City shall pay a five percent (5%) late payment fee per month for any balance outstanding.

If it appears the cost of the Leasehold Improvement Work will exceed the sum of the Allowance and the City Share, City shall revise the Leasehold Improvement Work to eliminate such excess cost. If during the course of construction, an unknown and unanticipated condition is discovered that cannot, despite best faith efforts, be resolved with the Construction Budget contingency amount or by reducing Leasehold Improvement Work costs, the Director of Property shall have the option, at his or her sole election and subject to an appropriation of funds,

to authorize the Landlord in writing to increase the Construction Budget by up to five percent (5%) to resolve such matter.

Landlord shall apply the Allowance and the City Share to the reasonable and actual costs of constructing the Leasehold Improvements incurred by Landlord and as shown in the City-approved Construction Budget until the Allowance and the City Share are exhausted; provided, however, that if such costs are less than the Allowance, the remaining portion of the Allowance shall be credited or refunded as set forth above, and if such costs are less than the Allowance and the City Share, the remaining portion of the City Share shall be returned to City pursuant to the following subsection (j). City shall not be responsible for, and the Allowance shall exclude, any supervision or management fee for Landlord or any of its employees, but either the Allowance or City Share shall include or the City shall be responsible for the Project Management Fee.

(j) Required Documentation of Costs

Promptly following the Phase 1 Substantial Completion Date, Landlord shall provide City with copies of a final cost reconciliation including (i) all invoices received by Landlord from the Architect, the General Contractor, each LEED Consultant, and any other consultants in connection with preparing the Construction Plans or the Change Order or performing the Leasehold Improvement Work, (ii) satisfactory evidence of payment by Landlord of such invoices, and (iii) upon City's request, such documentation as the Architect, the General Contractor, or the LEED Consultant(s) may have provided to Landlord pursuant to their respective contract for the Leasehold Improvement Work. If the costs set forth in such final reconciliation are within the most recently approved Construction Budget but exceed the total of the Allowance and any City Share, City shall reimburse Landlord for such additional cost within thirty (30) days of City's approval of such invoice. If the total of the Allowance and any City Share exceeds the costs in the final reconciliation, then Landlord shall pay the excess amount of the City Share to the City within thirty (30) days following the final reconciliation. City and Landlord agree to meet and confer in good faith as and when requested by either party to ensure that City's payment schedule meets the cash flow requirements of the Leasehold Improvement Work, and to review budgets, invoices and progress payments throughout the construction period.

(k) Restoration of the Premises

City shall not be required to remove the Leasehold Improvements upon the expiration or earlier termination of this Lease unless Landlord notifies City in writing at the time the Construction Drawings are submitted to City for approval that the Leasehold Improvements must be removed on the expiration or earlier termination of this Lease.

6.2 Installation of Telecommunications and Other Equipment

Landlord and City acknowledge that the Leasehold Improvement Work shall be completed by Landlord exclusive of the installation of telecommunications, data and computer cabling facilities and equipment. City shall be responsible for installing such facilities and equipment, provided that Landlord shall furnish access to City and its consultants and contractors to the main telephone service serving the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring. City shall have the right to enter the Affected Areas and any other portion of the Premises being used for the performance of the Leasehold Improvement Work at reasonable times during the course of construction of the Leasehold Improvements in order to install such facilities and equipment. City and Landlord shall use their good faith efforts to coordinate any such activities to allow the Leasehold Improvements and the installation of such facilities and equipment to be completed in a timely and cost-effective manner. City shall perform all work with applicable permits and at the times and in a manner specified by the General Contractor. City shall be responsible for all damage, costs and delays caused by such installation by City.

6.3 Construction of Improvements that Disturb or Remove Exterior Paint

As part of the Leasehold Improvement Work, the AHU#2 Work (defined in Section 6.4 below), and any Additional Leasehold Improvements (defined in Section 6.5 below), Landlord and City, on behalf of itself and its successors, assigns and agents, shall comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord and its Agents shall give to City three (3) business days' prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 34 of the San Francisco Building Code does not constitute notification to City as Tenant under this Lease and similarly that notice under this Lease does not constitute notice under Chapter 34 of the San Francisco Building Code. Further, Landlord and its Agents, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) heat guns operating above 1,100 degrees Fahrenheit. Landlord covenants and agrees to comply with the requirements of Title 17 of the California Code of Regulations when taking measures that are designed to reduce or eliminate lead hazards. Under this Section, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 34 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface. Any costs associated with these requirements (i) with respect to the Leasehold Improvement Work and any Additional Leasehold Improvements shall be included in the cost of the Leasehold Improvement Work and any Additional Leasehold Improvements, and (ii) with respect to the AHU#2 Work shall be a Landlord cost.

6.4 Landlord's Obligation to Replace HVAC Air Handler #2

Promptly following the Commencement Date, Landlord shall cause its Architect or design build mechanical engineer, as appropriate, to prepare architectural plans for HVAC upgrades and replacements of HVAC equipment, including cooling tower improvements, boiler, condensate lines and drainage, structural upgrades, and the replacement of HVAC Air Handler Unit #2 (as identified on the original Mechanical Plans), which is located on the Building roof and serves floors 4 and 5 of the Building (collectively the "AHU#2 Work"). Promptly following Landlord's procurement of all necessary permits and approvals for the AHU#2 Work, which shall be at its sole cost, and City's reasonable approval of a schedule and any mitigation measures as provided below, Landlord shall cause the AHU#2 Work contractor, who must be reasonably approved by City (the "AHU#2 Contractor"), to perform the AHU#2 Work in a good and professional manner and in accordance with sound building practice. The contract between Landlord and the AHU#2 Contractor shall require the AHU#2 Contractor to pay prevailing wages and meet certain working conditions in connection with the AHU#2 Work, as further provided in Section 23.24 (Prevailing Wages and Working Conditions) below, and not use tropical hardwood wood products or virgin redwood wood products, as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban) below, or preservative-treated wood containing arsenic, as further provided in Section 23.35 (Preservative-Treated Wood Containing Arsenic) below. Landlord shall use commercially reasonable efforts to ensure that AHU#2 Contractor complies with such requirements.

City acknowledges the performance of the AHU#2 Work may take up to two (2) years to complete so it can be coordinated with weather conditions and minimize any discomfort to City. City further acknowledges the performance of the AHU#2 Work will require severe disruption to City's use of the Premises for up to two (2) weeks and may leave City without HVAC for floors 4 and 5 of the Building during this period. Landlord agrees that any AHU#2 Work that would create commercially excessive noise, dust, fumes, or similar disruption will be performed after 6 pm on weekdays and on weekends. Landlord shall require the AHU#2 Contractor to submit a daily schedule for the AHU#2 Work to City at least 14 days' prior to commencing the AHU#2 Work. Landlord and City agree to work in good faith to minimize the AHU#2 Work disruption to City's business. If City requests Landlord to take additional measures to mitigate the impact of the AHU#2 Work on City's business in the Building, such as renting and installing "move and cool" or heating units as requested by City, such costs shall be split equally between Landlord and City. City shall pay its share of such mitigation costs within thirty (30) days of receiving Landlord's invoice therefor, together with commercially reasonable substantiation of such costs.

6.5 Landlord's Obligation to Construct Additional Leasehold Improvements

Upon receipt of written notice from City (the "Additional Work Notice"), which shall be delivered to Landlord no earlier than January 1, 2019, and no later than March 31, 2019, and shall generally describe the City's requested leasehold improvements to the third floor of the Building (the "Additional Leasehold Improvements"), Landlord, through its City-approved architect ("Phase 2 Architect") and City-approved general contractor (the "Phase 2 Contractor"), shall diligently pursue the design and construction of the Additional Leasehold Improvements pursuant to this Section.

(a) Plans and Specifications for Additional Leasehold Improvements

Promptly following City's timely delivery of the Additional Work Notice, Landlord shall cause the "Phase 2 Architect" and any LEED consultant requested by City (each, a "Phase 2 LEED Consultant"), all approved by City, to prepare and submit to City for its approval an architectural plan, power and signal plan, reflected ceiling plan, floor plans, and tenant finish specifications for the Additional Leasehold Improvements, based on City's program requirements for use of the Premises, designed to achieve LEED ID+C Gold certification, if requested by City, and meet City's obligations to cause the Additional Leasehold Improvements to comply with the requirements of Sections 700 through 713 of the San Francisco Environment Code, and in form and detail sufficient for purposes of contractor pricing (the "Additional Pricing Plans"). City agrees to provide to Phase 2 Architect any information needed to prepare the Additional Pricing Plans within ten (10) days from the Phase 2 Architect's email request for such information. The City email address for such requests is _______________@sfgov.org, or any other email address provided in writing by City to Landlord. City shall have fifteen (15) days following its receipt of the Additional Pricing Plans to review and either approve of the Additional Pricing Plans or provide Landlord with City's adjustments to the Additional Pricing Plans.

