

File No. 220605

Committee Item No. 5

Board Item No. 32

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee
Board of Supervisors Meeting

Date July 13, 2022
Date July 19, 2022

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

- PUC Real Estate Letter 5/11/2022
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

Completed by: Brent Jalipa Date July 7, 2022
Completed by: Brent Jalipa Date July 14, 2022

1 [Real Property Lease Amendment - Multiple Ownership - 1980 Oakdale Avenue -
2 \$1,024,054.20 Annual Base Rent]

3 **Resolution approving and authorizing the General Manager of the San Francisco Public**
4 **Utilities Commission (SFPUC) to amend the lease of real property located at 1980**
5 **Oakdale Avenue, with Kristian A. Akseth, an individual, Lilly B. Akseth, an individual,**
6 **and Libkra Investment Corporation, a California corporation, collectively as landlord, at**
7 **a base rent of \$1,024,054.20 per year with annual Consumer Price Index increases,**
8 **extending the term for eight years, with a total term of January 1, 2017, through**
9 **December 31, 2030, subject to City’s right to terminate the lease without penalty after**
10 **December 31, 2027; authorizing the General Manager to execute documents, make**
11 **certain modifications and take certain actions in furtherance of the First Amendment,**
12 **the Lease and this Resolution, as defined herein; and to authorize the General Manager**
13 **of SFPUC to enter into any amendments or modifications to the First Amendment that**
14 **do not increase the rent or otherwise materially increase the obligations or liabilities of**
15 **the City and are necessary or advisable to effectuate the purposes of the Lease or this**
16 **Resolution.**

17
18 WHEREAS, The San Francisco Public Utility Commission (“SFPUC”) currently leases
19 approximately 48,400 square feet of area (“Premises”) at 1980 Oakdale Avenue, San
20 Francisco (the “Property”), under a lease dated November 16, 2016 (“Lease”), a copy of which
21 is on file with the Clerk of the Board in File No.220605, for use by the SFPUC’s Water
22 Enterprise City Distribution Division (“CDD”); and

23 WHEREAS, CDD “owner-furnishes” all materials for its construction contracts to
24 maintain product and quality consistency. CDD utilizes the warehouse and outdoor storage
25 space at the Premises to house such materials, including pipes, valves, meter boxes, vaults,

1 and other facilities; since 2011, the inventory of materials that the warehouse processes for
2 capital projects has increased by 40 percent; and

3 WHEREAS, The Premises serves as a satellite office and warehousing facility located
4 directly across the street from the SFPUC Water Enterprise CDD's main facility at 1990
5 Newcomb Street; and

6 WHEREAS, The current term of the Lease expires on December 31, 2022; and

7 WHEREAS, In April of 2020, the City acquired approximately 7.5 acres of land at 2000
8 Marin in San Francisco for the construction of a new facility to replace the existing CDD facility
9 at 1990 Newcomb and the facilities at the Premises, among other uses; and

10 WHEREAS, The 2000 Marin project is currently in the planning stages; and

11 WHEREAS, Occupancy by CDD at 2000 Marin is not reasonably expected to occur
12 until after December 31, 2027, and until then CDD requires the continued use of the
13 Premises; and

14 WHEREAS, The SFPUC seeks to extend the term of the Lease until a new facility is
15 ready for occupancy; and

16 WHEREAS, The SFPUC, in consultation with the Office of the City Attorney, negotiated
17 an amendment to the Lease (the "First Amendment") to, among other items, extend the term
18 of the Lease, a copy of the which is on file with the Clerk of the Board in File No. 220605; and

19 WHEREAS, The First Amendment includes a flexible eight-year term which can be
20 terminated without penalty after December 31, 2027; and

21 WHEREAS, The base rent for the first year of the extension term is \$85,337.85 per
22 month which increases annually on each January 1 by the proportionate increase in the
23 Consumer Price Index; and

24 WHEREAS, On November 15, 2016, the Planning Department concurred that the
25 Lease is categorically exempt under CEQA, Section 153021, Class 1(Existing Facilities); and

1 WHEREAS, The proposed rent of the Lease is not less than Market Rent (as defined in
2 Administrative Code, Section 23.2); and

3 WHEREAS, At its April 26, 2022, meeting, the San Francisco Public Utilities
4 Commission passed a Resolution, a copy of which is on file with the Clerk of the Board in File
5 No. 220605, approving the First Amendment; now, therefore, be it

6 RESOLVED, That in accordance with the recommendation of the General Manager of
7 SFPUC, the Board of Supervisors approves the First Amendment in substantially the form
8 presented to the Board, and authorizes the General Manager to take all actions necessary to
9 execute the First Amendment and any other documents that are necessary or advisable to
10 effectuate the purpose of this Resolution; and, be it

11 FURTHER RESOLVED, That the Board of Supervisors authorizes the General
12 Manager of SFPUC to enter into any amendments or modifications to the First Amendment
13 (including without limitation, the exhibits) that the General Manager determines, in
14 consultation with the City Attorney, are in the best interest of the City, do not increase the rent
15 or otherwise materially increase the obligations or liabilities of the City, do not materially
16 reduce the benefits to the City, are necessary or advisable to effectuate the purposes of the
17 lease or this Resolution, and are in compliance with all applicable laws, including City's
18 Charter; and, be it

19 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
20 with respect to the Lease are hereby approved, confirmed and ratified; and, be it

21 FURTHER RESOLVED, That within thirty (30) days of the First Amendment being fully
22 executed by all parties, SFPUC shall provide the final First Amendment to the Clerk of the
23 Board for inclusion into the official file.

24
25 ///

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Available: \$512,027.10
6 months' base rent (1/1/23 to 6/30/23
25940-232404-10000-10029998+0006-
530000.

Controller Note: Funding in future fiscal years is subject to the enactment of the Annual Appropriation ordinance.

/s/
General Manager
San Francisco Public Utilities Commission

Item 5 File 22-0605	Department: San Francisco Public Utilities Commission (SFPUC)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the first amendment to a lease between the City and Landlord Kristian Akseth, Lilly Akseth, and Libkra Investment Corporation for 48,400 square feet of property located at 1980 Oakdale Avenue in San Francisco that is used by the San Francisco Public Utilities Commission (SFPUC). <p>Key Points</p> <ul style="list-style-type: none"> • The current lease expires on December 31, 2022. The first amendment would extend the lease term by eight years through December 31, 2030. • The proposed new annual base rent would increase from \$874,260 to \$1,024,054, which is at or below market rate based on a survey of comparable properties completed by SFPUC Real Estate staff and reviewed by our office. • The construction of a replacement SFPUC facility on City-owned land at 2000 Marin Street is in the planning stages, and according to SFPUC, will not be ready for occupancy until after December 31, 2027. Once it is ready, the lease at 1980 Oakdale Street will be terminated. • Under the amendment, the landlord will make improvements to the premises to become ADA compliant. SFPUC will then relocate 25 staff to work at the leased premises. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed eight-year lease extension, the City would make total rent payments of at least \$8.2 million, not including annual CPI adjustments. If the City (via SFPUC) exercises the Early Termination Option, rent payments could be as low as an additional \$5.1 million, not including CPI adjustments. • Funding for rent is paid from SFPUC Water Enterprise revenues. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

On November 16, 2016, the City signed a lease agreement on behalf of the San Francisco Public Utilities Commission (SFPUC) with landlord Kristian and Lilly Akseth and the Libkra Investment Corporation¹ for the lease of approximately 48,400 square feet of land at 1980 Oakdale Avenue in San Francisco, for a six-year term that commenced on February 1, 2017 and expires on December 31, 2022. During that time, the City has paid \$4.8 million in rent. The original lease did not meet the threshold that would bring it to the Board of Supervisors for approval under Charter Section 9.118 (b), since the lease term was for less than ten years and less than \$10 million in total rent.

The original agreement includes one option to extend the lease term by three years. The City has notified the Landlord in a timely manner of its intent to extend the lease term, beyond three years, as proposed here in the first amendment now under consideration.

On April 26, 2022, SFPUC recommended approval of the proposed first amendment lease (SFPUC Resolution 22-0078).

Description of Leased Premises

The premises leased by SFPUC consist of approximately 36,400 square feet of rentable building space, and approximately 12,000 square feet of paved yard space. The premises are currently used by SFPUC Water Enterprise's City Distribution Division mainly for storing materials including pipes, valves, and meter boxes, with some field staff also stationed in the building. The premises are located across the street from City-owned property at 1990 Newcomb Avenue, which serves as the main facility for the Water Enterprise's City Distribution Division. The City Distribution Division's need for additional warehouse space grew beyond the capacity of 1990 Newcomb to the point where it needed to lease the additional warehouse at 1980 Oakdale in 2016.

New Replacement Facility

In April 2020, the City acquired approximately 7.5 acres of land at 2000 Marin Street in San Francisco. SFPUC is planning to use this land to construct a new facility to replace the existing Water Enterprise's City Distribution Division facilities located at 1990 Newcomb Avenue and 1980

¹ Ownership of the Premises is split three-ways between the collective Landlord: individual Kristian Akseth who owns 32.5 percent, the individual Lilly Akseth who owns 32.5 percent, and the Libkra Investment Corporation which owns 35 percent.

Oakdale Avenue. The new facility construction for 2000 Marin Street is currently in the planning stages, and according to SFPUC, will not be ready for occupancy until after December 31, 2027. Until the construction at 2000 Marin Street is complete, SFPUC intends to continue leasing the premises located at 1980 Oakdale Avenue.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to a lease between the City and Landlord Kristian Akseth, Lilly Akseth, and Libkra Investment Corporation for 48,400 square feet of property located at 1980 Oakdale Avenue in San Francisco that is used by the San Francisco Public Utilities Commission (SFPUC). The current lease expires on December 31, 2022. The first amendment would:

- Extend the lease term by eight years for a new total lease term of 14 years, from January 1, 2017 through December 31, 2030, with no additional option to extend;
- Increase Annual Base Rent from \$874,260 to \$1,024,054 starting on January 1, 2023;
- City to pay one-time fee of \$17,500 within 30 days of the effective date of the amendment. This fee is a negotiated amount to cover the additional maintenance and repair services that the landlord would provide under the amended lease agreement (described below);
- Provide the City with the option to terminate the lease any time after December 31, 2027 with 270 days' advance written notice;
- Provide for the landlord to make improvements, repairs, and maintenance to the premises to become ADA compliant. SFPUC will add more personnel to work at the leased premises once it is ADA compliant.

The proposed new annual base rent of \$1,024,054 is at or below market rate based on a survey of comparable properties completed by SFPUC Real Estate staff and reviewed by our office.

Exhibit 1. Summary of Lease Provisions

	Original	First Amendment (<i>Proposed</i>)
Term	February 1, 2017 - December 31, 2022	Eight Year extension; February 1, 2017-December 31, 2030
Premises	48,400 square feet at 1980 Oakdale Street	No change
Permitted Use	Satellite office and warehousing facility for SFPUC Water Enterprise City Distribution Division	No change
Option to Extend	Yes, one 3-year term	None
Early Termination Option	None	Yes, without penalty after December 31, 2027, provided 270 days' advance notice
Base Rent	\$741,000 (initial); \$874,260 (current)	\$1,024,054
Rent per Square Foot ^a	\$20.36 per year (initial); \$24.18 (current)	\$28.13 per year
Rent Increases	Annually on each January 1 by regional Consumer Price Index (CPI)	No change
Security Services	City is responsible for the cost of its security for the Premises	Landlord shall maintain and repair existing security camera and burglar alarm system
Utilities & Services	Landlord provides to the building gas and electricity and water, City pays cost. City supplies janitorial, pest control and refuse removal services	No change
Improvements & Repairs	Landlord is responsible for maintenance of the exterior and structural portions of the building such as the sidewalk, roof, foundation, walls and window frames, as well as the building systems. City will be responsible for maintenance and repairs to the parking lot, perimeter fencing and the interior portions of the premises.	Additionally, Landlord shall now provide property repairs and maintenance including Lift Maintenance, HVAC Maintenance, Yard Gate Maintenance, installing an ADA-compliant washroom and repairing other washrooms to be ADA compliant. Landlord will purchase and install workstations at a not to exceed cost of \$325,000, reimbursed by the City.
Building Insurance	City is self-insured, not required to carry any insurance with respect to this Lease	No change

Notes: a) Rent calculated based on 36,400 square feet of building rentable area only

Source: Proposed First Amendment to Lease

Improvements & Repairs

As noted in Exhibit 1 above, the proposed lease extension requires the landlord to make improvements to the lease site to accommodate an increase in site staffing from 32 staff to 58 staff. Currently there are 32 FTEs working at 1980 Oakdale Street. According to SFPUC, 25 staff are being relocated from their current remote location at University Mound Reservoir Pipe Yard (850 Bacon Street) and 1990 Newcomb Avenue where they are stationed in leased construction trailers.² SFPUC will terminate the month-to-month trailer rentals (\$2,186 per month) following the ADA improvements and staff relocation to 1980 Oakdale Street. The renovated site could accommodate up to 62 staff, allowing for growth of 5 FTE over the eight-year term of the lease.

