

File No. 160480

Committee Item No. 6

Board Item No. 44

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee Date June 29, 2016

Board of Supervisors Meeting Date 7/12/16

Cmte Board

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Completed by: Linda Wong Date June 24, 2016
Completed by: Linda Wong Date 7/7/16

1 [Real Property Lease - 200 Paul, LLC - 200 Paul Ave - \$809,010 Rent in Initial Year]

2
3 **Resolution authorizing a Lease between the City and County of San Francisco, as**
4 **Tenant, and 200 Paul, LLC, a Delaware limited liability Company as Landlord, of office**
5 **production and warehouse space located at 200 Paul Avenue, consisting of**
6 **approximately 53,934 square feet of building and approximately 24,000 square feet of**
7 **yard for a 10-year term of January 1, 2017, through December 31, 2026, for use by the**
8 **Department of Technology's Public Safety Division at \$67,417.50 monthly, for \$809,010**
9 **rent in the initial year with annual 3% increases and one five-year option to extend; and**
10 **finding the proposed transaction is in conformance with the General Plan, and the**
11 **eight priority policies of Planning Code, Section 101.1.**

12
13 WHEREAS, The Department of Technology's Public Safety Division (DT-PS) is
14 responsible for the maintenance, upgrade and expansion of the City's communication
15 systems; and

16 WHEREAS, Many of these communication systems are mission critical for law
17 enforcement agencies and emergency responders including the 911 Radio system, 911
18 Wireless Data system, Mutual Aid Radio system, microwave links connecting City buildings to
19 Bay Area counties, police stations and hospitals, public 911 call boxes, ambulance radio and
20 vehicle locating systems, hospital emergency radio systems, fire station public address
21 systems, the City's fire station Automated Information System (AIS), radar in Fire boats and
22 Police Marine Units, and the City's OPWS (Outdoor Public Warning System); and

23 WHEREAS, DT-PS also installs and repairs the radios and mobile data terminals in all
24 new police, fire, ambulance, parking control vehicles; and

25 WHEREAS, DT-PS also maintains the internet and telephone systems for all other City

1 departments including maintaining 220 miles of fiber infrastructure supporting approximately
2 350 city facilities including police stations, fire stations, libraries, and City Hall; and

3 WHEREAS, DT-PS also maintains cameras and burglar alarms at many of the
4 approximately 350 city buildings plus public safety cameras at several locations throughout
5 San Francisco; and

6 WHEREAS, DT-PS also maintains and upgrades the current SFMTA and SFPUC radio
7 communication systems including for several backup and intercity communication systems;
8 and

9 WHEREAS, The San Francisco Wholesale Produce Market is the largest wholesale
10 produce market in Northern California comprising businesses vital to San Francisco which
11 employ more than 650 employees,; and

12 WHEREAS, To provide for the Board of Supervisor's approved expansion of the San
13 Francisco Wholesale Produce Market, in 2012, DT-PS was relocated to temporary facilities at
14 1800 Jerrold Ave while the Real Estate Division investigated suitable long term facilities; and

15 WHEREAS, DT-PS requires specialized production, office, and yard facilities to
16 perform its functions; and

17 WHEREAS, The SFPUC seeks to secure land necessary to support its current and
18 future obligation to provide essential utility services including but not limited to DT-PS's
19 temporary facilities, and there is a very limited supply of such available land in the vicinity of
20 SFPUC's existing facilities; and

21 WHEREAS, The Real Estate Division has located a facility at 200 Paul Ave which with
22 certain proposed improvements meets the needs of the DT-PS; and

23 WHEREAS, The Planning Department, through General Plan Referral letter dated
24 March 30, 2016, ("Planning Letter"), which is on file with the Clerk of the Board of Supervisors

1 under File No. 160480, has verified that the City's lease of 200 Paul Avenue is consistent with
2 the General Plan, and the eight priority policies under Planning Code, Section 101.1; and

3 WHEREAS, At the request of DT, the Real Estate Division and the Landlord have
4 negotiated a new lease agreement at or below fair market rent; and