Immediately following City's approval of the Additional Pricing Plans, based on the approved Additional Pricing Plans and any adjustments authorized by City, Landlord shall cause final plans, specifications and working drawings for the Additional Leasehold Improvements (the "Additional Drawings") to be prepared, in conformity with the requirements hereof. Landlord shall submit a copy of the Additional Drawings to City within sixty (60) days after the City's approval of the Additional Pricing Plans. The Additional Drawings shall be subject to City's approval, which approval shall not be unreasonably withheld or delayed. If City disapproves of any portion of the Additional Drawings, City shall promptly notify Landlord of the revisions that City reasonably requires. As soon as reasonably possible thereafter, but in no event later than thirty (30) days after receiving such City notice, Landlord shall submit to City revised Additional Drawings that incorporate the revisions required by City. Such revisions shall be subject to City's approval, which shall not be unreasonably withheld or delayed. The final Additional Drawings approved by City shall be referred to as the "Additional Documents."

(b) Mayor's Office of Disability Review of Additional Leasehold Improvements; Permits

Landlord acknowledges that City requires that the Additional Documents must be reviewed by MOD for compliance with the ADA and other access laws before Landlord submits them to DBI for construction permits. Landlord shall cause the Phase 2 Architect to submit the Additional Documents to MOD for review promptly following City's approval of the Additional Documents. If MOD requires revisions to the Additional Documents or modifications or additional improvements to the Building, Landlord shall cause Architect to revise the Additional Documents and/or design and prepare all additional plans and specifications required for such MOD review in conformity with ADA and other legal requirements. Such revised Additional Documents and additional plans and specifications shall thereafter to be referred to as the "Additional Plans." If MOD approves the Additional Documents without requiring any such revisions or additional plans and specifications, such MOD-approved Additional Documents shall be the "Additional Plans." Upon MOD's approval of the Additional Plans, Landlord shall cause Phase 2 Architect to notify Landlord and City that the Additional Plans have been approved and to identify the additional work, if any, specified therein as a result of the MOD review.

Landlord shall cause the Phase 2 Contractor to secure and pay for any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Additional Leasehold Improvements. Promptly following MOD's approval of the Additional Plans and City's approval of the Phase 2 Budget (as defined in the following subsection), Landlord shall apply for any permits, approvals or licenses necessary to complete the construction shown on the Additional Plans and shall provide copies to City promptly following receipt thereof. Landlord shall cause the Phase 2 Contractor to arrange for all inspections required by DBI.

(c) City's Approval of Additional Leasehold Improvements Costs

As soon as practicable and prior to submitting permit applications for the Additional Leasehold Improvements, Landlord shall require the Phase 2 Contractor to provide to City, for City's approval, a good faith initial construction budget ("Proposed Budget") that is based on the Additional Plans and includes all project hard and soft costs, including but not limited to a third party construction management fee of two and a half percent (2.5%) (the "Phase 2 Management Fee"). City shall have five (5) business days following its receipt of the Proposed Budget to review and approve or disapprove it. If City desires to reduce the Proposed Budget, Landlord and City shall work in good faith to promptly reduce the scope of work and the Proposed Budget, and the Additional Plans shall be revised as required to reflect such changes.

Prior to commencing the Additional Leasehold Improvements, Landlord shall require the Phase 2 Contractor prepare and submit a good faith cost estimate for the Additional Leasehold Improvements to City, based on the Additional Plans, showing all costs to be paid by City, and including a contract contingency of five percent (5%) (the "Phase 2 Budget"). City shall have five (5) business days following receipt to review and approve or disapprove the Phase 2 Budget. The parties agree the Phase 2 Budget shall not exceed $1,994,250, and the parties shall work in good faith to prepare plans and Additional Documents that can be implemented within this approved amount. If during the course of construction, the Additional Leasehold Improvements cannot be completed in strict conformity with the most recently City-approved Phase 2 Budget, Landlord shall cause the Phase 2 Contractor to immediately submit to City for its approval a revised Phase 2 Budget and shall identify to City changes in line items and the reasons for the changes. City acknowledges that renovation or improvement of existing facilities inherently involves risk of unanticipated costs necessary to obtain a final certificate of occupancy. If further changes are required, Landlord shall seek City's approval following the same procedure. City shall not be obligated to pay costs, if any, that exceed the last City-approved Phase 2 Budget, provided Landlord shall not be required to incur any costs above the

last City-approved Phase 2 Budget. If costs exceed the approved Phase 2 Budget, the parties agree to meet and confer in good faith to either (i) obtain City approval of any increased costs, with an appropriation for such amount or (ii) revise the Additional Leasehold Improvements so they do not exceed the approved Phase 2 Budget. City shall have the right in its reasonable judgment to approve or disapprove any proposed Phase 2 Budget or revised Phase 2 Budget, which approval or disapproval shall not be unreasonably delayed. The most recent City-approved Phase 2 Budget shall supersede all previous City-approved Phase 2 Budgets. If Landlord and City cannot agree to a Proposed Budget or Phase 2 Budget, City shall reimburse Landlord for all of Landlord's reasonable and necessary costs incurred to produce such Proposed Budget or Phase 2 Budget to the date such City approval for it is requested.

(d) Additional Leasehold Improvements Construction

Immediately on City's approval of the Additional Plans and the Phase 2 Budget and Landlord's procurement of all necessary permits and approvals for the Additional Leasehold Improvements, Landlord shall require the Phase 2 Contractor to construct the Additional Leasehold Improvements and cause them to be completed in a good and professional manner in accordance with sound building practice. Landlord shall require the Phase 2 Contractor to comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on the construction of the Additional Leasehold Improvements. Without limiting the foregoing, construction of the Additional Leasehold Improvements shall comply with all applicable disabled access laws, including, without limitation, the most stringent requirements of the ADA, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. The contract between Landlord and the Phase 2 Contractor for the Additional Leasehold Improvements shall require the Phase 2 Contractor to pay prevailing wages and meet certain working conditions in connection with the Leasehold Improvement Work, as further provided in Section 23.24 (Prevailing Wages and Working Conditions) below, and not use tropical hardwood wood products or virgin redwood wood products as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban) below or preservative-treated wood containing arsenic, as further provided in Section 23.35 (Preservative-Treated Wood Containing Arsenic) below. Landlord shall use commercially reasonable efforts to ensure that Phase 2 Contractor complies with such requirements.

(e) Additional Leasehold Improvements Construction Schedule; Substantial Completion

Landlord shall keep City apprised on a regular basis of the status of plan preparation, permit issuance, and the progress of the construction. From time to time during the design and construction of the Additional Leasehold Improvements, City shall have the right upon reasonable advance oral or written notice to Landlord to enter the portion of the Premises that City must reasonably and temporarily vacate for the performance of the Additional Leasehold Improvements (the "Impacted Areas") at reasonable times to inspect the Additional Leasehold Improvements, provided such inspections do not unreasonably interfere with the construction. Landlord or its representative may accompany City during any such inspection. As construction progress permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Additional Leasehold Improvements will be substantially completed in accordance with the Additional Documents. Landlord shall revise such notice of the approximate Phase 2 Substantial Completion Date (as defined below) as appropriate from time to time and shall immediately notify City when the Additional Leasehold Improvements are in fact substantially completed and the Impacted Areas are ready for resumed occupancy by City. On such date or other mutually agreeable date as soon as practicable thereafter, City and its authorized representatives shall have the right to accompany Landlord or the Phase 2 Architect on an inspection of the Impacted Areas and any other portion of the Premises modified by the Additional Leasehold Improvements.

The "Phase 2 Substantial Completion Date" shall be when the Additional Leasehold Improvements are sufficiently completed in accordance with the approved Additional Plans so that City can occupy the Impacted Areas to conduct its business for its intended uses and City, through its Director of Property, has approved the Additional Leasehold Improvements. City may, at its option, approve the Additional Leasehold Improvements even though there may 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 Impacted Areas or as soon thereafter as practicable, a written punchlist consisting of any items that have not been finished in accordance with the Additional Plans. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and shall in any event complete all items within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter the Landlord's responsibility hereunder to complete all Additional Leasehold Improvements in accordance with the Additional Plans, nor constitute any waiver of any latent defects.

No approval by City or any of its Agents of the Additional Pricing Plans, Additional Drawings, Additional Documents, Additional Plans, or completion of the Additional Leasehold Improvements for purposes of this Lease shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises, and nothing herein shall limit Landlord's obligations to obtain all such approvals.