The improvements include converting the first floor into an office space and purchasing workstations at a not-to-exceed cost of \$325,000, which will be reimbursed by the City. The landlord will select design and construction contractors to complete the work. According to the proposed lease extension, the landlord plans to work with 450 Architects for design services but has not yet selected a general contractor.

In addition, the proposed lease transfers responsibility for interior building systems (such as electrical, plumbing, life safety, and HVAC), security system, and elevator maintenance from the City to the landlord.

FISCAL IMPACT

Under the proposed first amendment, beginning on January 1, 2023, the Annual Base Rent will be \$1,024,054, equal to approximately \$28.13 per square foot. Rent is adjusted annually on each January 1 to reflect the change in Consumer Price Index (CPI). Under the proposed eight-year lease extension, the City would owe total rent payments of at least \$8.2 million, not including annual CPI adjustments. If the City (via SFPUC) exercises the Early Termination Option, rent payments could be as low as an additional \$5.1 million, not including CPI adjustments.

Funding Source

Funding for rent is paid from SFPUC Water Enterprise revenues. The Controller's office confirmed that there are \$512,027.10 in funds available for the initial six months' base rent, from January 1, 2023 to June 30, 2023.

RECOMMENDATION

Approve the proposed resolution.

² According to SFPUC, the 28 staff being relocated are from the City Distribution Division, Engineering Construction Management Team. They will provide construction management services for the annual replacement of 10 – 12 miles of water mains.

FIRST AMENDMENT TO LEASE

(1980 Oakdale Ave., San Francisco, CA)

THIS FIRST AMENDMENT TO LEASE (this "**Amendment**") is made as of April 1, 2022, in San Francisco, California, by and between by KRISTIAN A. AKSETH, an individual, LILLY B. AKSETH, an individual, and LIBKRA INVESTMENT CORPORATION, a California corporation, collectively as landlord ("**Landlord**"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through its Public Utilities Commission ("**City**" or "**Tenant**") as tenant. Landlord and City are sometimes collectively referred to in this Amendment as the "Parties" or singularly as a "Party".

RECITALS

THIS AMENDMENT is made with reference to the following facts and circumstances:

A. City and Landlord entered into that certain Lease dated as of November 16, 2016 ("**Lease**"), for the lease of approximately 36,400 rentable square feet of building space and 12,000 rentable square feet of paved yard space (together, the "**Premises**") located at 1980 Oakdale Avenue ("**Building**"), in San Francisco, California.

B. City has one (1) option to extend the term for an additional three (3) years beyond the existing Expiration Date of December 31, 2022.

C. By that certain Agreement to Extend Notice dated December 1, 2021, Landlord and Tenant agreed that the date for City to provide notice of its intent to extend the term was February 28, 2022. City provided such notice in a timely manner.

D. The Parties now desire to extend and modify the Lease on the terms and conditions as set forth in this Amendment.

ACCORDINGLY, in consideration of the matters described in the foregoing Recitals, and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the City and Landlord agree as follows:

1. Definitions. Capitalized terms not otherwise defined in this Amendment have the meanings set forth in the Lease.

2. Amended Basic Lease Information. The subsections in Section 1 (Basic Lease Information) listed below are hereby amended and restated to read in their entirety as follows:

Term (Section 3.1):

Commencement Date: February 1, 2017

Extension Term Commencement Date: January 1, 2023

Extension Term Expiration Date: December 31, 2030, subject to City's termination rights after December 31 2027 as provided in Section 3.5 of the Lease (City's Early Termination Option).

Extension Options (Section 3.4):

None remaining.

Base Rent (Section 4.1) and Adjustment Dates (Section 4.2):

For the period from February 1, 2022 through December 31, 2022, the Annual Base Rent is \$874,260 (or \$72,855 per month). Beginning on January 1, 2023, the Annual Base Rent will be \$1,024,054.20 (or \$85,337.85 per month). Beginning on January 1, 2024, the Annual Base Rent shall be adjusted and thereafter adjusted annually on each January 1 pursuant to the provisions of Section 4.2 (Adjustments in Base Rent).

Within 30 days of the Effective Date, City shall pay a one-time fee of \$17,500 to Landlord.

Leasehold Improvements (Section 6):

Landlord, at its sole cost, through Landlord's general contractor and consultants, shall make the improvements specified in Section 6.1.

Landlord Repairs (Section 8.1):

Beginning on January 1, 2023, Landlord, at Landlord's cost, shall provide the following additional Property repairs and maintenance.

- Fire Alarm
- Lift Maintenance
- HVAC Maintenance
- Interior Plumbing and Electrical Systems as same exist as of the date of this Amendment, but excluding minor routine repairs and fixture replacements
- Yard Gate Maintenance

Security Services (Section 9.3):

Beginning January 1, 2023, Landlord, at Landlord's cost, shall maintain and repair the existing security camera and burglar alarm system.

Notice Address for Tenant (Section 23.1):

Real Estate Services Division
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 10th Floor
San Francisco, California 94102
Attn: Real Estate Director
Re: 1980 Oakdale Lease

With a copy to:

SFPUC City Distribution Division
1990 Newcomb Avenue
San Francisco, California 94124
Attn: Maintenance Manager
Re: 1980 Oakdale Lease

With a copy to:

Finance Division
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 3rd Floor
San Francisco, California 94102
Attn: Accounting Manager
Re: 1980 Oakdale Lease

With a copy to:

Office of the City Attorney City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Real Estate Team Leader
Re: 1980 Oakdale/ SFPUC
Fax No.: (415) 554-4755

Brokers (Section 23.8):

None for this Amendment.

3. New Section 3.5. (City’s Early Termination Option). A new Section 3.5 is added to **Section 3** (Term) to read in its entirety as follows:

3.5 City’s Early Termination Option

“City shall have the right to terminate the Lease, without cause or penalty, effective any time after December 31, 2027 by providing Landlord with 270 days’ advance written notice of termination.”

4. Amended Section 4.1 (Base Rent) is hereby amended by adding the following:

“Beginning on January 1, 2023, City shall pay to Landlord Annual Base Rent of \$1,024,054.20 (“**Base Rent**”). Beginning on the January 1, 2024, the Base Rent shall be adjusted in accordance with Section 4.2 (Adjustments in Base Rent) provided, however, that Landlord must be a registered, approved City vendor,

including maintaining a City business license, as a condition to City's payment of Rent.

Within 30 days of the Effective Date of this Amendment, City shall pay a one-time fee of \$17,500."

5. **A new sentence is added to the end of Section 4.2** (Adjustments in Base Rent) as follows:

"As soon as Landlord has calculated the adjusted Base Rent, Landlord shall send a notice to the addresses contained in Section 1 (Basic Lease Information) plus email such notice to RES@SFWATER.ORG."

6. **Section 6 (Leasehold Improvements)** is hereby amended and restated to read in its entirety:

"Section 6.1 (Improvements). Landlord, through 450 Architects ("Architect"), MCK Americas, Inc ("Project Manager"), a yet to be determined general contractor, and other vendors selected by Landlord (together, "**Landlord's Consultants**") shall construct the following described interior improvements to the Premises. Such work and installations are referred to as the "**Leasehold Improvement Work**" and "**Leasehold Improvements.**"

- a) Repair (and replace as necessary) the existing HVAC equipment so as to provide an ASHRAE-compliant HVAC system for the existing 32 employees located at the Building and to accommodate the addition of not more than 28 additional employees on the mezzanine level. At completion of the installation, Landlord's vendor/contractor shall deliver a standard air balance report to City.
- b) Install one (1) additional ADA compliant washroom on the mezzanine level in the area shown on Exhibit 1 to this Amendment.
- c) Install one (1) ADA compliant lift which will service the mezzanine level in the area shown on Exhibit 1 to this Amendment.
- d) Make improvements to both first-floor washrooms as required so that each such washroom is ADA compliant as shown on Exhibit 1 to this Amendment.

Landlord shall be solely responsible for the design, construction, and cost of the Leasehold Improvements. In that regard, Landlord reserves the right to replace any of Landlord's Consultants for any reason or no reason. Landlord shall work expeditiously and in good faith to prepare a detailed plan showing the improvements and a preliminary construction schedule, and to complete the Leasehold Improvements in a good and professional manner. Landlord shall keep City apprised on a regular basis of the status of plan preparation, permit issuance and the progress of construction.

City agrees to reasonably cooperate with Landlord for the installation of the Leasehold Improvements, including, without limitation, complying with any reasonable rules imposed by Landlord in connection with the Leasehold Improvement Work and moving Tenant's Personal Property as needed for Landlord to perform the

Leasehold Improvement Work, and to communicate issues concerning the Leasehold Improvement Work only directly and in writing (by email or otherwise) with Landlord. For the avoidance of any doubt, Tenant shall move Tenant's Personal Property, including causing its employees to pack up any personal items on their desks, as reasonably required or needed for Landlord to complete the Leasehold Improvement Work. Landlord, without the obligation to pay overtime, shall take all commercially reasonable efforts to minimize the disruption to City ongoing business. For the avoidance of any doubt, City acknowledges and agrees that the Leasehold Improvement Work shall be performed while City is occupying the Premises and that in order to perform certain of the Leasehold Improvement Work, certain of the washrooms being improved may be closed and that there may be times during the performance of such work when the mezzanine will be inaccessible or may not be used by Tenant, provided that one washroom at the Premises will be available at all times. The Leasehold Improvement Work may be noisy and messy and Landlord shall have no liability to Tenant for any disruption caused by the Leasehold Improvement Work so long as Landlord uses its commercially reasonable efforts to minimize disruption to the City's business in the Premises as set forth above.

Landlord shall secure any building and other permits and approvals, government fees, licenses and inspections as necessary for the proper performance and completion of the Leasehold Improvement Work; City shall reasonably cooperate with Landlord in its capacity as tenant if needed to assist Landlord in acquiring such permits and approvals. Landlord shall be responsible for arranging for all inspections. Landlord will pay prevailing wages in connection with construction of the Leasehold Improvements as further provided in Section 23.24 (Prevailing Wages and Working Conditions), and may not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban).

Landlord, 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 in the construction of the Leasehold Improvements, including 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 will 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.”

“Section 6.2 (Workstations): Landlord shall purchase Herman Miller or better workstations and related items such as floor protection and electrical hook ups (“**Workstations**”) through a vendor (the “**Workstation Vendor**”) reasonably approved by City up to a maximum total cost of \$325,000 (“**Workstation Cost**”). City shall be solely responsible for working with such Workstation Vendor to design and manage the installation of the Workstations. Landlord shall pay such Workstation Vendor’s invoice up to the amount of the Workstation Cost, but shall have no responsibility for any cost exceeding the Workstation Cost or the ordering, delivery, risk of loss, installation, or the long-term effectiveness of the Workstations. City shall arrange for and pay directly to the Workstation Vendor any amount for the Workstations that is over the Workstation Cost. Although Landlord will enter into the contract with the Workstation Vendor, Landlord’s performance under such contract shall be limited to payment to the Workstation Vendor and Landlord shall insure that any such contract provides that the warranties and guaranties therein are assignable to the City. Except for Landlord’s obligation to pay the invoice from the Workstation Vendor with respect to the Workstations, City’s only remedy with respect to the Workstations shall be to the Workstation Vendor.

Within thirty (30) days of the completion of the installation of the Workstations and Landlord’s invoicing, City shall pay Landlord the actual cost of the furniture Workstations plus a fifteen percent (15%) administrative fee (“**Workstation Administrative Fee,**”) up to the Workstation Cost. If the Workstation Cost is not paid by City within such thirty (30) days, interest on the unpaid amount will be computed monthly at a rate of 9% percent annually (0.75 % monthly). The Workstation order must be placed, if at all, by the later of (i) September 30, 2023, or (ii) nine (9) months following receipt of notice of substantial completion of the Leasehold Improvement Work.

In addition, upon the expiration or sooner termination of this Lease, City shall be responsible for (i) removing the Workstations and repairing any damage caused by such removal, or (ii) paying the sum of \$10,000 to Landlord in accordance with Section 20.”

7. **Section 8** (Repairs and Maintenance) beginning on January 1, 2023, is hereby amended and restated to read in its entirety:

“8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Except for any damage directly caused by City or its Agents or Invitees (excluding normal wear and tear and casualty), Landlord shall repair and maintain, at its cost and in a clean, safe, attractive and working condition, the exterior and structural portions of the Building, including, without limitation, the sidewalk, tree trimming, existing roof including drain clearing, the yard gate, foundation, the exterior walls, and exterior window frames and subflooring. Except for any damage directly caused by City or its Agents or Invitees (excluding normal wear and tear and casualty), Landlord shall also repair and maintain, at its cost and in a clean, safe, and working condition the plumbing, electrical, fire protection, life safety, and other mechanical and electrical components of the Building from the street to the Building (collectively, the "**Building Systems**"), in addition to the following interior items:

(a) The interior plumbing as same exist as of the date of this Amendment, but excluding minor routine repairs that do not require a permit or third party vendor for parts or repair, and do not require access to the Building Systems, such as clogged toilets and leaky faucets;

(c) The interior electrical system as same exist as of the date of this Amendment, but excluding minor routine repairs and fixture replacements that do not require a permit or third party vendor for parts or repair, and do not require access to the Building Systems, such as replacing light bulbs and electrical outlet faceplates;

(d) The HVAC system, including changing the filters as required;

(e) The security cameras and related recording system as described in Section 9.3 below;

(f) The Fire and Life Safety systems, including the fire sprinkler and alarm systems but excluding annual certification and servicing of the portable fire extinguishers;

(g) Roof drain cleaning; and

(h) Exterior graffiti removal.