5 WHEREAS, The proposed Lease is subject to enactment of a resolution by the Board
6 of Supervisors and the Mayor, in their respective sole and absolute direction, approving and
7 authorizing such new Lease; now, therefore, be it

8 RESOLVED, That the Board of Supervisors hereby finds that the lease of 200 Paul
9 Avenue, is consistent with the City's General Plan and Eight Priority Policies of Planning Code
10 Section 101.1 and hereby incorporates such findings by reference as though fully set forth in
11 this Resolution; and, be it

12 FURTHER RESOLVED, That in accordance with the recommendation of the Director
13 of the Department of Technology, that the Director of Property on behalf of the City and
14 County of San Francisco, as Tenant, is hereby authorized to take all actions necessary to
15 execute a Lease with 200 Paul, LLC a Delaware limited liability Company on the terms and
16 conditions contained herein and in substantially the form as which is on file with the Clerk of
17 the Board of Supervisors in File No. 160480 at 200 Paul Ave, San Francisco, California which
18 is hereby declared to be a part of this resolution as if set forth fully herein; and, be it

19 FURTHER RESOLVED, The monthly base rent shall be \$67,417.50 (approximately
20 \$15.00 per square foot annually) commencing on January 1, 2017, net of utilities, janitorial
21 maintenance, and security, subject to annual rent adjustments of three percent (3%)
22 beginning January 1, 2018; and, be it

23 FURTHER RESOLVED, The Landlord shall provide an allowance of \$211,802.00 for
24 the construction of tenant improvements and the City shall make progress payments for the
25 costs above the allowance up to a maximum additional cost of \$5,929,909; and, be it

1 FURTHER RESOLVED, That City shall pay liquidated damages in the amount of
2 \$1,900,000 to Landlord if City fails to pay such costs above the allowance ; and, be it

3 FURTHER RESOLVED, That the Lease shall indemnify and hold harmless the
4 Landlord from, and agreeing to defend the Landlord against, any and all claims, costs and
5 expenses, including without limitation, reasonable attorney's fees, incurred as a result of City's
6 use of the premises, any default by the City in the performance of any of its obligations under
7 the Master Lease, or any acts or omissions of City, its agents or its subtenants in, on or about
8 the premises or the property on which the premises are located; and, be it

9 FURTHER RESOLVED, That the Director of Property shall be authorized to enter into
10 any additions, amendments or other modifications to the Lease (including, without limitations,
11 the exhibits) that the Director of Property determines; in consultation with the City Attorney,
12 are in the best interests of the City, do not materially increase the obligations or liabilities of
13 the City, and are necessary or advisable to complete the transaction and effectuate the
14 purpose and intent of this resolution; and, be it

15 FURTHER RESOLVED, Said Lease shall be subject to certification as to funds by the
16 Controller as provided in Section 23.25, pursuant to Charter, Section 3.105; and, be it

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;

1 FURTHER RESOLVED, That within thirty (30) days of the agreements being fully
2 executed by all parties, the Director of Real Estate shall provide the agreements to the Clerk
3 of the Board for inclusion into the official file.

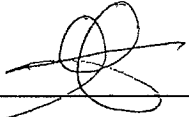
4
5 FY 15/16 Funds Available: \$2,435,872.33
6 (Tenant Improvement Payment of
7 \$535,872.33 plus potential Liquidated
8 Damages if City fails to pay its share of the
9 Tenant Improvement Costs)

10 Index code: 75JERROLD.
11 Sub Object: 06000
12 Sub Object: 081LS

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Controller

RECOMMENDED:


Director
Department of Technology


Director
Real Estate Division

<p>Item 6 File 16-0480</p>	<p>Department: Department of Technology Department of Administrative Services Real Estate Division</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize a new lease between the Department of Technology, as tenant, and 200 Paul, LLC, as landlord, for 77,934 square feet of space located at 200 Paul Avenue for the Public Safety Division of the Department of Technology to provide office space and space for the maintenance and repair of telecommunications equipment. Rent in the first year of the lease is \$809,010 and is subject to annual increases of 3 percent. The term of the lease is ten years from January 1, 2017, through December 31, 2026, with one option to extend the lease for an additional five years. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The San Francisco Department of Technology’s (DT) Public Safety Division is responsible for maintaining telecommunications infrastructure for City departments, including law enforcement agencies and emergency responders, the San Francisco Municipal Transportation Agency (SFMTA), and the San Francisco Public Utilities Commission. • The property at 200 Paul Avenue provides the necessary yard, warehouse, production, and office space required for the Public Safety Division’s operations. The Public Safety Division will perform tenant improvements to the premises in order refurbish the warehouse to suit its needs, and to comply with City requirements for City-leased space. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Rent for the first year of the lease is \$809,010, and will increase by three percent each subsequent year. The expected total rent for the ten years of the lease is \$9,274,393. • The estimated cost of the Tenant Improvements is \$6,141,711. The Landlord will provide the City a rent credit for \$211,802 for the Tenant Improvements for a net cost to the City of \$5,929,909. According to Mr. Leo Levenson, Chief Financial Officer at DT, funding for the tenant improvements will be divided between previously appropriated funds from FY 2015-16, and new funds requested in DT’s FY 2016-17 budget. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any agreement entered into by a department having a term in excess of ten years is subject to Board of Supervisors approval.

BACKGROUND

The San Francisco Department of Technology's (DT) Public Safety Division is responsible for maintaining telecommunications infrastructure for City departments, including law enforcement agencies and emergency responders, the San Francisco Municipal Transportation Agency (SFMTA), and the San Francisco Public Utilities Commission. The Public Safety Division has 118 employees and 74 trucks, vehicles, and trailers, which require overnight security and vehicle storage.

In 2012 the Board of Supervisors approved an expansion of the San Francisco Wholesale Produce Market, which occupied a portion of City-owned space at 901 Rankin Street and was occupied by the Public Safety Division. The Public Safety Division was subsequently relocated from this location to another City-owned facility at 1800 Jerrold Avenue to facilitate the expansion of the San Francisco Wholesale Produce Market. The Public Safety Division was to be located at 1800 Jerrold Avenue on a temporary basis until the City's Real Estate Division could identify a suitable alternative to be used as the Public Safety Division's permanent location.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new lease between the Department of Technology, as tenant, and 200 Paul, LLC, as landlord, for 77,934 square feet of space located at 200 Paul Avenue for the Public Safety Division of the Department of Technology to provide office space and space for the maintenance and repair of telecommunications equipment. Rent in the first year of the lease is \$809,010 and is subject to annual increases of 3 percent. The term of the lease is ten years from January 1, 2017, through December 31, 2026, with one option to extend the lease for an additional five years. Table 1 below shows the key provisions of the lease.

Table 1: Key Provisions of Lease for 200 Paul Avenue

Permitted Use	Storage and repair of telecommunications equipment General office use
Premises	53,934 square feet of warehouse and office <u>24,000 square feet of yard area</u> 77,934 total square feet
Rent in the First Year	\$809,010 (\$15 per square foot for 53,934 square feet of warehouse and office space)
Term	Ten years, from January 1, 2017 to on December 31, 2026 Lease will commence upon completion of tenant improvements
Options to Extend	One five-year extension through December 31, 2031 Rent will be adjusted to 95 percent of Fair Market Value
Estimated Expenses	\$18,375 per month City pays for trash removal, janitorial, security, electricity
Annual Increase to Rent	3 percent
Tenant Improvements	The City will perform tenant improvements to the premises at an estimated total of \$6,141,711. The Landlord will provide an allowance of \$211,802 for these improvements.

According to Mr. Charlie Dunn, Senior Property Manager in the Real Estate Division, the property at 200 Paul Avenue provides the necessary yard, warehouse, production, and office space required for the Public Safety Division's operations. The Public Safety Division will perform tenant improvements to the premises in order refurbish the warehouse to suit its needs, and to comply with City requirements for City-leased space. These tenant improvements are estimated to cost \$6,141,711, and will include:

- Electrical upgrades for heavy power use and emergency power;
- CO₂ venting for vehicles;
- Shower and locker rooms for field staff;
- Vehicle radio installation space;
- Security infrastructure;
- Overnight high-value vehicle storage;
- Upgrades per the American Disabilities Act;
- Leadership in Energy and Environmental Design (LEED) upgrades;
- Increasing bicycle parking per the San Francisco Bicycle Parking Ordinance (#183-13).