(f) Appointment of Additional Leasehold Improvements Representatives

City and Landlord shall each designate and maintain at all times during the Additional Leasehold Improvements design and construction period a project representative ("Phase 2 Representative"), and an alternate for such Representative ("Phase 2 Alternate"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to the Additional Leasehold Improvements. 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. City and Landlord shall each deliver written notice of its respective Phase 2 Representative and Phase 2 Alternate to the other party within ____ days following Landlord's delivery of the Additional Pricing Plans to City.

Each party may at any time and from time to time change its Phase 2 Representative or Phase 2 Alternate by written notice to the other party. Each party's Phase 2 Representative or Phase 2 Alternate shall be available during ordinary business hours so that questions and problems may be quickly resolved and the Additional Leasehold Improvements may be completed economically and in accordance with the Additional Leasehold Improvements construction schedule. Notwithstanding anything to the contrary in this Section, all approvals made by City that increase the Phase 2 Budget or are a City requested change to the Additional Plans shall be made by the Director of Property, or her/his designee, in in writing.

(g) Changes to Additional Plans for Additional Leasehold Improvements

If City inquires (orally or in writing) about any change, addition or alteration relating to the design or specifications of the Additional Leasehold Improvements (a "Phase 2 Change Order"), Landlord shall cause the Phase 2 Architect and Phase 2 Contractor to promptly supply a good faith not to exceed change order cost estimate. If a Phase 2 Change Order would delay the Phase 2 Substantial Completion Date, Landlord shall also provide its good faith estimate of such a delay. Within five (5) business days of receipt of such cost and delay estimates, City shall notify Landlord in writing whether City approves the proposed Phase 2 Change Order and an increase in the Phase 2 Budget (if required). If City timely approves the proposed Phase 2 Change Order, then the Phase 2 Contractor shall proceed with such Phase 2 Change Order as soon as reasonably practical thereafter.

(h) Additional Leasehold Improvements Costs

Landlord shall pay for the cost of the Additional Leasehold Improvements up to Seven Hundred Ninety-Nine Thousand Five hundred Dollars ($799,500) ($10.00 per rentable square foot) (the "Additional Allowance"). The Additional Allowance shall be used for all costs associated with the Additional Leasehold Improvements, including but not limited to project management, ADA compliance, the Resource Efficient Building Ordinance (San Francisco Environmental Code Sections 700 *et seq.*), and San Francisco Building Code upgrades.

If the City-approved Phase 2 Budget shows costs in excess of the Additional Allowance, such excess costs shall be the "City's Portion", which shall not exceed One Million One Hundred Ninety-Nine Thousand Two Hundred Fifty Dollars ($1,199,250.00) unless otherwise approved in writing by the City's Director of Property pursuant to this Section. If the City's Portion is less than $100,000, City shall pay such excess costs within thirty (30) days of receiving the invoices, evidence of payment, and documentation required under subsection (i) below. If the City's Portion is more than $100,000, throughout the course of construction of the Additional Leasehold Improvements, City shall make monthly payments of the City's Portion to Landlord based on a payment schedule to be agreed to concurrent with the approval of the Phase 2 Budget. Such payment schedule shall set forth the number of months for the performance of the Additional Leasehold Improvements, with each monthly payment of City's Portion equal to the total City's Portion divided by such number of months. Such payment schedule shall also be designed to permit timely payments to the Phase 2 Architect and Phase 2 Contractor of the costs to construct the Additional Leasehold Improvements based on the approved Phase 2 Budget and construction schedule, in conformance with the payment obligations under Landlord's contracts with the Phase 2 Architect and Phase 2 Contractor for the Additional Leasehold Improvements and subject to adjustments resulting from any Phase 2 Change Orders. City's payments of City's Portion shall be due as Additional Charges and, unless City's Portion is less than $100,000 (in which case it shall be made within the 30-day period specified above), payment shall be made monthly together with payment of Base Rent. If City fails to make any City's Portion payment when due, City shall pay a five percent (5%) late payment fee per month for any balance outstanding.

If it appears the cost of the Additional Leasehold Improvements will exceed the sum of the Additional Allowance and City's Portion, City shall revise the Additional Leasehold Improvements to eliminate such excess cost. If during the course of construction, an unknown and unanticipated condition is discovered that cannot, despite best faith efforts, be resolved with the Phase 2 Budget contingency amount or by reducing the costs of the Additional Leasehold Improvements, the Director of Property shall have the option, at his or her sole election and subject to an appropriation of funds, to authorize the Landlord in writing to increase the Phase 2 Budget by up to five percent (5%) to resolve such matter.

Landlord shall apply the Additional Allowance and City's Portion to the reasonable and actual costs of constructing the Additional Leasehold Improvements incurred by Landlord and as shown in the City-approved Phase 2 Budget until the Additional Allowance and City's Portion are exhausted; provided, however, that if such costs are less than the Additional Allowance, the remaining portion of the Additional Allowance shall be credited or refunded as set forth in the following subsection (k), and if such costs are less than the Additional Allowance and City's Portion, the remaining portion of City's Portion shall be returned to City pursuant to the following subsection (i). City shall not be responsible for, and the Additional Allowance shall exclude, any supervision or management fee for Landlord or any of its employees, but either the Additional Allowance or City's Portion shall include or the City shall be responsible for the Phase 2 Management Fee.

(i) Required Documentation of Additional Leasehold Improvements Costs

Within ___ days following the Phase 2 Substantial Completion Date, Landlord shall provide City with copies of a final cost reconciliation including (i) all invoices received by Landlord from the Phase 2 Contractor, the Phase 2 Architect, the Phase 2 LEED Consultant and any other consultants in connection with preparing the Additional Plans or any Phase 2 Change Order or performing the Additional Leasehold Improvements, (ii) satisfactory evidence of payment by Landlord of such invoices, and (iii) upon City's request, such documentation as the Phase 2 Architect, the Phase 2 Contractor, each Phase 2 LEED Consultant, or other consultants may have provided to Landlord pursuant to its contract for the Additional Leasehold Improvements. If the costs set forth in such final reconciliation are within the most recently approved Phase 2 Budget but exceed the total of the Additional Allowance and City's Portion, City shall reimburse Landlord for such additional cost within thirty (30) days of City's approval of such invoice. If the total of the Additional Allowance and the City's Portion exceeds the costs in the final reconciliation, then Landlord shall pay the excess amount of City's Portion to the City within thirty (30) days following the final reconciliation. City and Landlord agree to meet and confer in good faith as and when requested by either party to ensure that City's payment schedule meets the cash flow requirements of the Additional Leasehold Improvements, and to review budgets, invoices and progress payments throughout the construction period.

(j) Restoration of the Premises for Additional Leasehold Improvements

City shall not be required to remove the Additional Leasehold Improvements upon the expiration or earlier termination of this Lease unless Landlord notifies City in writing at the time the Additional Drawings are submitted to City for approval that such Additional Leasehold Improvements must be removed on the expiration or earlier termination of this Lease.

(k) Alternative Use of Additional Allowance

If City delivers the Additional Work Notice but any of the Additional Allowance is not used by Landlord for the Additional Leasehold Improvements, such unused portion shall be credited against Base Rent next due or payable under the Lease, or, at City's option, refunded to City. If City does not deliver the Additional Work Notice, City shall have the right, by delivering written notice to Landlord no later than March 31, 2019 (the "Outside Request Date"), to have all of the Additional Allowance credited against Base Rent next due or payable under the Lease. If City does not timely submit a request to have the entire Additional Allowance credited against Base Rent or an Additional Work Notice at any time, then the entire Additional Allowance shall accrue to the sole benefit of Landlord and City shall not thereafter be entitled to any credit, abatement or other improvement work based on the Additional Allowance.

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 HVAC, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Building (collectively, 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 be entitled to reimbursement of any reasonable administrative costs it incurs in reviewing any proposed Alteration, provided that

Landlord shall notify City of its estimated administrative costs prior to Landlord's review of the proposed Alteration. If City does not consent to the amount of such fee, City shall have the right to withdraw its request for Landlord review of the proposed Alteration and City shall not perform, nor shall Landlord review, such proposed 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 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing 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, equipment lessor or lender agrees that it **(i)** will remove the City's Personal 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 any 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.