(i) The interior Building lift being installed as part of the Leasehold Improvements.

Except for the repairs described in this Section 8.1 and Section 9.3 below, Tenant shall be responsible for all other repairs to the Premises.

8.2 City's Repairs

Subject to any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations set forth in Section 8.1 and Section 9.3, City shall repair and maintain at its cost the parking lot, the perimeter fencing, and the interior portions of the Premises, including, without limitation, the roll-up doors and those interior portions of the Building Systems for the Premises not being maintained by Landlord pursuant to Section 8.1, and shall keep the Premises in good working order and attractive condition and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that Landlord specifies in writing (i) at City's cost, (ii) by contractors or mechanics selected by City and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, (iv) in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. If City fails to make such repairs within thirty (30) days of notice from Landlord of the need for such repairs (except in cases of emergency in which case no notice or notice that is reasonable under the circumstances will be given), then Landlord may give City written notice of Landlord's intent to perform such repairs and its cost and City shall reimburse Landlord for the reasonable and necessary costs incurred by Landlord in performing such repairs, including payment of an Administrative Fee, as Additional Charges hereunder within thirty (30) days of a receipt of an invoice therefor.

8.3 Liens

City shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by City during the Term. Landlord shall have the right to post on the Premises any notices permitted or required by law or that are needed for the protection of Landlord, the Premises, or the Building, from mechanics' and material suppliers' liens. City shall give Landlord at least fifteen (15) days' prior written notice of commencement of any repair or construction on the Premises."

8. Section 9.3 (Security Services) is hereby amended and restated to read in its entirety:

"9.3 Security Services. Beginning January 1, 2023, while Tenant remains solely responsible for Tenant's other security needs at the Premises, Landlord, at its cost, shall be responsible for maintaining and repairing the existing security cameras and security alarm system. Throughout the Term, City shall provide a knowledgeable representative available 24/7 to respond to any alarms and shall be responsible for the cost of any so-called "false alarm" fees charged by the City. Landlord shall not be liable for any injury, theft or damage caused by a third-party or Tenant, including to persons or to property, due to any reason, including any failure of the security systems. The maintenance and repair of the security cameras and security alarm system is an accommodation and is not meant to create any obligation on the part of Landlord to provide security to the Premises. City, and not Landlord, shall be responsible for operating the alarms and reviewing any security camera footage."

9. **Section 10.1** (Premises Condition) is hereby amended and restated in its entirety effective as of the Extension Term Commencement Date:

“10.1 Premises Condition. Except for the Leasehold Improvement Work, Landlord shall not be obligated to provide or pay for any improvement, remodeling or refurbishment work or services related to the Premises and City shall accept the Premises in its “AS_IS, WHERE-IS” condition. City acknowledges that City has been in possession of the Premises since February 1, 2017 and City is familiar with the condition of the Premises.”

10. **Section 20** (Surrender of Premises) is hereby amended and restated to read in its entirety:

“20. Surrender. Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, excepting reasonable use and wear and damage by fire or other casualty or condemnation. Prior to the Expiration Date, City shall remove from the Premises all of City's Personal Property, restore the breakroom which City is using as a water testing laboratory to its original condition as of the original Effective Date of the Lease (the **“2016 Condition”**), and remove any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. For the avoidance of doubt, City is required to remove all wires and cables installed by City in the Premises. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. City's obligations under this Section shall survive the expiration or earlier termination of this Lease. If City does not remove the Workstations and/or repair removal damage, City shall pay Landlord a lump sum of \$10,000. If City does not restore the breakroom to its 2016 Condition, City shall pay Landlord a lump sum of \$10,000. The payments described in the preceding sentence must be paid within thirty (30) days following any termination or expiration of the Lease and if such sum is not timely paid, it shall accrue interest at the rate of 9% per annum until paid.”

11. **Section 23.5** (Parties and Their Agents; Approvals) is amended by deleting the last sentence of such Section (which begins with the words “All approvals, consents...”) and replacing the deleted language with the following two sentences inserted at the end of the Section:

“Whenever this Lease requires or permits the giving by City of its consent or approval, the San Francisco Public Utilities Commission General Manager, 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. If there is more than one entity that comprises Landlord, the obligations and liabilities under this Lease imposed on Landlord shall be joint and several.”

12. **Section 23.24** (Prevailing Wages for Construction Work) is hereby amended and restated to read in its entirety:

“23.24 Prevailing Wages for Construction Work. 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 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 City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching Party.”

13. New **Subsection 23.38** is added to **Section 23** (General Provisions) as follows:

“23.38 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 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.”

14. New **Subsection 23.39** is added to **Section 23** (General Provisions) as follows:

“23.39 Notification of Prohibition on Contributions.

By executing this Lease, Landlord acknowledges its obligations under section 1.126 of the City’s Campaign and Governmental Conduct Code, which prohibits any person who leases, or seeks to lease, to or from any department of the City any land or building from making any campaign contribution to (a) a City elected official if the lease must be approved by that official, (b) a candidate for that City elective office, or (c) a committee controlled by that elected official or a candidate for that office, at any time from the submission of a proposal for the lease until the later of either the termination of negotiations for the lease or twelve (12) months after the date the City approves the lease. Landlord acknowledges that the foregoing restriction applies only if the lease or a combination or series of leases or other contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of one hundred thousand dollars (\$100,000) or more. Landlord further acknowledges that (i) the prohibition on contributions applies to each prospective Party to the lease; any person with an ownership interest of more than 10 percent (10%) in Landlord; any subcontractor listed in the lease; and any committee that is sponsored or controlled by Landlord; and (ii) within thirty (30) days of the submission of a proposal for the Lease, the City department with whom Landlord is leasing is obligated to submit to the Ethics Commission the Parties to the lease and any subcontractor. Additionally, Landlord certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the lease, and has provided the names of the persons required to be informed to the City department with whom it is leasing.”

15. New **Subsection 23.40** is added to **Section 23** (General Provisions) as follows:

“23.40 Landlord’s Compliance with City Business and Tax and Regulations Code.

Landlord acknowledges that under Section 6.10-2 of the San Francisco Business and Tax Regulations Code, the City Treasurer and Tax Collector may require the withholding of payments to any vendor that is delinquent in the payment of any amounts that the vendor is required to pay the City under the San Francisco Business and Tax Regulations Code. If, under that authority, any payment City is required to make to Landlord under this Lease is withheld, then City will not be in breach or default under this Lease, and the Treasurer and Tax Collector will authorize release of any payments withheld under this paragraph to Landlord, without interest, late fees, penalties, or other charges, upon Landlord coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.”

16. New **Subsection 23.42** is added to **Section 23** (General Provisions) as follows:

“23.41 Contractor Vaccination Requirements. Landlord acknowledges that it has read the requirements of the 38th Supplement to Mayoral Proclamation Declaring the Existence of a Local Emergency (“Emergency Declaration”), dated February 25, 2020, and the Contractor Vaccination Policy for City Contractors issued by the City Administrator (“Contractor Vaccination Policy”), as those documents may be amended from time to time. A copy of the Contractor Vaccination Policy can be found at: <https://sf.gov/confirm-vaccine-status-your-employees-and-subcontractors>.

Any undefined, initially-capitalized term used in this Section has the meaning given to that term in the Contractor Vaccination Policy.

A Contract as defined in the Emergency Declaration is an agreement between the City and any other entity or individual and any subcontract under such agreement, where Covered Employees of the contractor or subcontractor work in-person with City employees at a facility owned, leased, or controlled by the City. A Contract includes such agreements currently in place or entered into during the term of the Emergency Declaration. A Contract does not include an agreement with a state or federal governmental entity or agreements that does not involve the City paying or receiving funds.

Landlord has read the Contractor Vaccination Policy. In accordance with the Emergency Declaration, if this Lease is (or becomes) a Contract as defined in the Contractor Vaccination Policy, Landlord agrees that:

(1) Landlord shall ensure it complies with the requirements of the Contractor Vaccination Policy pertaining to Covered Employees, as they are defined under the Emergency Declaration and the Contractor Vaccination Policy, and insure such Covered Employees are fully vaccinated for COVID-19 or obtain an exemption based on medical or religious grounds; and

(2) If Landlord grants Covered Employees an exemption based on medical or religious grounds, Tenant will promptly notify City by completing and submitting the Covered Employees Granted Exemptions Form (“Exemptions Form”), which can be found at <https://sf.gov/confirm-vaccine-status-your-employees-and-subcontractors> (navigate to “Exemptions” to download the form).

17. No Joint Venture. This Amendment or any activity by the City hereunder does not create a partnership or joint venture between the City and Landlord relating to the Lease or otherwise. This Amendment does not constitute authorization or approval by the City of any activity conducted by Landlord.

18. References. No reference to this Amendment is necessary in any instrument or document at any time referring to the Lease. Any future reference to the Lease shall be deemed a reference to such document as amended hereby.

19. General Provisions. (a) This Amendment may be amended or modified only by a writing signed by Landlord and Tenant. Except as expressly modified or amended herein, the terms, covenants and conditions of the Lease shall remain unmodified and in full force and effect and shall not constitute a waiver of relinquishment of any rights which either Party may have relating to the Lease. (b) No waiver by any Party of any of the provisions of this Amendment shall be effective unless in writing and signed by an officer or other authorized representative, and only to the extent expressly provided in such written waiver. (c) This Amendment has been drafted through a cooperative effort of both Parties, and no Party shall be considered the drafter of this Amendment, 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 Amendment. (d) The Lease as amended by this Amendment (including any exhibit(s), which are hereby made a part of

this Amendment) contains the entire agreement between the parties regarding Tenant's use of the Premises and all prior written or oral negotiations, discussions, understandings, and agreements are merged in the Lease, as amended by this Amendment. (e) The section and other headings of this Amendment are for convenience of reference only and shall be disregarded in the interpretation of this Amendment. (f) Time is of the essence. (g) This Amendment shall be governed by California law. (h) If either Party commences an action against the other or a dispute arises under this Amendment, the prevailing party shall be entitled to recover from the other reasonable attorney's fees and costs, including reasonable attorney's fees and costs on appeal and enforcing any judgment awarded to the prevailing party. (i) This Amendment may be executed in two or more counterparts and by electronic means, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. (j) Use of the word "including" or similar words will not be construed to limit any general term, statement, or other matter in this Amendment, whether or not language of non-limitation, such as "without limitation" or similar words, are used. (k) The Parties agree to execute such further instruments and to take such further actions as may be reasonably required to carry out the intent of this Amendment.

20. Effective Date. This Amendment shall become effective on the date ("**Effective Date**") that (i) the City's Board of Supervisors enacts such resolution authorizing this Amendment and (ii) the Amendment is fully executed and delivered by both Parties.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AMENDMENT, 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 AMENDMENT 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 AMENDMENT SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS AMENDMENT, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS AMENDMENT 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.

Signatures on the next page

In witness whereof, the Parties hereto have executed this Amendment as of the date written above.