Mr. Dunn states that in order to determine fair market value for rent of the 200 Paul Avenue facility, the Real Estate Division reviewed six other potential properties for the Public Safety Division. The rent price per square foot for these properties ranged from \$16.20 to \$29.40 per square foot. At \$15 per square foot, the 200 Paul Avenue facility is the least costly option. Mr. Dunn further states that the market for properties that have adequate warehouse, yard, and office space is limited, and that the 200 Paul Avenue site provides the appropriate space for the Public Safety Division's needs.

To determine the estimated monthly cost of expenses as \$18,375, Mr. Dunn reviewed the expenses cost of three other properties that are leased by the City. Mr. Dunn compared these costs to the estimated the need for services at the 200 Paul Avenue. The estimated cost of \$18,375 may be adjusted as DT moves into the space and determines its actual needs.

FISCAL IMPACT

Rent for the first year of the lease is \$809,010, and will increase by three percent each subsequent year. As shown in Table 2 below, the expected total rent for the initial ten year term of the lease is \$9,274,393. Rent for the first year was requested in DT’s FY 2016-17 budget, pending before the Board of Supervisors.

Table 2: Total Rent Paid by the City to Landlord

Year	Rent
2017	\$ 809,010
2018	833,280
2019	858,279
2020	884,027
2021	910,548
2022	937,864
2023	966,000
2024	994,980
2025	1,024,830
2026	1,055,575
Total	\$9,274,393

The estimated cost of the Tenant Improvements is \$6,141,711. The Landlord will provide the City a rent credit for \$211,802 for the Tenant Improvements for a net cost to the City of \$5,929,909, as shown in Table 3 below. Tenant improvement costs to the City equal \$109.95 per square foot based on 53,934 square feet of office space. According to Mr. Dunn, the tenant improvement costs to the City are necessary and reasonable because the Public Safety Division has highly specialized facility requirements, as discussed above, which are not typically found in other properties. Mr. Dunn states that the Real Estate Division evaluated tenant improvement costs as well as base rent when evaluating comparable properties; for example, one property evaluated by the Real Estate Division had tenant improvement costs estimated by the Department of Public Works to be \$11.9 million. Mr. Dunn further states that the Real Estate Division will require competitive bids from three contractors for the tenant improvements in order to have the work performed at the lowest cost.

According to Mr. Leo Levenson, Chief Financial Officer at DT, funding for the tenant improvements will be divided between previously appropriated funds from FY 2015-16, and new funds requested in DT’s FY 2016-17 budget.

Table 3: Budget for Tenant Improvements

Category	Amount
<u>Project Costs</u>	
Construction Costs	\$5,268,594
Planning, Design, Permitting and Other Soft costs	<u>474,500</u>
Subtotal Project Costs	\$5,743,094
Project Management Fee (2.1% of construction costs)	111,462
Contingency (5.5% of construction costs)	<u>287,155</u>
Total Cost of Tenant Improvements	\$6,141,711
Landlord Credit	(\$211,802)
Net Cost to City	\$5,929,909

RECOMMENDATION

Approve the proposed resolution.

LEASE

between

200 PAUL LLC,
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
Buildings A & B and the adjacent outside area at 200 Paul Avenue
San Francisco, California

April ____, 2016

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[Requires Updating]

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LIST OF EXHIBITS AND SCHEDULES

- EXHIBIT A-1 – Property Site Plan *[will follow separately]*
- EXHIBIT A-2 – Premises Site Plan
- EXHIBIT B – Notice of Commencement Date
- EXHIBIT C – Exclusions From Operating Costs
- EXHIBIT D – Rules and Regulations
- EXHIBIT E – Pre-Leasehold Condition *[will follow separately]*
- EXHIBIT F – Approved Space Plan
- EXHIBIT G – Permitted Materials *[City to provide]*
- EXHIBIT H – Portion of Common Areas subject to Ground Lease
- EXHIBIT I – Recorded Documents
- EXHIBIT J – Rent Escalation Schedule
- EXHIBIT K – Initial Construction Budget
- EXHIBIT L – Initial Payment Schedule Of Construction Cost
- EXHIBIT M – Estoppel