7.4 Alteration by Landlord

Landlord shall use its best efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Building by Landlord pursuant to its obligations under this Lease. Landlord shall promptly remedy any such interference or disruption upon receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Landlord shall repair and maintain, at its cost and in its current condition, except to the extent any such repair or maintenance is caused by casualty, the following portions of the Premises: (i) the exterior walls, sidewalks, and structural portions of the Building, including the roof, foundation, bearing and exterior walls and subflooring, (ii) the main electrical panel, main water and sewer feeds to the Building, (iii) elevators, and (iv) the existing Building fire and life safety systems. Subject to City's obligation to include any necessary HVAC improvements in the Leasehold Improvement Work pursuant to Section 6 (Leasehold Improvements), Landlord shall repair and maintain, at its cost, the HVAC (but excluding the HVAC serving City's

computer room, which holds multiple computer server racks and similar equipment) in accordance with the requirements of Title 8 California Code of Regulations, Chapter 4. Division of Industrial Safety, Subchapter 7. General Industry Safety Orders, Group 16. Control of Hazardous Substances, Article 107. Dusts, Fumes, Mists, Vapors and Gases Section 5142, Mechanically Driven Heating, Ventilating and Air Conditioning (HVAC) Systems to Provide Minimum Building Ventilation. At all times during the Term of this Lease, City shall be responsible for all Landlord repairs that are reasonably related to the actions of City or its Agents or Invitees (as defined in Section 23.5) and are not considered normal wear and tear. By way of example, if a plumbing repair is required due to the inappropriate disposal of a diaper or hand towel, such repair shall be at City's sole cost. In addition, City shall be responsible for all costs associated with Building upgrades or improvements triggered by City's obligation to make repairs. By way of example, if a plumbing repair triggers Building Code upgrades or ADA access modifications, such upgrades or modifications shall be at City's sole cost.

8.2 City's Repairs

Subject to Landlord's warranty under Section 10.1 (Premises Condition), any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations pursuant to Section 8.1, City shall repair and maintain at its cost the Premises, including without limitation all doors, windows, lights, City's computer room systems, infrastructure, plumbing lines, toilets, washrooms, and locks. Without limiting the foregoing, and except for ordinary wear and tear and damage by casualty, City shall maintain the Building in a clean, safe, sanitary, and attractive manner and in good working order, provide prompt exterior graffiti removal, and not permit to be done in the Building that is illegal, is dangerous to persons or property or constitutes a nuisance. 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, ADA, the San Francisco Building Code, any applicable contracting requirements under City's Charter and Administrative Code.

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 or any portion of the Premises 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 be responsible for maintaining the existing main lines for electricity, gas, water and sewer utilities to the Building in a good condition. Without limiting Landlord's obligations hereunder, Landlord shall provide such maintenance in a manner consistent with such utilities and services normally provided in other buildings similar to the Building in the San Francisco South of Market District.

9.2 Services

(a) Elevator Service

Landlord, at Landlord's cost, subject to conditions within Landlord's normal control, shall provide elevator service to the Premises on a 24/7 basis.

(b) Building Heating Ventilating and Air Conditioning (HVAC)

Landlord, at Landlord's cost, subject to conditions within Landlord's normal control, shall provide HVAC to the Premises from 7:30 am to 5:00 pm, Monday through Friday, City holidays excluded.

(c) Computer Room Heating Ventilating and Air Conditioning (CRAC)

City, at City's cost and through a vendor reasonably approved by Landlord, shall be responsible for all desired air conditioning for City's designated computer room.

(d) Exterior Painting

Landlord, at Landlord's cost, shall paint the exterior of the Building prior to December 31, 2022. If City exercises its first Extension Option and the first Extended Term commences, Landlord shall paint the exterior of the Building again anytime between January 1, 2028 and December 31, 2032.

(e) Exterior Window Washing

City shall provide, at City's cost and through a vendor reasonably approved by Landlord, in its sole discretion annual exterior window washing services to the Premises.

(f) Graffiti Removal,

City shall provide, at City's cost, prompt graffiti removal services for the exterior of the Building.

(g) Refuse Removal, Security, Utilities, Pest Control

City shall obtain, at City's cost, its desired recycling and refuse removal, security, electrical, gas, water, sewer, janitorial and pest control services to the Premises.

(h) Additional Services

City reserves the right to request that the Landlord, at City's cost, perform minor Lease related services or incur additional expenses not otherwise described in this Lease from time to time, as reasonably requested by the City and approved by the Real Estate Division, acting through the Director of Property or his or her designee. If Landlord, in its sole discretion, agrees to perform such services or incur such additional expenses, City shall reimburse Landlord for the pre-approved cost for such expenses as Additional Rent within thirty (30) days after receipt of Landlord's invoice for such service or expense, which cost may include a fifteen (15%) percent Landlord administrative fee and shall include reasonable backup documentation.

9.3 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.

9.4 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished hereunder, City shall immediately notify Landlord of such failure, stoppage or interruption, and 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, fire protection, 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 (i) a period of three (3) or more business days if such failure is in the reasonable control of Landlord or (ii) a period of one hundred twenty (120) 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, as evidenced by City's vacating all or a portion of the Premises. At City's election, but only (i) for events which would require City to vacate the Premises and (ii) with Landlord's written approval, not to be unreasonably withheld, City shall have the option to provide such services and offset the reasonable and Landlord preapproved 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 commercially reasonable efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for over hundred twenty (120) 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, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date of City's notice of termination, and the Essential Services are actually restored within such 60 day period. 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 City's failure to perform its obligations under the Lease or the acts, omissions or negligence of City and its Agents at the Premises.

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 to the best of Landlord's knowledge: **(a)** the Building is not an unreinforced masonry building; **(b)** Landlord has received no notices that the Property is out of compliance with any applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); **(c)** Landlord has received no notices that the Property is out of compliance with any 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"); and **(d)** Landlord has received no notices that the Property is out of compliance with any other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any misrepresentation by Landlord under this Section.

City agrees and acknowledges that (i) City accepts the Premises and all portions of the Property in its as-is condition, (ii) City has leased and occupied the Premises since 1988, and has as much information about and control of the condition of the Property as does Landlord, and (iii) Landlord makes no representation that the Building meets current Seismic Safety, Life Safety, ADA, or any other present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"). City represents and warrants to Landlord that City has performed its own due diligence prior to execution of this Lease. Without

limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord against any and all Claims arising out of City's out of any misrepresentation by City under this Section.

Except for improvements or special services required to comply with applicable Law (a "Required Modification") triggered by any Alteration, which shall be at City's sole cost, if Landlord must make any capital improvement to the Property to keep the Property in compliance with Laws that are uniformly applicable to properties similar to the Property, the cost of such capital improvement plus ten percent (10%) interest thereon shall be amortized over its useful life, using generally recognized real estate industry amortization schedules, and City shall pay, as Additional Rent, the monthly amortized amount applicable for the period between the date Landlord incurs such cost and the earlier to occur of the end of its useful life and the termination or earlier expiration of this Lease. Such amortized capital improvement payments by City shall be made in arrears on or before the first day of each month. By way of example, if a law is passed and requires the replacement of the Building fire and life safety system with one that has a useful life of ten (10) years, City shall pay monthly the actual cost of the new system plus ten percent (10%) amortized over ten (10) years until the earlier to occur of the expiration of such ten (10) year period and the termination or earlier expiration of this Lease, as may be extended through any properly exercised Extension Options.

Notwithstanding the foregoing, City shall pay for Landlord's cost to make any Required Modification that arises due to (a) City's status as a governmental entity, or (b) City's proposed or actual use of the Premises for anything other than general office use. Landlord shall first provide City with prior written notice of such Required Modification and Landlord's good faith budget for the cost thereof for City's approval, which shall not be unreasonably withheld or delayed. City shall notify Landlord within ten (10) business days if it has any suggested changes to such budget. If City does not have any suggested changes, Landlord shall proceed with such Required Modification. If City has suggested changes that are not acceptable to Landlord, the parties shall work in good faith to reach a mutually-agreeable budget for the Required Modification before it is made by Landlord.

City shall reimburse Landlord for any costs or expenses that Landlord reasonably incurs as for any Required Modification within thirty (30) days of receiving Landlord's invoice and supporting documentation therefor. By way of example, if City's Board of Supervisors adopts a law that requires two (2) gender neutral restrooms in all City-leased properties and the Premises does not have any gender neutral restrooms at the time the law becomes effective, the City shall be solely responsible for Landlord's reasonably incurred costs and expenses for installing two (2) gender neutral restrooms in the Building, subject to a mutually-approved budget for such work.