LANDLORD:

Kristian A. Akseth, as his sole and separate property, owner of thirty-two- and one-half percent (32.5%), Lilly B. Akseth, an individual as owner, as her sole and separate property, owner of thirty-two- and one-half percent (32.5%), LIBKRA INVESTMENT CORPORATION, a California corporation, owner of thirty-five percent (35%)

By: kristian a. akseth
B7C6F243415B459...
Kristian A. Akseth
DocuSigned by:

By: knut a. akseth (for lilly b. akseth)
DB805967349A48B...
Lilly B. Akseth
DocuSigned by:

By: knut a. akseth
DB805967349A48B...
LIBKRA INVESTMENT CORPORATION, a
California corporation
Its: President

TENANT:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Dennis J. Herrera
General Manager
San Francisco Public Utilities Commission

APPROVED AS TO FORM:
DAVID CHIU, City Attorney
By:

Elizabeth A. Dietrich
Deputy City Attorney

LEASE

among

KRISTIAN A. . AKSETH, an individual,

LILLY B. AKSETH, an individual, and

LIBKRA INVESTMENT CORPORATION, a California corporation,
as Landlord,

and

CITY AND COUNTY OF SAN FRANCISCO,
acting by and through its Public Utilities Commission,
as Tenant

For the lease of

1980 Oakdale Avenue
San Francisco, California

November 16, 2016

TABLE OF CONTENTS

	<u>Page</u>
1. BASIC LEASE INFORMATION	1
2. PREMISES	4
2.1 Lease Premises	4
2.2 Disability Access	4
2.3 INTENTIONALLY OMITTED	4
3. TERM	4
3.1 Term of Lease	4
3.2 Commencement Date and Expiration Date.....	5
3.3 Delay in Delivery of Possession	5
3.4 Extension Option(s)	5
4. RENT	5
4.1 Base Rent	5
4.2 Adjustments in Base Rent.....	6
4.3 Additional Charges	6
4.4 Determination of Base Rent for the Extended Term (s)	6
4.5 Definitions.....	6
4.6 Payment of Percentage Share of Insurance Costs.....	7
4.7 Payment of Percentage Share of Real Estate Taxes.....	8
4.8 Proration.....	8
4.9 Audits.....	8
4.10 Records	8
5. USE.....	8
5.1 Permitted Use.....	8
5.2 Observance of Rules and Regulations	9
5.3 Interference with Access.....	9
6. LEASEHOLD IMPROVEMENTS	9
6.1 Intentionally Omitted	9
6.2 Landlord's Obligation to Deliver the Premises	9
7. ALTERATIONS	10
7.1 Alterations by City	10
7.2 Title to Improvements.....	10
7.3 City's Personal Property	10

_____ 7.4	Alteration by Landlord.....	11
8.	REPAIRS AND MAINTENANCE	11
_____ 8.1	Landlord's Repairs.....	11
_____ 8.2	City's Repairs.....	11
_____ 8.3	Liens.....	11
9.	UTILITIES AND SERVICES	12
_____ 9.1	Landlord's Provision of Utilities	12
_____ 9.2	Janitorial Services & Refuse Removal	12
_____ 9.3	Security Service	12
_____ 9.4	Additional Services.....	12
_____ 9.5	Conservation	12
_____ 9.6	Disruption in Essential Utilities or Services	12
10.	COMPLIANCE WITH LAWS; PREMISES CONDITION	13
_____ 10.1	Premises Condition and Landlord's Compliance with Laws; Indemnity	13
_____ 10.2	City's Compliance with Laws; Indemnity	14
_____ 10.3	City's Compliance with Insurance Requirements.....	14
11.	SUBORDINATION.....	14
12.	DAMAGE AND DESTRUCTION.....	15
13.	EMINENT DOMAIN	16
_____ 13.1	Definitions.....	16
_____ 13.2	General.....	16
_____ 13.3	Total Taking; Automatic Termination.....	16
_____ 13.4	Partial Taking; Election to Terminate.....	16
_____ 13.5	Termination of Lease; Rent and Award.....	17
_____ 13.6	Partial Taking; Continuation of Lease	17
_____ 13.7	Temporary Taking	17
14.	ASSIGNMENT AND SUBLETTING	18
15.	DEFAULT; REMEDIES	18
_____ 15.1	Events of Default by City	18
_____ 15.2	Landlord's Remedies	19
_____ 15.3	Landlord's Default	19
16.	INDEMNITIES.....	19
_____ 16.1	City's Indemnity	19
_____ 16.2	Landlord's Indemnity.....	20

17.	INSURANCE.....	20
_____	17.1 City's Self-Insurance	20
_____	17.2 Landlord's Insurance	21
_____	17.3 Waiver of Subrogation.....	22
18.	ACCESS BY LANDLORD.....	22
19.	ESTOPPEL CERTIFICATES	22
20.	SURRENDER OF PREMISES	23
21.	HAZARDOUS MATERIALS.....	23
_____	21.1 Definitions.....	23
_____	21.2 Landlord's Representations and Covenants.....	23
_____	21.3 Landlord's Environmental Indemnity.....	24
_____	21.4 City's Covenants.....	24
_____	21.5 City's Environmental Indemnity.....	24
22.	SPECIAL PROVISIONS.....	24
_____	22.1 First Offer to Purchase.....	24
23.	GENERAL PROVISIONS	26
_____	23.1 Notices	26
_____	23.2 No Implied Waiver	26
_____	23.3 Amendments	26
_____	23.4 Authority	27
_____	23.5 Parties and Their Agents; Approvals.....	27
_____	23.6 Interpretation of Lease	27
_____	23.7 Successors and Assigns.....	27
_____	23.8 Brokers.....	28
_____	23.9 Severability	28
_____	23.10 Governing Law	28
_____	23.11 Entire Agreement.....	28
_____	23.12 Attorneys' Fees	28
_____	23.13 Holding Over	29
_____	23.14 Cumulative Remedies	29
_____	23.15 Time of Essence.....	29
_____	23.16 Survival of Indemnities.....	29
_____	23.17 Signs.....	29
_____	23.18 Quiet Enjoyment and Title.....	29

_____ 23.19	Bankruptcy.....	30
_____ 23.20	Transfer of Landlord's Interest	30
_____ 23.21	Non-Liability of City Officials, Employees and Agents	30
_____ 23.22	MacBride Principles - Northern Ireland	30
_____ 23.23	Controller's Certification of Funds.....	30
_____ 23.24	Prevailing Wages for Construction Work.....	31
_____ 23.25	Non Discrimination in City Contracts and Benefits Ordinance.....	31
_____ 23.26	Tropical Hardwood and Virgin Redwood Ban	32
_____ 23.27	Bicycle Parking Facilities	33
_____ 23.28	Resource-Efficient City Buildings and Pilot Projects.....	33
_____ 23.29	Counterparts	33
_____ 23.30	Effective Date	33
_____ 23.31	Sunshine Ordinance	33
_____ 23.32	Conflicts of Interest.....	33
_____ 23.33	Notification of Limitations on Contributions	34
_____ 23.34	Preservative-Treated Wood Containing Arsenic	34
_____ 23.35	Cooperative Drafting	34
_____ 23.36	Landlord Exculpation.....	34
_____ 23.37	Force Majeure	35

LIST OF EXHIBITS AND SCHEDULES

- EXHIBIT A – Floor Plan(s) of Premises
- EXHIBIT B – Notice of Commencement Date
- EXHIBIT C – Exclusions From Costs
- EXHIBIT D – Rules and Regulations
- EXHIBIT E- Environmental Disclosure

LEASE

THIS LEASE (this "Lease"), dated for reference purposes only as of November 16, 2016, is by and between Kristian A. Akseth, an individual as owner, as his sole and separate property, of thirty-two and one half percent (32.5%) of the "Property" that is the subject of this Lease ("Kakseth"), Lilly B. Akseth, an individual as owner, as her sole and separate property, of thirty-two and one half percent (32.5%) of the "Property" that is the subject of this Lease ("Lakseth") and LIBKRA INVESTMENT CORPORATION, a California corporation ("Libkra"), owner of thirty-five percent (35%) of the "Property" that is the subject of this Lease (Libkra and together with KAKseth and LAKseth, "Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant"), acting by and through its Public Utilities Commission ("SFPUC").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	November 16, 2016
Landlord:	KRISTIAN A. AKSETH, LILLY B. AKSETH and LIBKRA INVESTMENT CORPORATION
Tenant:	CITY AND COUNTY OF SAN FRANCISCO, by and through its Public Utilities Commission
Premises (<u>Section 2.1</u>):	The entire building (the "Building") consisting of approximately 36,400 square feet of improvements and the associated and approximately 12,000 square feet of paved area as shown on Exhibit A
Rentable Area of Building (<u>Section 2.1</u>):	Approximately 36,400 rentable square feet
Term (<u>Section 3</u>):	Estimated Commencement Date: January 1, 2017 Expiration Date: December 31, 2022
Extension Options (<u>Section 3.4</u>):	One (1) additional term of three (3) years, exercisable by City by notice to Landlord given not less than 365 days in advance, with rent adjusted by the Consumer Price Index as provided in Section 4.2.

Base Rent (<u>Section 4.1</u>):	Annual Base Rent: \$741,000 (approximately \$20.36 per square foot on Building Rentable Area only) Monthly payments: \$61,750 (approximately \$1.70 per square foot on Building Rentable Area only)
Adjustment Dates (<u>Section 4.2</u>):	Beginning on the first anniversary of the Commencement Date and on each successive anniversary of the Commencement Date during the Term, including during any Extended Term, Base Rent will be adjusted annually by the proportionate increase in the Consumer Price Index
Base Year for Property Taxes (<u>Section 4.3</u>):	2016-2017
Base Year for Insurance Costs (<u>Section 4.3</u>):	2017
City's Percentage Share (<u>Section 4.3</u>):	100%
Use (<u>Section 5.1</u>):	Warehouse and associated general office and any other purposes commensurate with the existing zoning and for no other purposes without the prior written consent of Landlord which consent shall not be unreasonably withheld or delayed
Leasehold Improvements (<u>Section 6</u>):	None
Base Building Improvements (<u>Section 6</u>):	Landlord, at Landlord's sole cost, shall deliver the Premises to City in as-is, where-is condition, subject to Landlord's repair obligations and one-year warranty as set forth in Section 6.2.
Utilities (<u>Section 9.1</u>):	Paid by City
Other Services (<u>Section 9.2 & 9.3</u>):	Paid by City

Additional Services (Section 9.4)

City shall have the right to request that Landlord, at City's cost, perform lease-related services or incur additional expenses not covered under this Lease that City may request from time to time in writing and as approved by the SFPUC Real Estate Director, subject to Landlord's right to refuse to perform such services as provided in Section 9.4. If Landlord elects to perform such services or incur such additional expenses, City shall reimburse Landlord for such expenses as they are incurred, at rates agreed-upon in advance, including an Administrative Fee to Landlord as set forth in Section 9.4.

Notice Address of Landlord (Section 23.1):

LIBKRA INVESTMENT CORPORATION, a California corporation
1475 Fairfax Avenue
San Francisco, California 94124
Attn: Knut A. Akseth
Email: akseth@aol.com

Key Contact for Landlord:

Knut A. Akseth

Landlord Contact Telephone No.:

(415) 298-9880

Notice Address for Tenant (Section 23.1):

Real Estate Services Division
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 10th Floor
San Francisco, California 94102
Attn: Real Estate Director
Re: 1980 Oakdale Lease

with a copy to:

Real Estate Division
City & County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: John Updike,
Director of Property
Re: 1980 Oakdale/ SFPUC
Fax No.: (415) 552-9216

and to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Real Estate Team Leader
Re: 1980 Oakdale/ SFPUC
Fax No.: (415) 554-4755

Key Contact for Tenant:

Christopher Wong, SFPUC Real Estate

	Services
Tenant Contact Telephone No.:	415-487-5211
Alternate Contact for Tenant:	Charlie Dunn. City's Real Estate Division
Alternate Contact Telephone No.:	415-554-9861
Brokers (<u>Section 23.8</u>):	Landlord shall pay a fee to Calco Commercial, Inc. ("Broker") pursuant to a separate written agreement.
Other Noteworthy Provisions (<u>Section 22</u>):	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, the entire Building and land identified in the Basic Lease Information (the "Property") and shown on the floor plan(s) attached hereto as Exhibit A (the "Premises"). The Premises contain the rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. Landlord and City hereby stipulate that the rentable area of the Premises is as stated in the Basic Lease Information, that any square footage that may have been used in calculating any of the economic terms in this Lease is an approximation which Landlord and City agree is reasonable, and that no economic terms based upon such calculation are subject to revision, whether or not the actual square footage is more or less. The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

2.2 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.

2.3 INTENTIONALLY OMITTED

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "Initial Term") commencing on the later to occur of (a) the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or (b) the date that is the later of (i) thirty (30) days following Landlord's notice of Landlord's ability to deliver the Premises, (ii) Landlord's delivery the Premises to City, (iii) Landlord is an approved vendor of City, and (iv) San Francisco Public Utilities Commission has approved the transaction contemplated by this Lease, in their respective sole and absolute discretion, as further provided in this Lease. The Initial Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4

(Extension Option(s)), below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term(s) if City exercises the Extension Option(s) 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." If the Commencement Date occurs on a date other than the Estimated Commencement Date, then promptly thereafter Landlord shall deliver to City a notice substantially in the form of Exhibit B attached hereto, confirming the actual Commencement Date, but Landlord's failure to do so shall not affect the commencement of the Term or the enforceability of this Lease.

3.3 Delay in Delivery of Possession

Landlord shall use its best efforts to deliver possession of the Premises on or before the Estimated Commencement Date. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease. If the Term commences later or earlier than the Estimated Commencement Date, this Lease shall nevertheless expire on the Expiration Date, unless sooner terminated pursuant to the provisions of this Lease. If Landlord cannot deliver possession of the Premises to City within one hundred and eighty (180) days after the Estimated Commencement Date as required by this Lease, then City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord.

3.4 Extension Option(s)

City shall have the right to extend the Initial Term of this Lease (the "Extension Option(s)") for the additional term(s) specified in the Basic Lease Information (the "Extended Term(s)"). Such Extension Option(s) shall be on all of the terms and conditions contained in this Lease and the rent shall be adjusted as provided in Section 4.4 (Determination of Base Rent During Extended Term). City may exercise the Extension Option(s), if at all, by giving written notice to Landlord no later than three hundred and sixty-five (365) days prior to expiration of the Term to be extended; provided, however, if City is in material default under this Lease on the date of giving such notice and fails to cure such default 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 San Francisco Public Utilities Commission, in its sole and absolute discretion, approving and authorizing the same, within ninety (90) days after the date such Base Rent for the Extended Term has been determined.