LEASE

THIS LEASE (this "Lease"), dated for reference purposes only as of April __, 2016, is by and between 200 Paul LLC, a Delaware limited liability company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date: April __, 2016 [*note that date to be inserted in date lease is in final form; not the date fully executed*]

Landlord: 200 PAUL LLC

Tenant: CITY AND COUNTY OF SAN FRANCISCO

Property (Section 2.1): The entire property commonly known and numbered 200 Paul Avenue, San Francisco, California (and also known as Assessor's Block 5431A, Lots 001F and 001G), which consists of four (4) buildings (each a "Property Building") and the Common Areas (as defined in Section 2.2), as depicted on the site plan attached as Exhibit A-1. The total rentable area of the Property Buildings is 458,016 square feet.

Buildings A and B The Property Buildings in which the Premises are located, designated as Building A and Building B on the site plan attached as Exhibit A-2.

Premises (Section 2.1): The entire rentable square feet within Buildings A and B commonly known as and numbered 200 Paul Avenue, San Francisco, California, and the area outside and adjacent to the easterly side of Buildings A and B, as depicted on the site plan attached as Exhibit A-2.

Rentable Area of Premises (Section 2.1): Approximately 53,934 rentable square feet

Term (Section 3): Ten (10) years commencing on the Commencement Date and ending on the Expiration Date, subject to City's Extension Option.

Commencement Date: The earlier of (a) the

date Substantial Completion of the Leasehold Improvements occurs and (b) two hundred forty three (243) days after the Lease Reference Date. [Insert actual date from above]

Expiration Date: The date which precedes that tenth (10th) anniversary of the Commencement Date [Insert actual date from above]

Extension Option (Section 3.5):

One (1) additional term of five (5) years

Base Rent (Section 4.1):

Annual Base Rent: \$809,010.00 (\$15.00 per sq. ft.), as increased pursuant to Sections 4.3 and 3.5

Monthly payments: \$67,417.50 (\$1.25 per sq. ft.), as increased pursuant to Sections 4.3 and 3.5

Base Rent Abatement (Section 4.2):

One (1) month

Adjustment Dates (Section 4.2):

On each anniversary of the Commencement Date, the Base Rent shall be increased by three percent (3%), as scheduled on Exhibit J.

Base Rent shall also be adjusted if City exercises the Extension Option as provided in Section 3.5

Additional Charges (Section 4.3):

Throughout the Term, City shall pay, in addition to Base Rent, City's Percentage Share of Operating Costs and City's Percentage Share of increases in Insurance Costs and Real Estate Taxes as described herein.

Base Year (Section 4.3):

2016

City's Percentage Share (Section 4.3):

100% of the Operating Costs and Real Estate Taxes attributable solely to Premises and up to 53,934/458,016 or 11.78% of Operating Costs and Landlord's Insurance Costs allocable to the entire Property, as further detailed in Section 4

Use (Section 5.1):

Vehicle radio installation and radio repair shop, storage and repair of public safety telecommunications equipment, general office and for no other purposes without the prior written consent of Landlord which consent shall not be unreasonably withheld or delayed.

Leasehold Improvements (Section 6)

Landlord shall construct improvements to the Premises pursuant to mutually agreeable plans as provided in Section 6. Landlord shall

contribute \$211,802.00 (the "Allowance") toward the cost of such Leasehold Improvements and City shall pay Landlord the costs of the Leasehold Improvements over the Allowance.

Utilities (Section 9.1):

City shall pay for electricity and water for the Premises as submetered to the Premises.

Refuse & Recycling

City shall directly pay for recycling and refuse removal for and from the Premises.

Services (Section 9.2):

City, at its sole cost, shall provide janitorial services and supplies, pest control and security for the Premises.

Common Area and Building Maintenance

Landlord at its cost (subject to City's payment of City's Percentage Share of Operating Costs) shall be responsible for maintenance and repair of Buildings A and B and the Common Areas, as further detailed in the Lease.