10.2 City's Compliance with Laws; Indemnity

City shall, at its sole cost, make any and all legally-required improvements and upgrades and at all times maintain the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements after they are installed) and all portions of the Property along the path of travel to the Premises (including, but not limited to, the Building entrances) in compliance with the requirements of the ADA 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 and applicable to City's activities at the Premises (collectively, "Disabilities Laws"). Further, as a material consideration for the execution of this Lease, City, at its sole cost, shall be responsible for compliance with applicable Laws relating to City's use of the Building during the Term, including, without limitation, Building Code requirements, Occupational Safety and Health Administration requirements, Seismic Safety Laws and Life Safety Laws. Notwithstanding anything to the contrary in the foregoing sentence, City shall not be required to make any structural alterations or additions or other modifications in order to comply with Seismic Safety Laws unless such modifications are necessary solely because of any of the Leasehold Improvements or any Alterations or City's use of the Building for non-general office purposes. Without limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord

against any and all Claims 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 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 Premises, **(c)** cause an increase in the fire insurance premium for the Premises 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

(a) Within 120 days of the Commencement Date, Landlord shall deliver an original nondisturbance agreement (the "Nondisturbance Agreement"), duly executed and acknowledged by Landlord and the holder of any mortgage or deed of trust encumbering the Property as of the Commencement Date and in the substantially form attached to this Lease as Exhibit C, as updated to reflect this Lease and such mortgage or deed of trust, subject to such holder's review and approval of the Nondisturbance Agreement City shall have the right to record the executed Nondisturbance Agreement in the Official Records of San Francisco County. City shall have the right, at City's sole election and upon thirty (30) days prior written notice to Landlord, to terminate this Lease if Landlord does not timely deliver the Nondisturbance Agreement.

(b) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (c) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): **(i)** any reciprocal easement agreements, ground leases or other underlying leases that may hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and **(ii)** the lien of any mortgages or deeds of trust and renewals, modifications, consolidations, replacements and extensions of any of the foregoing that may hereafter be executed by Landlord in any amount for which any part of the Property, any ground lease or underlying lease, or Landlord's interest or estate therein is subject. Notwithstanding the foregoing, if the ground lessor, mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have City's interest in this Lease be superior to any such instrument, then upon notice thereof to City, this Lease shall be deemed superior, whether this Lease was executed before or after the date of said instrument or the recording thereof. At City's request, the holder of the Encumbrance shall enter into a subordination and nondisturbance agreement with City in a form reasonably acceptable to City evidencing such subordination or superiority of this Lease.

(c) In the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or in the event any ground lease or underlying lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed nor shall the rights and possession of City hereunder be disturbed if City shall not then be in default in the payment of rental or other sums due hereunder or otherwise be in default under the terms of this Lease. City shall attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of such succession and the name and address of the successor landlord. City's covenant under subsection (b) above to subordinate this Lease to any Encumbrance or other hypothecation hereafter executed is conditioned upon each such senior instrument containing the commitments specified in this subsection (c). The provisions of this Section shall be self-operative and no further instrument shall be required other than as provided

in this Section. 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.

12. DAMAGE AND DESTRUCTION

If the Premises, including 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 two hundred forty (240) days after Landlord obtains all necessary permits for such repairs but not later than three hundred sixty five (365) 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.

Within twenty (20) business 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 the insurance proceeds that would be available to Landlord. Such notice from Landlord shall include adequate written evidence of the denial of insurance coverage. If Landlord does not elect to terminate this Lease as provided above, this Lease shall remain in full force and effect, and Landlord shall repair and restore the Premises as provided above.

Notwithstanding anything to the contrary contained in this Article, in the event the Premises are damaged or destroyed by reason of flood or earthquake, and such damage or destruction is fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry hereunder, but the holder of any senior Encumbrance exercises its right (if any) to receive any such proceeds to reduce the balance of the loan secured by such Encumbrance and such holder is not an affiliate of Landlord (or if such party is an affiliate of Landlord, the retention of insurance proceeds by such party is then common practice in the State of California for similar losses), and any remaining amount of insurance proceeds distributed to Landlord is not sufficient to pay for at least ninety percent (90%) of the anticipated hard and soft costs to repair or restore the Premises, Landlord shall have the right to terminate this Lease. If Landlord does not elect to terminate this Lease as provided above, this 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, and City has not exercised an

Extension Option for an Extended Term, 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, Section 1933, subdivision 4, and Sections 1941 and 1942 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 of 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 1265.110, 1265.120, 1265.130 and 1265.140 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: **(i)** 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 affects City's normal operations in the Premises, **(ii)** 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 **(iii)** City elects to terminate.

(b) In the case of a partial taking of a substantial portion of the Premises, and if 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 Premises 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 written notice to the other party before or within thirty (30) days after the Date of Taking, and thereafter this Lease shall terminate upon the later of the thirtieth (30th) day after such written notice is given or the Date of Taking.

13.5 Termination of Lease; Rent and Award

Upon termination of this Lease in its entirety pursuant to Section 13.3 (Total Taking; Automatic Termination), or pursuant to an election under Section 13.4 (Partial Taking; Continuation of Lease) above, then: **(a)** City's obligation to pay Rent shall continue up until the date of termination and thereafter shall cease, and **(b)** 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 (Partial Taking; Continuation of Lease) 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

Except as provided in this Section below, 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. If Landlord consents to such any proposed assignment of this Lease or sublease of City's interest in the Premises to a third party, seventy-five percent (75%) of any rent that City receives under such assignment or sublease in excess of the Rent payable hereunder (or the amount thereof proportionate to the portion of the Premises subject to such assignment or sublease) shall be paid to Landlord after City first recovers any costs it incurs in connection with such assignment or sublease. Landlord's consent to any assignment or sublease of City's interest in this Lease or the Premises shall not release City of its obligations under this Lease. City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer

this Lease or use and occupancy of the Premises for the uses permitted under this Lease to any department, commission, or agency of City, or to transfer this Lease or use and occupancy of less than fifty percent (50%) of the Premises for the uses permitted under this Lease to any non-profit organization, if City provides funds to such non-profit organization for such permitted uses. Any transfer by City to a non-profit organization pursuant to the foregoing sentence shall not release City from its obligations under this Lease.

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 or following any adjustment of the Base Rent pursuant to Section 4.3, City shall have twenty (20) days to cure any such nonpayment after written notice thereof from Landlord;

(b) City's abandonment of the Premises (within the meaning of California Civil Code Section 1951.3); 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 of the date of receipt of notice thereof from Landlord, 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.

(d) City's failure to perform any other covenant or obligation of City hereunder (not involving the payment of money) more than twice in any calendar year or more than five (5) times during the Term, even if City has cured such failure.

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 (i) Landlord fails to perform any of its obligations under this Lease, (ii) City delivers a written notice to Landlord that describes such alleged Landlord failure and City's estimated cost to cure such failure (a "Default Notice"), and (iii) Landlord either fails to deliver written notice to

City that reasonably refutes such failure within ten (10) days of receiving such Default Notice or fails to cure the failure specified in such Default Notice within thirty (30) days of receiving such Default Notice, then (without limiting any of City's other cure rights under this Lease), City may, at its sole option, cure such Landlord failure as detailed in such Default Notice at Landlord's expense. 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 ten (10)-day period, such ten (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 sixty (60)-day period. City's rights under this Section, Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Utilities or 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 material 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 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 under this Lease, 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 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 this Lease.

17. INSURANCE

17.1 City's Self-Insurance

City, at its sole cost and expense, shall maintain during the Term the following insurance: (1) commercial general liability insurance applicable to the Premises and its appurtenances providing, on an occurrence basis, a minimum combined single limit of $2,000,000; (2) workers' compensation insurance with employer's liability limits not less than $1,000,000; and (3) business automobile liability insurance having a combined single limit of not less than $1,000,000 per occurrence; provided, however, that City shall have the right to self-insure, and not carry any third party insurance, with respect to the foregoing coverage. If City holds third-party commercial general liability insurance or business automobile liability insurance, Landlord shall be named as additional insured on such third-party policies. City assumes the risk of liability and damage to the Premises (including, but not limited to, the Building, the Building Systems, and the interior improvements) in whole or in part caused by the City or its Agents or Invitees, and any of City's Personal Property, except for damage caused directly by Landlord or its Agents and except for any damage covered by the insurance to be carried by Landlord pursuant to this Lease or otherwise carried by Landlord at the time of such damage.

"Self-insure" shall mean that City itself is acting as though it were the insurance company providing the insurance required under the foregoing paragraph and paying any amounts that would otherwise be paid under a third party insurance policy. Any amounts paid by City pursuant to this Lease through such self-insurance shall be treated as insurance proceeds for all purposes. City's program of self-insurance shall provide Landlord with the same rights and privileges to which Landlord is otherwise entitled under the terms of this Lease if City held third-party insurance for the coverage required above, including the defense obligations that would be provided by a commercial insurer to Landlord as an additional insurer. All amounts which City pays or is required to pay and all loss or damages resulting from risks for which City has elected to self-insure shall be subject to the waiver of subrogation provisions hereof and shall not limit any of City's indemnification obligations under this Lease.