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. If the Commencement Date occurs on a day other than the first day of a calendar month or the Expiration Date occurs on a day other than the last

day of a calendar month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30) day month.

4.2 Adjustments in Base Rent

On each date specified in the Basic Lease Information for the adjustment of Base Rent (an "Adjustment Date"), the Base Rent payable under Section 4.1 shall be adjusted for the following twelve-month period by an amount equal to the proportionate increase in the Consumer Price Index ("CPI") as provided below:

The Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics (the "Index"), which is published for the three months preceding the Adjustment Date (the "Adjustment Index"), shall be compared with the Index published the three months preceding the Commencement Date in the case of the first Adjustment Date or, in the case of any subsequent Adjustment Date, the Index published the three months preceding the Adjustment Date (the "Base Index").

If the Adjustment Index has increased over the Base Index, then the Base Rent payable on and after the Adjustment Date shall be set by multiplying the Base Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index.

If the Index is changed so that the base year differs from that used as of the date most immediately preceding the Commencement Date, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

4.3 Additional Charges

City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"), including the charges for Real Estate Taxes and Insurance Costs as provided below. 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, Additional Charges and any other amounts owed by City to Landlord pursuant to the terms of this Lease are sometimes collectively referred to below as "Rent."

4.4 Determination of Base Rent for the Extended Term (s)

Upon the commencement of each Extended Term, Base Rent shall continue to be adjusted in accordance with Section 4.2 (Adjustments in Base Rent).

4.5 Definitions

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

- (a) "Base Year" means the year specified in the Basic Lease Information.
- (b) "City's Percentage Share" means the percentage specified in the Basic Lease Information.
- (c) "Expense Year" means each calendar year commencing January 1st of each year during the Term, including any partial year in which this Lease commences; provided

that Landlord, upon advance written notice to City, may change the Expense Year to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Insurance Costs shall be equitably adjusted for the Expense Years involved in any such change. Expense Year shall not include the Base Year.

(d) "Insurance Costs" means all insurance required to be carried by Landlord pursuant to the terms of this Lease. Notwithstanding anything to the contrary in this Lease, all Insurance Costs required by this Lease shall, if not issued solely for the Premises, be equitably prorated amongst all insured property of Landlord.

(e) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to any portion of the Property, including the Building. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes.

Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, gross receipts, or capital stock taxes or income taxes of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes hereunder, (3) any personal property taxes payable by City hereunder, or (4) any increase in Real Estate Taxes due to any reassessment upon a transfer of any of Landlord's interest in the Building or the real property on which the Building is located.

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

4.6 Payment of Percentage Share of Insurance Costs

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Insurance Costs for each Expense Year exceed the Insurance Costs for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. With reasonable promptness not to exceed ninety (90) days after the expiration of each Expense Year, Landlord shall furnish City with a statement (herein called "Landlord's Expense Statement"), setting forth in reasonable detail the Insurance Costs for such Expense Year and City's Percentage Share thereof. If City's Percentage Share of the actual Insurance Costs for such Expense Year exceeds the estimated Insurance Costs paid by City for such Expense Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the amount of estimated Insurance Costs paid by City and City's Percentage Share of the actual Insurance Costs within thirty (30) days after the receipt of Landlord's Expense Statement. If the total amount paid by City for any such Percentage Share of Insurance Costs exceeds City's actual Insurance Costs for such Expense Year, such excess shall be credited against the next installments of Insurance Costs due from City to Landlord hereunder, or refunded to City, at City's option.

4.7 Payment of Percentage Share of Real Estate Taxes

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the amount, if any, by which Real Estate Taxes for each Tax Year exceed Real Estate Taxes for the Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. With reasonable promptness not to exceed thirty (30) days after Landlord has received the tax bills for any Tax Year, Landlord shall furnish City with a statement ("Landlord's Tax Statement") setting forth the amount of Real Property Taxes for such Tax Year and City's Percentage Share thereof. If City's Percentage Share of the actual Real Estate Taxes for such Tax Year exceeds the estimated Real Estate Taxes paid by City for such Tax Year, City shall pay to Landlord (whether or not this Lease has terminated) City's Percentage Share of the actual Real Estate Taxes within thirty (30) days after the receipt of Landlord's Tax Statement. If the total amount of estimated Real Estate Taxes paid by City for such Tax Year exceeds City's Percentage Share of the actual Real Estate Taxes for such Tax Year, such excess shall be credited against the next installments of Real Estate Taxes due from City hereunder, or at City's option, such excess shall be refunded to City.

4.8 Proration

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

4.9 Audits

City shall have the right, upon not less than five (5) business days' notice to Landlord, to audit the books and records of the Building related to Insurance Costs and Real Estate Taxes. Only an employee of City, the Budget & Legislative Analyst or a certified public accountant retained by City shall be permitted to conduct any such audit. If such audit discloses any discrepancies that would result in a reduction of City's Percentage Share of Insurance Costs for any Expense Year, Landlord shall immediately refund to City the amount of any overpayment by City. City shall pay the cost of such audit, provided that if such audit discloses any discrepancies that result in a reduction of City's Percentage Share of Insurance Costs of five percent (5%) or more for any Expense Year, then Landlord shall pay the costs of such audit.

4.10 Records

Landlord shall maintain at its offices in San Francisco, CA in a safe, complete and organized manner all of its records pertaining to this Lease and Real Estate Taxes, Insurance Costs and any other charges paid by City pursuant hereto, for a period of not less than three (3) years following expiration of the Term. Landlord shall maintain such records on a current basis and in sufficient detail to facilitate adequate audit and review thereof. All such books and records shall be available for inspection, copying and audit by City and its representatives, at City's expense, subject to the provisions of Section 4.9 above.

5. USE

5.1 Permitted Use

City may use the Premises for a warehouse, offices, parking and any other purpose compatible with existing zoning and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed.

5.2 Observance of Rules and Regulations

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit D (the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City 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, are not in 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 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 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, after consultation with the City's Administrator, interrupt City's access to the Premises in the event of an immediate threat of the Premises, or any other portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Building or access thereto is interrupted as a result of the Premises, or any portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease, or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition continues for three (3) business days and impairs City's ability to carry on its business in the Building, the Rent payable hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business in the Building. In no event shall there be any abatement of Rent if City can continue business in more than seventy-five percent (75%) of the Building and has access to and from the Building. 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 Building, 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 one hundred twenty (120) days of the date City's use was interrupted, and such use is actually restored within such 120-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 Intentionally Omitted

6.2 Landlord's Obligation to Deliver the Premises

Landlord, at Landlord's sole cost, shall be responsible for delivery of the Premises in good working condition (e.g. gates, doors and windows) and provide a one-year warranty commencing as of the Commencement Date, provided Landlord shall not be responsible for damage caused by City or its Agents or Invitees, during such one-year warranty period, normal wear and tear excepted, and for the 3-electric roll up doors, the warranty period shall be thirty (30) days. For the avoidance of any doubt, such one-year warranty period shall only obligate

Landlord to make repairs to the Premises to assure that such components are in good working order.

7. ALTERATIONS

7.1 Alterations by City

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises ("Decorative Improvements") shall not constitute Alterations requiring Landlord's consent, but City shall provide Landlord with fifteen (15) days advance notice before performing any Alterations, including, Decorative Improvements. Any Alterations permitted hereunder shall be made at City's cost, lien free, and 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 an Administrative Fee (defined in Section 9.4) in connection with any Alterations. 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 (excluding any cabling and wires, which must be removed) must be removed by 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 shall 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 Property from the Premises within ten (10) 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 ten (10) days after the Expiration Date.

7.4 Alteration by Landlord

Landlord shall use its commercially reasonable 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 Premises by Landlord. Landlord shall promptly remedy any such interference or disruption upon receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Except for any damage directly caused by City or its Agents or Invitees (normal wear and tear excepted), Landlord shall repair and maintain, in a clean, safe, attractive condition, the exterior and structural portions of the Building, including, without limitation, the sidewalk, existing roof, foundation, the exterior walls, and exterior window frames and subflooring. Except for any damage directly caused by City or its Agents or Invitees (normal wear and tear excepted), Landlord shall also repair and maintain, at its cost and in a clean, safe, attractive condition, the plumbing, electrical, fire protection, life safety, and other mechanical and electrical connections from the street to the Building. (collectively, the "Building Systems"). Landlord shall also provide roof drain cleaning, annual tree trimming, Fire Alarm/sprinkler certification (but not the fire extinguisher certifications which are City's responsibility below), and prompt exterior Graffiti removal.

Without limiting the foregoing, Landlord shall maintain and repair all of the exterior surfaces of the Building in a clean, safe and attractive manner. Except for the repairs described in this Section 8.1, Tenant shall be responsible for all other repairs to the Premises.

8.2 City's Repairs

Subject to Landlord's warranty under Section 6.2, and Landlord's repair and maintenance obligations hereunder as set forth in Section 8.1, City shall repair and maintain at its sole cost and expense all other portions of the Premises, including the parking lot, the perimeter fencing and the interior portions of the "Building Systems" (which for the purposes hereof shall mean all plumbing, electrical, fire protection, life safety, and other mechanical systems after their connection to the Building and not maintained by Landlord pursuant to Section 8.1 above), fire extinguishers as required by code, all interior cleaning and shall keep the Premises in good working order and condition and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that Landlord specifies in writing (i) at City's cost, (ii) by contractors or mechanics selected by City and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, (iv) in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. If City fails to make such repairs and replacements, then Landlord may give City written notice of Landlord's intent to perform such repairs and its cost and City shall reimburse Landlord for the reasonable and necessary costs incurred by Landlord in performing such repairs, including payment of the Administrative Fee, as Additional Charges hereunder within thirty (30) days of a receipt of an invoice therefor.

8.3 Liens

City shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by City during the Term. Landlord shall have the right to post on the Premises any notices permitted or required by law or that are needed for the protection of

Landlord, the Premises, or the Building, from mechanics' and material suppliers' liens. City shall give Landlord at least fifteen (15) days' prior written notice of commencement of any repair or construction by City on the Premises.

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Landlord shall furnish to the Building Utility Panel (a) gas and electric current in amounts required for normal lighting, heating, ventilating, air conditioning (HVAC) and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); (b) water for lavatory, kitchen and drinking purposes on a Daily Basis. City shall be responsible for the direct payment to the utility provider for cost of such utilities.

9.2 Janitorial Services & Refuse Removal

City shall be responsible for the cost of its janitorial, pest control and refuse removal services.

9.3 Security Service

City shall be responsible for the cost of its security for the Premises.

9.4 Additional Services

City reserves the right to request that Landlord, at City's cost, perform lease-related services or incur additional expenses not covered under this Lease that City may require from time to time, as requested by City in writing and approved by the Director of Property. Landlord reserves the right to refuse to perform such additional services if City and Landlord cannot agree to the cost thereof. City shall reimburse Landlord for such expenses as they are incurred, at rates and maximum costs agreed upon in advance together with an administrative fee of five percent (5%) of such costs (the "Administrative Fee"). City shall reimburse Landlord for such costs, as Additional Charges, within thirty (30) days of City's receipt of an invoice therefor.

9.5 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.

9.6 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, 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 and hazard detection and alarm, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of three (3) or more days if such failure is in the reasonable control of Landlord or a period of thirty (30) or more consecutive days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost

thereof against the Rent next due under this Lease. For the avoidance of any doubt, Landlord's obligation to provide the Essential Services shall be to the point of connection of such Essential Services to the Building, and any interruption in Essential Services from the point of connection to the Building into the Building that is not caused by events occurring prior to the point of connection shall not be the obligation of Landlord to correct or ameliorate. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for sixty (60) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within one hundred twenty (120) days of the date City's use was interrupted, and the Essential Services are actually restored within such 120-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 solely to the acts, omissions or negligence of City and its Agents and Invitees.

The parties agree that if a disruption of Utilities or Essential Services affects only a portion of the Building and City continues to have full use and unfettered access to the remaining portion of the Building, Base Rent shall be equitably prorated.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

10.1 Premises Condition and Landlord's Compliance with Laws; Indemnity

Except as set forth in this Lease, Landlord shall not be obligated to provide or pay for any improvement, remodeling or refurbishment work or services related to the Premises and City shall accept the Premises in its "AS-IS, WHERE IS" condition. Landlord represents and warrants to City, to the actual knowledge of Landlord, that: (a) Landlord has received no written notices that the Building is an unreinforced masonry building; (b) Landlord has received no written notices that the Building and Building Systems serving the Premises are not in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); (c) Landlord has received no written notices that the Building and Building Systems serving the Premises are not in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and (d) there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Whenever the term "to Landlord's actual knowledge" is used in this Lease it shall mean the actual knowledge of Knut Akseth without any duty of inquiry and investigation and in no event shall Mr. Akseth have any personal liability therefor.