If City elects to self-insure, City shall provide Landlord and any mortgagee and ground lessor of the Property with letters of self-insurance specifying the extent of self-insurance coverage hereunder and containing waiver of subrogation provisions reasonably satisfactory to Landlord. Any insurance coverage provided by City pursuant to this Section shall be for the benefit of City, Landlord, the senior mortgagee and any ground lessor of the Property, as their respective interests may appear.

If City self-insures with respect to the insurance coverage required above and there is an event or claim for which a defense and/or coverage would have been provided if such coverage was provided by a third-party insurance company, City shall (i) undertake the defense of any such claim, including a defense of the other party if applicable, at City's sole cost and expense, and (ii) use its own funds to pay any claim or replace any property or otherwise provide the funding which would have been paid by the third-party insurer under the circumstances had City carried third-party insurance pursuant to this Section instead of electing to self-insure.

If City assigns this Lease or subleases any of the Premises to a third party, Landlord may require as a condition to Landlord's consent to any such assignment or sublease (or if Landlord's consent is not required for a sublease, City shall require in the applicable sublease) that such assignee or sublessee, as applicable, carry third-party insurance coverage that is consistent with coverage required for tenants in comparable buildings, as determined by Landlord in Landlord's reasonable discretion.

17.2 Landlord's Insurance

At all times during the Term, and at no cost to City, 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 a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, upon request by City, provide to City a 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 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.

In addition, Landlord, at no cost to City, shall procure and keep in effect at all times during the Term insurance as follows: **(a)** Commercial general liability insurance with limits not less than Two Million Dollars ($2,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars ($50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and **(b)** if Landlord has employees, Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars ($1,000,000) each accident.

17.3 Waiver of Subrogation

Notwithstanding anything to the contrary in this Lease, Landlord hereby waives any right of recovery against City for any loss or damage relating to the Premises or any operations or contents therein, whether or not such loss is caused by the fault or negligence of City, to the extent such loss or damage is covered by insurance that Landlord is required to purchase under this Lease or is otherwise actually recovered from insurance held by Landlord or its agents. Landlord agrees to obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Premises; provided, Landlord's failure to do so shall not affect the above waiver.

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 **(a)** inspecting the Premises, **(b)** supplying any service to be provided by Landlord hereunder, **(c)** showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, **(d)** posting notices of non-responsibility, and **(e)** 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, may reasonably request the other party to execute, acknowledge and deliver to 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, this 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)** that there are no unfulfilled obligations of Landlord in relation to the Leasehold Improvements or the Additional Improvements (or if so, specifying the same), **(e)** that there is no security deposit, and **(f)** the date to which Rent has been paid.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in a "broom swept" clean condition, in good order, reasonable use and wear and damage by fire or other casualty excepted. Prior to the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities, and any Leasehold Improvements or Alterations City is required to remove from the Premises pursuant to the provisions of Section 6.1(k), Section 6.4(i), or Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises resulting from such removal. Notwithstanding anything to the contrary in this Lease, 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 in this Lease, 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. Section 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 without the duty of investigation, the following statements are true and correct as of the date this Lease is signed by Landlord: **(a)** Landlord has received no notices that the Property is in violation of any Environmental Laws; **(b)** Landlord has no direct knowledge that the Property has been used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, **(c)** Landlord has not received any notices that the Property consists of landfill atypical for the general area in which the Property is located or contains any underground storage tanks; and **(d)** 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 due to the acts of Landlord or its Agents.

21.4 City's Representations and Covenants

Neither City nor its Agents shall cause (i) 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 so long as such use is in compliance with all applicable Environmental Laws, or (ii) any Release of Hazardous Material at the Premises. City represents and warrants to Landlord that neither City nor its Agents caused a Release of any Hazardous Material in the Building or otherwise in, on, under, or about the Premises during the term of any City lease of the Premises prior to the Commencement Date.

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4 (City's Representations and Covenants) or if City or its Agents cause the Release of Hazardous Material from, in, on or about the Premises or the Property during the Term or caused the Release of Hazardous Material from, in, on or about the Premises or the Property pursuant to its use of the Premises during the term of the 1996 Lease, 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 from 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. RIGHT OF FIRST OFFER TO PURCHASE

22.1 Offer and Counter Offer

If Landlord decides to sell or transfer the Property to an unrelated third party during the Term of this Lease, Landlord shall first offer the Property to the City at the purchase price at which Landlord will offer the Property to third parties. Such proposed purchase price shall be set forth in a written notice ("Sale Notification") from Landlord to City and shall be subject to adjustment as provided below. City shall have thirty (30) days from the date of receiving the Sale Notification to submit to Landlord in writing (i) an offer to purchase the Property at the price specified in the Sale Notification and otherwise on the other business terms contain in this Section or (ii) a counter offer to purchase the Property at a lesser price and otherwise on the other business terms contain in this Section (the "Counter Offer"). If Landlord elects to accept City's Counter Offer, Landlord shall provide City with written notice of such election within fifteen (15) days of receiving City's Counter Offer.

22.2 Form of Agreement

If City timely offers to purchase the Property for the price in the Sale Notification, or if Landlord accepts City's Counter Offer, Landlord shall, within twenty (20) business days, deliver a commercially reasonable "As Is" purchase and sale agreement for the Property prepared by Landlord and with the agreed price and the terms and conditions specified in this Section 22 (the "Proposed Agreement"). Landlord and City shall negotiate in good faith, but without obligation to agree to terms other than those set forth in the Proposed Agreement. If the parties cannot, for any reason, agree on the final form of the Proposed Agreement within thirty (30) days from the date of delivery of the Proposed Agreement to City, this Right of First Offer shall be null and void and of no further effect.

If the City's Director of Property and Landlord mutually agree to the final form of the Proposed Agreement ("Final Agreement"), City's offer or Counter Offer to purchase the Property shall be subject to the following conditions precedent (the "City's Conditions"), which must be all satisfied before the sixtieth (60th) day (the "Approval Deadline") immediately following Landlord's delivery of the Final Agreement, executed by Landlord, to City: (i) approval of the Final Agreement by City's Board of Supervisors and Mayor, in their respective sole discretion, (ii) a title company selected by City shall be willing to issue an ALTA owner's policy insuring City's fee ownership in the Property for an amount equal to the purchase price and only subject to exceptions acceptable to City, and (iii) satisfactory completion of all environmental (including the California Environmental Quality Act) and City General Plan conformity review applicable to the proposed purchase. If the foregoing conditions (i) and (iii) are not both satisfied by the Approval Deadline, City shall return to Landlord all Due Diligence Materials (as defined in the following paragraph) previously delivered to City and City's Right of First Offer to Purchase shall be null and void and of no further effect. City shall have the right, at its sole election, to waive the ALTA owner's policy condition set forth above or, if it is not satisfied by the Approval Deadline.

Within (3) days of City's receipt of the Final Agreement, signed by Landlord, Landlord shall deliver to City copies of all Property inspection reports provided to Landlord within the ten (10) year period immediately preceding such delivery of the Final Agreement, all appraisals provided to Landlord within the one (1) year period immediately preceding such delivery of the Final Agreement, and copies of all construction plans with respect to the Property in Landlord's possession (if any) that have not been previously delivered to City (the "Due Diligence Materials"). Landlord shall cooperate with the City in its due diligence investigation of the Property.

City shall deliver written notice to Landlord if the City's Board of Supervisors and Mayor adopt final legislation authorizing City to enter into the Final Agreement, and the closing of the purchase and sale of the Property pursuant to the Final Agreement shall occur on the date that is twenty (20) business days after the date that City delivers such written notice to Landlord, or any other date mutually agreed to by City and Landlord in writing. Notwithstanding anything to the contrary in the foregoing sentence, if all of City's Conditions are not satisfied by the scheduled closing date, City shall have the right to terminate the Final Agreement. Closing shall occur through an escrow opened by City with a title insurance company qualified to do business in the State of California and with an office in the City and County of San Francisco, as selected by City. At closing, City shall pay for the cost of the premium of the owner's policy it elects to obtain for its ownership of for the Property, one-half the escrow fees, and one-half of the other typical closing expenses, such as notary fees and overnight express charges. Landlord shall pay all transfer taxes, one-half the escrow fees, and one-half the other typical closing expenses. At closing, Landlord shall deliver the following (among other customary items) to City through a mutually agreeable escrow company:

a. a grant deed conveying the Property to City, subject only to title exceptions for taxes not yet due and payable and any other exceptions reasonably acceptable to City;

b. a bill of sale for all personal property on the Property;
c. an assignment of warranties for any work performed or items located at the Property, to the extent such warranties remain in effect at the time of closing; and
d. a written disclosure that Landlord has delivered the Due Diligence Materials and the representations and warranties in this Section, which shall be incorporated in the Final Agreement, are true as of the date of closing.

If City does not timely agree to purchase the Property for purchase price contained in the Sale Notification or make a Counter Offer, then its Right of First Offer pursuant to this Section shall terminate and Landlord shall be free to sell the Property to any person, and on any terms, without any obligation to City. If City timely delivers a Counter Offer and such Counter Offer was not accepted by Landlord, then Landlord may sell the Property to a buyer who agrees to pay a gross purchase price (i.e. an amount determined without regard to any brokerage commission liability, but reduced by any Landlord credits or give backs to the potential buyer for such items as existing building conditions or improvements) that exceeds the purchase price proposed in City's Counter Offer. Good faith negotiations with such a buyer may result in credits or reductions due to discoveries the buyer makes about the Property during the due diligence period, but such credits or reductions must be made reasonably and in good faith during the due diligence period and not in an effort to circumvent City's rights hereunder. If the foregoing conditions are met, such credits or reductions shall not trigger a further Right of First Offer under this Section for City, even if the final gross sales price is at or below the City's Counter Offer, so long as that buyer proceeds to consummate that purchase at that final gross sales price.

In the event Landlord is unable to sell the Property for more than proposed purchase price specified in City's Counter Offer but continues to desire to sell the Property, Landlord shall give City another Sale Notification with a reduced purchase price and the above procedure for City's Right of First Offer shall be repeated. This Right of First Offer shall be null and void and of no further effect once Landlord sells the Property to a third party at a purchase price that complies with the foregoing provisions.

For purposes of this Section 22, the following events shall not be deemed a sale or transfer of the Property to an unrelated third party that triggers City's Right of First Offer: (i) the change of any of the trustees of the Cort Marital Trust; (ii) the change of any of the beneficiaries of the Cort Marital Trust if such beneficiary is a person related to Vera Cort by blood, adoption, or marriage (a "Related Party"); or (iii) a transfer of the Property or any interest in the Property from the Cort Marital Trust to (a) Vera Cort (in her individual capacity), (b) a Related Party, (c) a trust that is held for the benefit of Vera Cort or a Related Party, or (d) a legal entity that is wholly owned by Vera Cort and/or any Related Party.

The Final Agreement shall include the following representations and warranties by Landlord, all made to the best of Landlord's knowledge without the duty of investigation and true and correct as of the Final Agreement is signed by Landlord: **(a)** Landlord has received no notices that the Property is in violation of any Environmental Laws; **(b)** Landlord has no direct knowledge that the Property has been used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, **(c)** Landlord has not received any notices that the Property consists of landfill atypical for the general area in which the Property is located or contains any underground storage tanks; **(d)** 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; **(e)** the Building is not an unreinforced masonry building; **(f)** Landlord has received no notices that the Property is out of compliance with any applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); **(g)** Landlord has received no notices that the Property is out of compliance with any 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"); and **(h)** Landlord has received no notices that the Property is out of compliance with any other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements.

22.3 Conditions Nullifying and Voiding Right of First Offer

The provisions of this Section 22.1 and Section 22.2 shall be null and void and of no further effect if (i) City fails to exercise an Extension Option or its exercise is nullified, (ii) City fails to timely cure an event of default by City under this Lease, (iii) the Property is sold to a party that is not an Affiliate (defined as follows), and (iv) title to the Property is transferred through a foreclosure under an Encumbrance through foreclosure or a deed in lieu of foreclosure, unless the acquirer through such foreclosure or deed in lieu is an Affiliate. "Affiliate" shall mean (a) any person or entity owning, directly or indirectly, fifty percent (50%) or more of the ownership interests of Landlord (an "Owning Person"), (b) any entity, fifty percent (50%) or more of the ownership interests of which are owned, directly or indirectly, by any Owning Person, (c) any entity, fifty percent (50%) or more of the ownership interests of which are owned, directly or indirectly, by Landlord.

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 be 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 terms 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. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Landlord, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease **(a)** changing the legal description of the Premises, **(b)** increasing the Term, **(c)** increasing the Rent, **(d)** changing the general use of the Premises from the use authorized under Section 5.1 (Permitted Use) of this Lease, and **(e)** any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

23.4 Authority

Landlord represents and warrants to City that it is the sole owner of the Property and the execution and delivery of this Lease by Landlord has been duly authorized and does not violate any provision of any agreement, law or regulation to which Landlord or the Property is subject.

23.5 Parties and Their Agents; Approvals

If applicable, the word "Landlord" as used in this Lease shall include the plural as well as the singular. As used in this Lease, the term "Agents" when used with respect to either party shall include the agents, employees, officers and contractors of such party, and the term "Invitees" when used with respect to City shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of City. All approvals, consents or other determinations permitted or required by City under this Lease, including but not limited to the exercise of any option granted to City, shall be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in the City's Charter.

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 intent 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 (Assignment and Subletting) 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 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, except to the extent that enforcement of this Lease without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Lease.

23.10 Governing Law

This Lease shall be construed and enforced in accordance with the laws of the State of California and the City's Charter.

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 non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Lease, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees

incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

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 this 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 fifty percent (150%) of the monthly Base Rent in effect during the last month of the Term of this Lease for the first thirty (30) days and then thereafter shall be the higher of two hundred percent (200%) of the monthly Base Rent in effect during the last month of the Term of this Lease or the fair market rent as reasonably determined by Landlord in its sole discretion, and such tenancy shall otherwise be on the terms and conditions contained herein. Nothing contained in this Section shall be construed as Landlord's consent to any holding over by City, and any such consent by Landlord must be in a writing signed by Landlord. City's holdover and possession of the Premises after the expiration or earlier termination of the Term without Landlord's consent shall constitute an event of default by City without notice by Landlord, and Landlord shall be entitled to all rights and remedies of Landlord provided herein or at law, including, but not limited to, any claims made by an succeeding tenant based upon such failure to surrender and any lost rental income suffered by Landlord as a result of such holding over.

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 not erect or post signs on or about the exterior of the Premises without Landlord's prior approval, which shall not be unreasonably delayed, and City's receipt of any regulatory permits and approvals required for such signs. Landlord reserves the right to reject the placement, design, and plan for any such sign prior to its erection or posting.

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 (Landlord's Indemnity), 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 **(a)** contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and **(b)** 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 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 Lease, 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 provisions of San Francisco Administrative Code §12F are incorporated herein by this reference and made part of this Lease. By signing this Lease, Landlord confirms that Landlord has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

23.23 Controller's Certification of Funds

The terms of this Lease shall be governed by and subject to the budgetary and fiscal provisions of the City's Charter. 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 Lease unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the City's Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. 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, 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 staff of the occupying City department shall attempt in good faith to include Rent for the Premises in each budget submitted for the approval of the City's Board of Supervisors and Mayor during the term of the Lease, and shall use its reasonable efforts to give Landlord reasonable advance notice of such termination. Nothing in this Section shall eliminate or reduce Landlord's rights against City for any holdover tenancy or any failure by City to vacate the Premises upon the date this Lease expires or earlier terminates.

23.24 Prevailing Wages and Working Conditions

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Landlord agrees to require its Contractors and Subcontractors performing (i) labor in the construction of a "public work" as defined in California Labor Code Section 1720 et seq. (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling if paid for in whole or part out of public funds), or (ii) Covered Construction at the Premises to (1) pay workers performing such work not less than the Prevailing Rate of Wages, (2) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "Prevailing Wage Requirements"). Landlord agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

Landlord shall include, and require its Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract shall name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Landlord's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A Contractor's or Subcontractor's failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party.

23.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

In the performance of this Lease, Landlord agrees not to discriminate against any employee of, any City employee working with Landlord, or applicant for employment with Landlord, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital

status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subcontracts

Landlord shall include in all subcontracts relating to the Premises a non-discrimination clause applicable to such subcontractor in substantially the form of subsection (a) above. In addition, Landlord shall incorporate by reference in all subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k) and 12C.3 of the San Francisco Administrative Code and shall require all subcontractors to comply with such provisions. Landlord's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease.

(c) Non-Discrimination in Benefits

Landlord does not as of the date of this Lease and will not during the term of this Lease, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) CMD Form

As a condition to this Lease, Landlord shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contract Monitoring Division (the "CMD"). Landlord hereby represents that prior to execution of the Lease: **(a)** Landlord executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and **(b)** the CMD approved such form.

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of property to City are incorporated in this Section by reference and made a part of this Lease as though fully set forth herein. Landlord shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Landlord understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of Fifty Dollars ($50) for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Landlord and/or deducted from any payments due Landlord.