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 10.1.

10.2 City's Compliance with Laws; Indemnity

Except as provided above, City shall use, keep and maintain the Premises during the Term in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Seismic Safety Laws, and Life Safety Laws, except that City shall not be required to make any structural alterations, additions or other modifications in order to comply therewith if such modifications are otherwise Landlord's responsibility under this Lease. City shall be responsible for complying with any requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"). 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.

In the event that the City's cost of compliance with any Laws pursuant to the terms of this Lease exceeds two hundred fifty thousand dollars (\$250,000), City may terminate this Lease effective 60 days following City's termination notice ("Laws Termination Notice"); provided however, Landlord shall have the right by notice to City within thirty (30) days of receipt of City's Laws Termination Notice to revoke City's termination by providing notice of its intent to within one hundred twenty (120) days make improvements or alterations necessary to comply with such Laws. In such an event City shall pay the first \$250,000 of actual third-party costs incurred by Landlord to make such improvements or alterations. In making such improvements or alterations, City, at City's option, shall pay such amount, either (i) within thirty (30) days of receipt of an invoice together with reasonable evidence of such costs or (ii) in equal monthly installments over the remaining Term.

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 Building, (c) cause an increase in the fire insurance premium for the Building unless City agrees to pay such increase, or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason solely of any business operation being conducted by City in the Premises; provided, however, Landlord shall provide City with reasonable prior written notice of any applicable insurance requirements and no such insurance requirements shall materially and adversely interfere with City's normal business in the Premises.

11. SUBORDINATION

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (a) 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 (b) 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 such 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 and the holder of the Encumbrance evidencing such subordination or superiority of this Lease.

(b) 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 attempt 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 (a) 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 (b). 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, the Building or any Building Systems are damaged by fire or other casualty, Landlord shall repair the same without delay, provided that such repairs can be made under applicable laws within one hundred and twenty (120) days after Landlord obtains all necessary permits for such repairs but not later than three hundred (300) days after the date of such damage (the "Repair Period"). City, acting only as a property user and not in its regulatory capacity shall cooperate and assist Landlord in obtaining such permits required to repair such damage. In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an equitable 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 Building. In no event shall Rent abate if there has been no damage to the Building or Building Systems or if City can continue to operate its business in more than 75% of the Building. In addition, 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 or its Invitees.

Within twenty (20) days after the date of such damage, Landlord shall notify City whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then either party hereto may, by written notice to the other given within thirty (30) days after the date of such damage, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Building, 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 any casualty, including, flood or earthquake, and such damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry hereunder (excluding any deductible, for which Landlord shall be responsible), Landlord may terminate this Lease by written notice to City within thirty (30) days of the date Landlord receives written notice that such damage is not covered by insurance. Such notice from Landlord

shall include, if applicable, 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.

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

The parties intend that the provisions of this Section govern fully their rights and obligations in the event of damage or destruction, and Landlord and City each hereby waives and releases any right to terminate this Lease in whole or in part under Section 1932, subdivision 2, 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 (which must include a Taking of part of the Building or such non-Building Taking makes the Property untenable or unsuitable for City's use), then this Lease shall terminate in its entirety if all of the following exist: (i) the partial Taking, in City's reasonable judgment, exercised in good faith,

renders the remaining portion of the Premises untenable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affects City's normal operations in the Building, (ii) the condition rendering the Premises untenable 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 Building, 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 Building taken shall, in City's reasonable judgment, exercised in good faith, render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Building.

(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, or pursuant to an election under Section 13.4 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 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 Building taken bears to the area of the Building 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. For the avoidance of any doubt, there shall be no reduction in Rent based on a Taking that does not include a taking of a portion of the Building. In order to calculate Real Estate Taxes and Insurance Costs payable by City hereunder, the Real Estate Taxes for the Base Year and Insurance Costs for the Base Year shall be reduced to reflect the smaller size of the Premises (the "Taking Base Year Adjustments"), and City's payment of Real Estate Taxes and Insurance Costs following the Taking shall be based on such Taking Base Year Adjustments.

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 may directly assign, sublet or otherwise transfer less than 25% of its interest in or rights with respect to the Premises or its leasehold estate hereunder, provided City gives Landlord prior written notice thereof. City shall not directly or indirectly sell, assign, or otherwise transfer all or more than 25% of its interest in or rights with respect to the Premises or its leasehold estate hereunder, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed. For the transfer of all or more than 25% of its interest in or rights with respect to the Premises or its leasehold estate, Landlord shall be entitled to retain 50% of any net subleasing or assignment profits after amortizing all reasonable and actual costs associated with respect to such transfer and limited to attorneys' fees, brokerage commissions and Alterations (as approved by the terms of this Lease) required to complete such transfer. Such amortization shall be straight line over the applicable sublease or assignment term. Nothing in this Section 14 shall permit City to encumber, pledge or hypothecate City's interest in this Lease, including its leasehold estate, without Landlord's consent which consent may be withheld in Landlord's sole discretion.

For the purposes hereof, the parties agree that 25% shall be based on the total area of Building. If City desires to assign this Lease to an entity that is not a City department, non-profit, vendor or contractor of City, then within ten (10) business days of Landlord's receipt of City's notice of intent to sublease or assign, Landlord may elect to terminate this Lease in which case City and Landlord shall agree to a termination date which shall be no later than 90 days from the date of City's notice, and on such termination date, this Lease shall terminate, and each of Landlord and City shall be relieved of all obligations hereunder accruing on or after the termination date (except to the extent such obligation specifically survives any termination of this Lease)..

Notwithstanding the foregoing, use of all or any part of the Premises or sublease(s) to any City departments, non-profits, vendors or contractors of City shall not be considered an assignment or sublet and shall not be subject to Landlord's approval or profit participation.

In no event shall City be released from liability under this Lease in connection with any assignment of this Lease or subletting of the Premises or any other transfer of all or part of the Premises or this Lease as permitted or approved by the terms of this Article 14.

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 any Adjustment Date, City shall have twenty (20) days to cure any such nonpayment after written notice thereof from Landlord;

(b) City's abandons 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.

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after thirty (30) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such thirty (30)-day period, such thirty (30)-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. City's rights hereunder and under Section 3.3 (Delay in Delivery of Possession), Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Claims"), incurred as a result of (a) City's use of the Premises, (b) any default by City in the performance of any of its material obligations under this Lease, (c) any lien attaching to the Property in connection with any work performed by City at the Premises, or (d) 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 gross 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. In addition to the

foregoing, City hereby assumes all risk of damage to property and injury to persons in, on or about the Premises, from any cause whatsoever (other than as a result of any breach of Landlord's obligation under this Lease or due to the gross negligent acts of Landlord or its Agents) and agrees that Landlord and its Agents shall not be liable for, and are hereby released from any responsibility for any damage to property or injury to persons or resulting from the loss of use of property, which damage or injury is sustained by City or by other persons claiming by or through City, including, without limitation, its Agents and Invitees. 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 any gross 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

Landlord acknowledges that City maintains a program of self-insurance and agrees that City shall not be required to carry any insurance with respect to this Lease. City assumes the risk of damage to any of City's Personal Property, except for damage caused by Landlord or its Agents.

If City assigns or sublets all or any portion greater than fifty percent (50%) of its interest in this Lease, to any party other than to a City department, then such assignee shall carry the following policies of insurance at its sole cost and expense:

Commercial general liability insurance with limits of not less than Five Million Dollars (\$5,000,000.00) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability, personal injury, products and completed operations, and explosion, collapse and underground coverages;

Workers' Compensation Insurance as required by law with Employer Liability Limits of not less than One Million Dollars (\$1,000,000.00) each accident;

Business automobile liability insurance with limits not less than Five Million Dollars (\$5,000,000.00) each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, as applicable, if such assignee or Sublessee uses automobiles (including trucks) in connection with its use of the Premises;

All risk property insurance covering the full replacement cost of any Alterations or City property installed or placed in the Premises by the City or such sublessee or assignee;

Should any of the insurance required to be carried by an assignee or sublessee be provided under a claims-made form, such assignee or sublessee shall maintain such coverage

continuously throughout the Term, and for a period of three (3) years beyond the expiration or termination of this Lease, without lapse.

Should any of the required insurance to be carried by an assignee or sublessee be provided under a form of coverage that includes a general annual aggregate limit or provides that claims of investigation or legal defense costs be included in such general annual aggregate limit, such general aggregate limit shall double the occurrence or claims limits specified above.

All liability insurance policies shall be endorsed to provide to name Landlord, including Kristian A. Akseth, and Lilly B. Akseth, any third-party property manager retained by Landlord, and any beneficiary of a deed of trust recorded against the Property, as additional insureds and shall be primary to any other insurance available to the additional insureds, with respect to any claims arising out of this Lease, and that insurance applies separately to each insured against whom claim is made or suit is brought.

Each insurance policy to be carried by an assignee or sublessee pursuant to this Section shall be issued by an insurance company licensed in the state of California with a rating of "A-" and a size rating of "Class VIII" or higher in the most recent edition of Best's Insurance Guide.

All insurance policies required to be carried by an assignee or sublessee pursuant to this Section shall be endorsed to provide thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to both such assignee or sublessee and Landlord.

Upon Landlord's request, any assignee or sublessee required to carry insurance pursuant to this Section shall deliver to Landlord certificates of insurance and additional insured policy endorsements from insurers, in a form satisfactory to Landlord, evidencing such coverage.

17.2 Landlord's Insurance

At all times during the Term, Landlord shall, as part of Insurance Costs, keep the Premises (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. In no event shall Landlord be obligated to carry earthquake or flood insurance unless Landlord elects to do so in its sole discretion and its sole cost. 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 property insurance Landlord is required to carry pursuant to this Lease. 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.

In addition, Landlord, as part of Insurance Costs, shall procure and keep in effect at all times during the Term, 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. 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, at its election and as part of Insurance Costs, may carry rental interruption insurance for a period of up to six (6) months and the portion of the rental loss insurance directly attributable to the Property shall be equitably included in the Base Year.

In the event Landlord has employees, Landlord shall also maintain, as part of Insurance Costs, 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 Building or 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 Building or the Premises, provided, Landlord's failure to do so shall not affect the above waiver. If City self-insures any risks to which coverage would otherwise be required under this Lease, City's self-insured protection shall be deemed to include the waivers of subrogation and the City will consider Landlord as an additional covered party under City's self-insured protection with respect to liability arising from the acts and omissions of City's employees and City shall not be relieved of its indemnification obligations under this Lease.

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 nine (9) 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), and (d) 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 good order and condition, 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 and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. For the avoidance of any doubt, including without limitation, the terms of Section 7.1 above, City shall remove all wires and cables installed by City in the Premises. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. 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 except as otherwise disclosed to City as set forth on Exhibit E, the following statements are true and correct and will be true and correct as of the Commencement Date: (a) Landlord has received no written notice that the Property is in violation of any Environmental Laws; (b) Landlord has received no written notice that the Property is now, nor has it been, used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except for the use of such substances in such limited quantities as are customarily used in offices, which limited use has been and is in compliance with Environmental Laws; (c) Landlord has received no written notice that the Property consists of any landfill or contain any underground storage tanks; (d) Landlord has received no written notice that the Building consists of any asbestos-containing materials or building materials that contain any other Hazardous Material, nor do the Premises or any portion of the Building contain any lead-based paints; (e) to Landlord's actual knowledge without any duty of inquiry, there has been and is no Release of any Hazardous Material in the Building or in,

on, under or about the Property; and (f) to Landlord's actual knowledge without any duty of inquiry, 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 Lease, 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

City shall not be liable to Landlord for nor otherwise obligated to Landlord under any provision of this Lease with respect to any cost or expense resulting or arising from Hazardous Materials introduced or released in, on or about the Premises prior to the Effective Date or arising from Hazardous Materials released in, on or about the Premises after the Effective Date, except to the extent released, directly or indirectly, by City or its Agents or Invitees.

21.4 City's Covenants

Neither City nor its Agents shall cause any Hazardous Material to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or the Property, or transported to or from the Premises or the Property, in violation of any Environmental Laws, provided that City may use such substances in such limited amounts as are customarily used in offices so long as such use is in compliance with all applicable Environmental Laws. City shall also be responsible for removing or ameliorating any Hazardous Materials in accordance with applicable Environmental Laws that (i) 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, or (ii) are encountered by City in connection any Alterations performed by City or in connection with any repairs to the Premises which are City's obligation under this Lease and in either (i) or (ii) to the extent such Hazardous Materials are disclosed or described on Exhibit E.

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4, or if City or its Agents or Invitees cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims arising during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting 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. SPECIAL PROVISIONS

22.1 First Offer to Purchase

In the event Landlord decides to sell the Property during the Term of the Lease, Landlord shall first offer the Property to the City at the purchase price that the Property will be offered to the real estate market. such purchase price shall be contained in a written notice ("Sale Notification") from Landlord to City and such purchase price shall be subject to adjustment as provided below. The City shall have thirty (30) days from the Sale Notification date to submit (i) an acceptance of the purchase at the price contained in the notice or (ii) a counter offer at a lesser price and otherwise upon the other business terms contain therein.