23.26 Tropical Hardwood and Virgin Redwood Ban

(a) Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment 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 hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

(b) The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood wood products.

(c) In the event Landlord fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Landlord shall be liable for liquidated damages for each violation in an 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.

23.27 Bicycle Parking Facilities

Article 1.5, Section 155.3, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle parking at City-leased buildings at no cost to Landlord. During the Term, City shall have the right to install and maintain, at its sole cost, all Class 1 Bicycle Parking Spaces (as defined in the Planning Code) and all Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in the Building locations required under the Planning Code, or if such locations are not acceptable to Landlord, in any alternative locations acceptable to Landlord and approved by City's Zoning Administrator.

23.28 Resource-Efficient City Buildings

City, at its sole cost, shall be responsible for complying with or obtaining a waiver of San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction and operation of buildings owned or leased by City. Landlord, at City's sole cost, shall cause the Leasehold Improvement Work and any Additional Leasehold Improvements to comply with all applicable provisions of such code sections; provided, however, that the City Representative and the Phase 2 Representative shall use diligent efforts to notify Landlord of such requirements at the time that City reviews the Construction Plans, the Construction Drawings, the Phase 2 Plans, and the Phase 2 Drawings.

23.29 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.

23.30 Effective Date

This Lease shall become effective (the Effective Date") on the later date that (a) City's Mayor and Board of Supervisors, in their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and such resolution becomes effective, and (b) this Lease is duly executed and delivered by the parties hereto.

23.31 Certification by Landlord

By executing this Lease, Landlord certifies that neither Landlord nor any of its officers or members have been suspended, disciplined or disbarred by, or prohibited from contracting with, any federal, state or local governmental agency. In the event Landlord or any of its officers or members have been so suspended, disbarred, disciplined or prohibited from contracting with any governmental agency, it shall immediately notify the City of same and the reasons therefore together with any relevant facts or information requested by City. Any such suspension, disbarment, discipline or prohibition may result in the termination or suspension of this Lease. Landlord acknowledges that this certification is a material term of this Lease.

23.32 Sunshine Ordinance

In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between City and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information provided which is covered by this Section will be made available to the public upon request.

23.33 Conflicts of Interest

Through its execution of this Lease, Landlord acknowledges that it is familiar with the provisions of Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the Government Code of the State of California, and certifies that it does not know of any facts which would constitute a violation of said provisions, and agrees that if Landlord becomes aware of any such fact during the Term of this Lease, Landlord shall immediately notify City.

23.34 Notification of Limitations on Contributions

Through its execution of this Lease, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves, from making any campaign contribution to (a) the City elective officer, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Landlord acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of $50,000 or more. Landlord further acknowledges that the prohibition on contributions applies to each Landlord; each member of Landlord's board of directors, and Landlord's chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Landlord; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Landlord. Additionally, Landlord acknowledges that Landlord must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Landlord further agrees to provide to City the name of each person, entity or committee described above.

23.35 Preservative-Treated Wood Containing Arsenic

Landlord may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of the San Francisco Environment Code, Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Landlord may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Landlord from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a

pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

23.36 Cooperative Drafting

This Lease has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Lease reviewed and revised by legal counsel. No party shall be considered the drafter of this Lease, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Lease.

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 CITY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION 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.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

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

LANDLORD:

____
Vera Cort, as trustee of the Robert J. Cort Marital Trust

____
Vera Cort, as trustee of the Vera Cort Survivor's Trust

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: ________________________________
JOHN UPDIKE
Director of Property

RECOMMENDED:

____
Director
Department of Public Health

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: ________________________________
Carol Wong, Deputy City Attorney

EXHIBIT A - 1

FLOOR PLAN(S)

CONSISTING OF _____ PAGE(S)

EXHIBIT A - 2

EXCLUDED PROPERTY

CONSISTING OF _____ PAGE(S)

EXHIBIT B

RULES AND REGULATIONS

1. The sidewalks, halls, passages, exits, entrances, and stairways of the Building shall not be obstructed by City or used by it for any purpose other than for ingress to and egress from the Premises. Except for HVAC maintenance by qualified personnel, City shall not go upon the roof of the Building without the prior written consent of Landlord.

2. No sign, placard, picture, name, advertisement or notice visible from the exterior of the Premises shall be installed or displayed by City on any part of the outside or inside of the Building without the prior written consent of Landlord. Landlord shall have the right to remove, at City's expense and without notice, any sign installed or displayed in violation of this rule. All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of City by a person approved by Landlord, which approval will not be unreasonably withheld.

3. The Premises shall not be used for the storage of merchandise held for sale to the general public or for lodging. No cooking shall be done or permitted by City on the Premises, except that use by City of Underwriters' Laboratory-approved microwave oven and portable equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted, provided that such use is in accordance with all applicable federal, state and local laws, codes, ordinances, rules and regulations.

4. City shall not cause any unnecessary maintenance, repair or labor by reason of City's carelessness or indifference in the preservation of good order and cleanliness.

5. City shall not alter any lock or install any new or additional locking devices without the prior written consent of Landlord. All locks installed in the Premises, excluding City's vaults and safes, or special security areas (which shall be designated by City in a written notice to Landlord), shall be keyed to the Building master key system and Landlord shall be provided two (2) master keys. City, upon the termination of its tenancy, shall deliver to Landlord all keys to doors in the Premises.

6. [omitted]

7. City shall not use or keep in the Premises or the Building any kerosene, gasoline or flammable, combustible or noxious fluid or materials or use any method of heating or air conditioning other than those limited quantities necessary for the operation and maintenance of normal office equipment.

8. In the case of invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's opinion, Landlord reserves the right to prevent access to the Building during the continuance of same by such action as Landlord may deem appropriate, including closing any doors in the Building.

9. [omitted]

10. [omitted]

12. City shall see that the doors of the Premises are closed and locked and that all water faucets, water apparatus and utilities are shut off before City or City's employees leave the Premises, so as to prevent waste or damage and shall at all times comply with any rules or orders of the fire department with respect to ingress and egress.

13. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, no foreign substance of any kind whatsoever shall be deposited therein. The expense of any breakage, stoppage or damage resulting in any violation of this rule shall be borne by City. City shall comply with all water conservation laws and measures.

14. City shall not sell, or permit the sale from the Premises of, or use or permit the use of any sidewalk or mall area adjacent to the Premises for the sale of, newspapers, magazines, periodicals, theater tickets or any other goods, merchandise or service, nor shall City carry on, or permit or allow any employee or other person to carry on, business in or from the Premises for the service or accommodation of occupants or any other portion of the Building, nor shall the Premises be used for manufacturing of any kind, or for any business or activity other than that specifically provided for in City's lease.

15. City shall not install any radio or television antenna, loudspeaker, or other device on or about the roof area or exterior walls of the Building.

16. [omitted]

17. City shall store all its trash and garbage within the Premises until removal of the same to such location in the Building as may be designated from time to time by Landlord. No material shall be placed in the Building trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in the City of San Francisco without being in violation of any law or ordinance governing such disposal.

18. [omitted]

19. [omitted]

20. City shall immediately, upon request from Landlord (which request need not be in writing), reduce its lighting and HVAC in the Premises for temporary periods designated by Landlord, when required in Landlord's judgment to prevent overloads of the mechanical or electrical systems of the Building.

21. Landlord reserves the right to select the name of the Building and to make such change or changes of name as it may deem appropriate from time to time. City shall refer to the Building only by the postal address approved by the United States Post Office.

22. City assumes all responsibility for protecting its Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry closed.

23. No vending machine shall be maintained or operated within the Premises or the Building without Landlord's prior written consent.

24. [omitted]

25. [omitted]

26. No animal or bird shall be permitted in the Premises or the Building, except for licensed serviced animals.

27. [omitted]

28. [omitted]

29. Wherever the word "Tenant" occurs in these Rules and Regulations, it is understood and agreed that it shall mean Tenant's associates, agents, clerks, employees and visitors. Wherever the word "City" occurs in these Rules and Regulations, it is understood and agreed that it shall mean City's assigns, agents, officers, employees and visitors.

30. These Rules and Regulations are in addition to, and shall not be construed in any way to modify, alter or amend, in whole or part, the terms, covenants, agreements and conditions of any lease of premises in the Building.

31. Landlord reserves the right to make such other and reasonable rules and regulations as in its judgment may from time to time be needed for the safety, care and cleanliness of the Building, and for the preservation of good order therein.

32. Tenant shall be responsible for the observance of all the foregoing Rules and Regulations by City's employees, agents, clients, customers, invitees and guests.

EXHIBIT C

[ADD EXISTING WELLS FARGO SNDA]