City's offer to purchase shall be subject to the approval of the Board of Supervisors and the Mayor within seventy-five (75) days of execution of a Purchase and Sale Agreement, incorporating the terms herein and other reasonable and customary terms, the title company being willing to issue ALTA Title Insurance acceptable to City, and, at City's option, City's successful issuance of a debt type instrument to fund the purchase.

Within (3) days of the execution of a Purchase and Sale Agreement, Landlord shall deliver copies of all reports, appraisals and other documents in Landlord's possession, not previously delivered to City. Landlord shall cooperate with the City in its due diligence investigation.

If requested by Landlord, City, at no additional cost or liability to City, shall cooperate with Landlord in effectuating an IRS 1031 Exchange.

Close of escrow shall occur on or before one hundred and fifty-five (155) days from the date of City's notice of the approval by City's Board of Supervisors and Mayor of the purchase. At Landlord's option, Landlord shall have three (3) options to extend the Closing Date by up to one hundred eighty (180) days (each). Landlord shall exercise such option to Extend the Closing Date by providing City with thirty (30) days advance written notice.

At closing, City shall pay for the cost of the premium of the extended coverage title insurance policy, one half the escrow fees, and one half of the other typical closing expenses. Landlord shall pay one half the transfer taxes, one half the escrow fees and one half the other typical closing expenses such as notary fees and overnight express charges. Landlord shall deliver the following (among other customary items) through a mutually agreeable escrow company:

- (i) a grant deed conveying ALTA insurable title subject only to taxes not yet due and payable, and other exceptions acceptable to City,
- (ii) a bill of sale for all personal property on the Property, and
- (iii) a written disclosure of all known facts (including any and all property inspection reports) which would affect the marketability or City's intended use of the Property.

If City does not agree to purchase the Property upon purchase price contained in the Sale Notification and does not make any counter offer within the thirty (30) day period, then City's right of first offer shall terminate and Landlord shall be free to sell the Property to any person whomever and upon any terms whatsoever without any obligation to City.

If, however, City while not accepting the purchase price set forth in the Sale Notification, has made an all- cash- on – closing counter offer (the "City's Counter Offer") within the thirty (30) day period that has not been accepted by Landlord, then Landlord may sell the Property, free of any claim of City, to any potential buyer who is willing to pay a gross purchase price (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 herein after to referred to as "Gross Purchase Price") exceeding the amount of City's Counter Offer.

In the event Landlord is unable to sell the Property for more than City's Counter Offer, and still wishes to sell Premises, Landlord shall give another Sale Notification if and when Landlord intends to sell the Property at a later date and the above procedure for City's first right of purchase shall be repeated.

This right of first offer to purchase shall terminate and be of no further effect if a sale of the Property to an arm's length third party is consummated in accordance with the foregoing provisions.

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 (or any other reputable overnight courier service), return receipt requested, with postage prepaid, to: (a) City at Tenant's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) such other address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by email or 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 or email.

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 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. Kristian Akseth and Lilly Akseth, by signing below, hereby agrees that for all purposes under this Lease, Libkra Investment Corporation shall have the sole authority to receive Rent and all other benefits of this Lease and to perform all obligation of Landlord under this Lease. Each party represents to the other party that the persons signing on their respective behalf are authorized to do so.

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 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.

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. Should City hold over with or without Landlord's consent, the Base Rent payable by City during the period of such holding over shall be at one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term of this Lease for the first thirty (30) days and thereafter at one hundred fifty percent (150%) of the monthly Base Rent in effect during the last month of the Term and such tenancy shall otherwise be on the terms and conditions contained herein. City shall also continue to pay all Real Estate Taxes and Insurance Costs over the Base Year, as provided in Section 4, during any such holdover.

23.14 Cumulative Remedies

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

23.15 Time of Essence

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

23.16 Survival of Indemnities

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

23.17 Signs

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

23.18 Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the Rent hereunder and

performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full Term of this Lease as against all persons or entities claiming by and through Landlord or on account of any action, inaction or agreement of Landlord or its Agents.

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 shall use its reasonable efforts to give Landlord reasonable advance notice of such termination.

23.24 Prevailing Wages for Construction Work

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. As applicable, 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.

As applicable, any of Landlord's Contractors and Subcontractors (regardless of tier) who perform work of any improvement at the Premises during the Term of this Lease 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 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) within the parking lot or the Building and all Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in the sidewalk or Building locations required under the Planning Code.

23.28 Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction and operation of City buildings. Landlord, at City's cost, hereby agrees that it shall cooperate with all applicable provisions of such code sections provided the costs for improvements, shall be paid by City.

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

The date on which this Lease shall become effective (the "Effective Date") is the date upon which (a) City's San Francisco Public Utilities Commission, in their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and (b) this Lease is duly executed by the parties hereto.

23.31 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.

23.32 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 such provisions, and agrees that if Landlord becomes aware of any such fact during the Term of this Lease, Landlord shall immediately notify City.

23.33 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.

23.34 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 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.

23.35 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.

23.36 Landlord Exculpation

It is expressly understood and agreed that notwithstanding anything in this Lease or applicable law to the contrary, the liability of Landlord hereunder (including, for the avoidance of any doubt, Kristian Akseth and Lilly Akseth) and any recourse by City against Landlord shall be limited solely and exclusively to Three Million Six Hundred Thousand Dollars (\$3,600,000), and neither Landlord, nor any of Landlord's Agents shall have any personal liability therefor, and City hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under City.

23.37 Force Majeure

Any material prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God or nature, inability to obtain services, labor or materials or reasonable substitutes therefor after using diligent and timely efforts, every action, protests, riots, demonstrations, governmental actions, civil commotions, fire or other casualty, terror and other causes beyond the reasonable control of the party obligated to perform, , (collectively, "Force Majeure") shall excuse the performance of such party for a period equal to such prevention, delay or stoppage caused by such Force Majeure event. In the event of any such delay, the party affected by such delay shall give prompt written notice to the other of the occurrence of such event and the projected delay in performance and thereafter shall keep the other party regularly informed of the status of such Force Majeure event. Under no circumstances shall the number of days of Force Majeure exceed a total of sixty (60) days and in no event shall an event of Force Majeure excuse or delay the payment of any amounts owed by a party to the other party, including the payment of Rent.

LANDLORD ACKNOWLEDGES THAT ANY LEASE IS SUBJECT (i) TO A FINDING BY THE CITY'S PLANNING DEPARTMENT THAT SUCH POTENTIAL LEASE IS IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND THE CITY'S GENERAL PLAN AND POTENTIALLY (ii) A PREVAILING MARKET RATE APPRAISAL PERFORMED BY AN MAI DESIGNATED APPRAISER.

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 THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION 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 THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION 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.

[Signatures on the following page]

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

LANDLORD:


LIBKRA INVESTMENT CORPORATION,
a California corporation

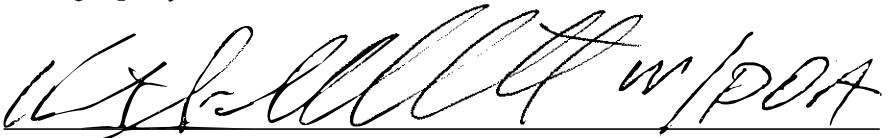
By: 

Its: PRESIDENT

By: _____

Its: _____


Kristian A. Akseth, as his sole and separate
property

 w/POA
Lilly B. Akseth, as her sole and separate property

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: 

Deputy General Manager
SFPUC

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: 

Michelle Sexton
Deputy City Attorney

EXHIBIT A

1980 / 1990 OAKDALE AVENUE

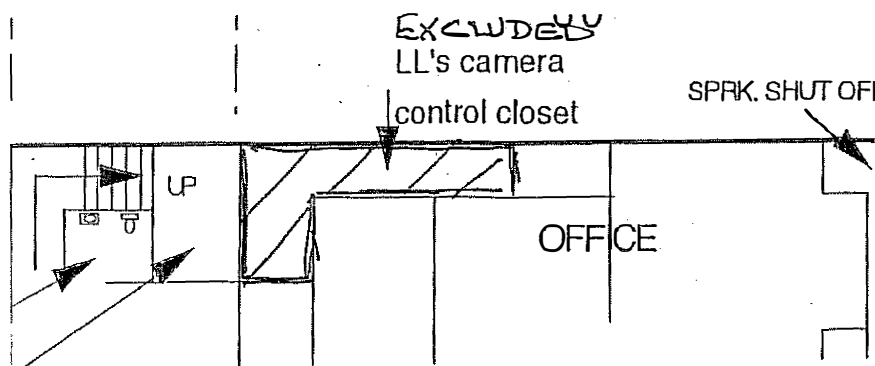
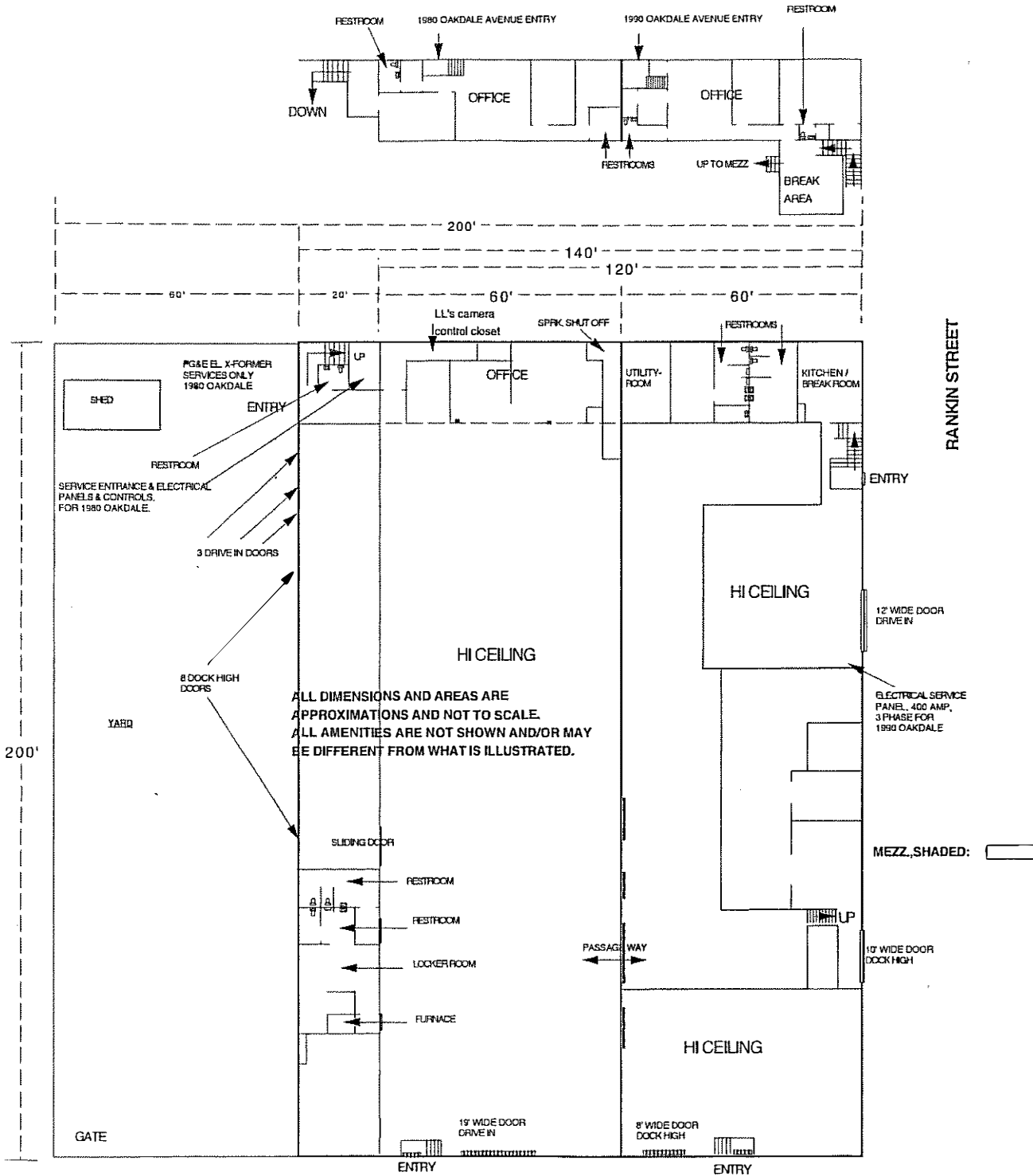


EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

Real Estate Director
Real Estate Services Division
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 10th Floor
San Francisco, California 94102

RE: Acknowledgement of Commencement Date, Lease dated _____, 2016 between _____ (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises located at 1980 Oakdale Avenue, San Francisco, California _____

Dear Ms. Russell:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as defined in Section 3.2 of the Lease) is _____, 20__.

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

Very truly yours,

By: _____
Title: _____

Accepted and Agreed:

San Francisco Public Utilities Commission

By: _____
Rosanna Russell
Real Estate Director

Dated: _____

EXHIBIT C

EXCLUSIONS FROM COSTS

1. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due;
2. Costs (including, without limitation, all attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes, including, without limitation, tax disputes, except to the extent that such dispute results in a cost savings with respect to Real Estate Tax Costs;

EXHIBIT D

Building Rules and Regulations

1. No advertisement, picture or sign of any sort shall be displayed on or outside the Premises without the prior written consent of Landlord, which shall not be unreasonably withheld. Landlord shall have the right to remove any such unapproved item without notice and at City's sole expense.
2. 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 Tenant on the Premises, except that use by Tenant 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.
3. All window coverings installed by City and visible from the outside of the Building require the prior written approval of Landlord, which shall not be unreasonably withheld.
4. City shall not use, keep or permit to be used or kept any foul or noxious gas or substance or any flammable or combustible materials on or around the Premises or the Building.
5. City shall not alter any lock or install any new locks or bolts on any door at the Premises without the prior consent of Landlord.
6. City agrees not to make any duplicate keys without the prior consent of Landlord.
7. No person shall go on the roof of the Building without Landlord's permission.
8. City is responsible for the storage and removal of all trash and refuse. All such trash and refuse shall be contained in suitable receptacles stored inside the Premises, except as otherwise designated by Landlord.
9. City shall not permit any animals, including, but not limited to, any household pets, to be brought or kept in or about the Premises or the Property, unless they are utilized for assistance for invitees with disabilities.
10. City shall not use or keep in the Premises or the Building any kerosene, gasoline or flammable, combustible or noxious fluid or materials without the prior written consent of Landlord.
11. 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.

12. City assumes all responsibility for protecting its Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry closed.
13. City shall be responsible for the observance of all the foregoing Rules and Regulations by Tenant's employees, agents, clients, customers, invitees and guests.

EXHIBIT E

ENVIRONMENTAL DISCLOSURE

1. Landlord is informed and believes that a prior tenant of the Premises may have stored lead acid batteries on the Property and may have stored other Hazardous Materials on the Property.
2. An underground storage tank was located on the Property and removed and closure received by Remedial Action Completion Certification, dated August 3, 1995, LOP No. 10341.
3. The Building is an industrial warehouse, which for most of its life has been operated as a large commercial bakery, and there may be Hazardous Materials in or around the Building and the Property, which may normally not be found in an office environment. These Hazardous Materials could include, but not be limited to fuels, oil, lubricants, lead acid batteries and other unknown Hazardous Materials.
4. Based on the age of the Building, asbestos was commonly used in construction and there could be asbestos containing materials in the Building or elsewhere on the Premises.
5. Prior to commencing paint removal on the Building in early August of 1999 samples of paint were subjected to testing for lead by use of a hardware store kit. The tests were negative. On August 4, 1999, Mr. Antonio V. Flores, Division Manager of the San Francisco Water Department expressed concern about paint removal to workers outside 1980 Oakdale Avenue. He left his business card. On August 9, 1999, a Notice of Violation was received from Inspector Bernard Tom of the San Francisco Building Department. Immediately afterwards Ms. Nancy Burns, DHS Certified Contractor and Lead Inspector was contacted. She said paint samples could be taken the next day, which were and sent to Forensic Analytical (FA) for analysis. The results came back on August 16, 1999, showing the presence of lead below the then HUD Guidelines of less than .5%, which "is positive for lead paint." On October 8, 1999, a second Notice of Violation was received from Inspector Tom stating he wanted a formal report. On October 19, 1999 FA issued report #M031242, which was faxed to Inspector Bernard Tom, a copy of which has been provided to City prior to City's Lease execution.

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 22-0078

WHEREAS, The City and County of San Francisco (“City”), through the San Francisco Public Utilities Commission (“SFPUC”) as tenant, and Kristian A. Akseth, Lilly B. Akseth, and Libkra Investment Corporation, together as landlord, entered into a lease dated November 16, 2016 (“Lease”) for use of an approximately 36,400 square-foot building (“Building”) and an approximately 12,000 square-foot paved area at 1980 Oakdale Avenue in San Francisco, California (“Premises”); and

WHEREAS, The Premises is located directly across the street from the SFPUC Water Enterprise City Distribution Division (“CDD”) facility at 1990 Newcomb Street. The Premises serves as a satellite office and warehousing facility; and

WHEREAS, The Lease expires on December 31, 2022. City has one option to extend the term for an additional three years beyond the existing expiration date of December 31, 2022; and

WHEREAS, CDD “owner-furnishes” all materials for its construction contracts to maintain product and quality consistency at the Premises. CDD needs the warehouse and outdoor storage space to house such materials, including pipes, valves, meter boxes, vaults, and other facilities. Since 2011, the inventory of materials the warehouse processes for capital projects have increased by 40 percent, and the inventory is still growing; and

WHEREAS, In April of 2020, the City acquired approximately 7.5 acres of land at 2000 Marin in San Francisco. The SFPUC is planning to construct a new facility to replace the existing CDD facility at 1990 Newcomb and the Premises, among other uses. The 2000 Marin project is currently in the planning stages. Occupancy by CDD at 2000 Marin is not reasonably expected to occur until after December 31, 2027 and until then CDD requires the continued use of the Premises; and

WHEREAS, The SFPUC seeks to extend the term of the Lease until a new facility is ready for occupancy on the terms and conditions of the First Amendment to Lease between Landlord and City attached to the SFPUC agenda (the “First Amendment”); and

WHEREAS, The First Amendment includes a flexible eight-year term which can be terminated without penalty after December 31, 2027; and

WHEREAS, The base rent for the first year of the extension term is \$85,337.85 per month, which increases annually on each January 1 by the proportionate increase in the Consumer Price Index; and

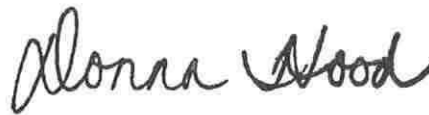
WHEREAS, This action to amend the Lease does not constitute a “project” under the California Environmental Quality Act (CEQA) Guidelines Section 15378(a) because there would be no physical change in the environment. While this lease amendment would obligate the landlord of 1980 Oakdale Avenue to construct certain interior improvements, the improvement specifics are currently unknown because design has not begun. Any required environmental review of the improvements will be completed prior to the City’s approval of the building permit for these improvements. Implementation of any improvements would not occur until the proposed work is reviewed and the appropriate environmental review, if required, is completed; now, therefore, be it

RESOLVED, That this Commission hereby approves the terms and conditions of the First Amendment and directs the General Manager of the SFPUC to recommend a resolution to the Board of Supervisors and the Mayor authorizing the First Amendment; and be it

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

FURTHER RESOLVED, That, subject to approval of the First Amendment by the City’s Board of Supervisors, this Commission hereby authorizes the General Manager of the SFPUC to execute the First Amendment and any amendments or modifications to the First Amendment, including without limitation, the exhibits, that the General Manager determines, in consultation with the City Attorney are in the best interest of the City; do not increase the rent or otherwise materially increase the obligations or liabilities of the City; do not materially reduce the benefits to the City; are necessary or advisable to effectuate the purposes and intent of the Lease, the First Amendment, or this resolution; and are in compliance with all applicable laws, including the City Charter.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of April 26, 2022.



Secretary, Public Utilities Commission



San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

Real Estate Services Division
525 Golden Gate Avenue, 10th Floor
San Francisco, CA 94102

DATE: May 11, 2022
TO: Dennis J. Herrera, General Manager
FROM: Rosanna Russell, Real Estate Director ^{DS} RSR
CC: Michael Carlin, Deputy General Manager ^{DS} MC
Brittany Feitelberg
Teresa Roiz

Re: Request for General Manager’s Signature – Board of Supervisors’ Resolution authorizing a Lease Renewal at 1980 Oakdale Avenue, San Francisco

Attached for your signature for recommendation is a draft Board Resolution authorizing the extension of an existing lease for the use of 1980 Oakdale Avenue, San Francisco between the City and County of San Francisco, through its Public Utilities Commission (SFPUC), as tenant, and the several owners of the Premises, as landlord. The SFPUC’s Central Distribution Division uses the Premises.

The Commission authorized the lease extension per the attached SFPUC Resolution 22-0078 approved on April 26th, 2022. Board of Supervisors and Mayoral approval of the proposed Resolution is required because the combined term and extended term exceeds SFPUC authority.

If you have any questions regarding this Resolution or the transaction, please contact me at 415-420-6996.

Thank you

Attachments:
Proposed Resolution
SFPUC Resolution

London N. Breed
Mayor

Anson Moran
President

Newsha Ajami
Vice President

Sophie Maxwell
Commissioner

Tim Paulson
Commissioner

Dennis J. Herrera
General Manager

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.





San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

Real Estate Services Division
525 Golden Gate Avenue, 10th Floor
San Francisco, CA 94102

May 2, 2022

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Re: **Proposed SFPUC lease extension at 1980 Oakdale Avenue, San Francisco**

Dear Honorable Board Members:

Attached for your consideration is a Resolution authorizing the proposed eight-year lease extension of an existing lease for approximately 48,400 square feet of space at 1980 Oakdale Avenue, San Francisco, California (Premises) for the continued use by San Francisco Public Utilities Commission's (SFPUC) Water Enterprise's City Distribution Division (CDD).

The SFPUC's CDD is responsible for the management, operation and maintenance of all potable and non-portable water distribution systems within the City and County of San Francisco; the water distribution systems include the potable water, groundwater, recycled water, and the Auxiliary Water Supply (AWSS) systems. CDD's responsibilities include 24/7 emergency response to water main breaks and two-alarm or larger fires in addition to day-to-day operations and maintenance of over 1,250 miles of water main, 12 reservoirs, nine pump stations, seven hydro-pneumatic stations, six tanks, the water meter program serving over 176,000 customers, and maintaining CDD's physical plant, equipment and vehicles and over 1,100 acres of grounds throughout San Francisco. CDD's management responsibility include the engineering and construction management of the SFPUC's Linear Asset Management Program, which has an annual goal to construct 12- to 15-miles of new water mains water to replace aging and damaged water mains, ranging in size from 6-inches to 54-inches in diameter. CDD "owner-furnishes" all materials for its construction contracts to maintain product and quality consistency at the Premises. CDD needs the warehouse and outdoor storage space at 1980 Oakdale to house such materials, including pipes, valves, meter boxes, vaults, and other facilities.

London N. Breed
Mayor

Anson Moran
President

Newsha Ajami
Vice President

Sophie Maxwell
Commissioner

Tim Paulson
Commissioner

Dennis J. Herrera
General Manager

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



In April of 2020, the City, through the SFPUC, acquired approximately 7.5 acres of land at 2000 Marin Street in San Francisco. The SFPUC is planning the construction of a new facility to replace the obsolete existing CDD facility at 1990 Newcomb Avenue and the Premises, among other uses.

The 2000 Marin project is currently in the planning stages and occupancy by CDD at 2000 Marin is not reasonably expected to occur until after December 31, 2027. The SFPUC seeks to extend the term of the Lease until the new facility is ready for occupancy.

The current Lease expires on December 31, 2022. The SFPUC currently pays base rent of \$72,855 (\$1.51 per square foot) monthly plus its own utilities and janitorial costs and typical property expenses above the Base Year.

The City and Landlord have negotiated an amendment to the Lease (the "First Amendment") to among other items, extends the term of the Lease for up to eight years. To coordinate with the construction of 2000 Marin, the First Amendment provides the SFPUC with the unilateral right to terminate the Lease after December 31, 2027 without cost.

The proposed base rent for the first year of the extension term is \$85,337.85 per month (approximately \$1.76 per sq. ft. per month) which increases annually on each January 1 by the proportionate increase in the Consumer Price Index. The new base rent, considering all factors, represents fair market rent based on recent rent comparables.

The approximately 48,400 square feet of Premises are comprised of approximately 36,400 rentable square feet of warehouse and office improvements and approximately 12,000 square feet of paved yard. The Premises serves as an extension of and is located across the street from CDD's main facility at the City-owned property at 1990 Newcomb Street.

Attached is a Before and After Table.

The San Francisco Public Utilities Commission at its April 26th meeting recommended approval of the proposed lease extension.

If you have any questions in this regard, please contact Charlie Dunn of SFPUC staff at 415-509-2498 or me at 415- 420-6996.

Respectfully,

DocuSigned by:
Rosanna Russell
C593681F86114BB...

Rosanna Russell, Real Estate Director
San Francisco Public Utilities Commission

Enclosures:

Proposed Resolution

Proposed Lease Amendment

Existing Lease Agreement

Form 126

SFPUC Resolution

**1980 Oakdale Avenue
Before and After Table**

<u>Item</u>	<u>Before</u>	<u>After</u>
Premises	Approximately 48,400 Square Feet	No Change
Lease Expiration	December 31, 2022	December 31, 2030, subject to City right to terminate after December 31, 2027
Monthly base rent	\$72,855.00	\$85,337.85
Rent Increases	Annually by the proportionate increase in the Consumer Price Index	No Change
Base Year	2016-2017	No Change