Notice Address of Landlord (Section 23.1):

200 Paul LLC
200 Paul Avenue, 5th Floor
San Francisco, California 94124
Attn: Property Manager
Facsimile No.: 415-715-2830

with a copy to:

Digital Realty Trust, L.P.
2805 Lafayette Street, Suite 122
Santa Clara, California 95050
Attn: Asset Manager
Facsimile No.: 408-387-8558

with a copy to:

Digital Realty Trust, L.P.
Four Embarcadero Center
Suite 3200
San Francisco, California 94111
Attn: General Counsel
Facsimile No.: 415-520-6052

Key Contact for Landlord
(but not for notice provisions):

Christopher Lundstrom

Landlord Contact Telephone No.
(but not for notice provisions):

415-508-2847

Landlord's Address for Payment of Rent:

ACH Wire Payments
Bank of America NT&SA
100 West 33rd Street
New York, New York 10001
Routing No.: 026009593
Account No.: 1420137777
Account Name: 200 Paul LLC

Reference: CCSF Tenant Account

Mailed Payments:

200 Paul LLC
P.O. Box 740739
Los Angeles, California 90074-0739

Overnight Payments:

Bank of America Lockbox Services
Lockbox LAC-740739
2706 Media Center Drive
Los Angeles, California 90065

Notice Address for Tenant (Section 23.1):

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: John Updike,
Director of Property
Re: DT- Public Safety Division
Fax No.: (415) 552-9216

with a copy to:

Department of Technology
One South Van Ness Ave
San Francisco, CA 94103
Attn: Director
Fax No.: (415) 581-3970

and to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Heidi Gewertz
Deputy City Attorney
Re: 200 Paul -- DT Public Safety
Fax No.: (415) 554-4755

Key Contact for Tenant:

Charlie Dunn

Tenant Contact Telephone No.:

415-554-9861

Alternate Contact for Tenant:

Joseph John

Alternate Contact Telephone No.:

415- 550-2912

Brokers (Section 23.8):

Landlord's Broker: CBRE
City's Broker: None

Other Noteworthy Provisions (Section 22):

None

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in Buildings A and B and adjacent areas described in the Basic Lease Information and shown on Exhibit A-2 (the "Premises"). Landlord and City hereby stipulate that the rentable area of the Premises shall be as set forth in the Basic Lease Information, that any square footage that may have been used in calculating any of the economic terms hereof is an approximation which Landlord and City agree is reasonable, and that no economic terms based thereon shall be subject to revision whether or not the actual square footage is more or less. City acknowledges that neither Landlord nor any Agent of Landlord has made any representation or warranty (a) regarding the condition of the Premises, the Building or the Property or with respect to the suitability of any of the foregoing for the conduct of Tenant's use or business or (b) regarding the capacity or adequacy of utilities or types of utilities currently available to the Premises. Notwithstanding Landlord's agreement to contract for the design and construction of the Leasehold Improvements pursuant to Section 6, all decisions and directions regarding the design and construction of any alterations, additions or improvements that City may deem necessary or appropriate to prepare the Premises for occupancy by City shall be the responsibility of City.

2.2 Common Areas

City shall have the non-exclusive right to use all areas within the Property which are located outside the Property Buildings and available for use in common by all tenants of the Property, such as entrances, driveways, pedestrian walkways, parking areas and landscaped areas (collectively, the "Common Areas").

2.3 Disability Access

California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements. City is hereby advised that the Premises have not been inspected by a CASp.

2.4 Energy Consumption

City acknowledges and agrees that Landlord delivered the Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Premises no less than 24 hours prior to City's execution of this Lease.

2.5 Telecommunication Equipment and Solar Panels

(a) City shall have the non-exclusive right, at its sole cost and expense, and solely for City's use, to install, maintain and operate upon the roof of the Premises a reasonable number of transmitters and/or receiver antennas or dishes, and/or solar panel approved by Landlord (including, but not limited to, approval with respect to the size, weight, location and method of attachment), which approval shall not be unreasonably withheld or delayed (collectively, the "Rooftop Equipment") for use by City in the conduct of its business; provided that such Rooftop Equipment may not materially compromise the aesthetics or appearance of the Property nor shall Landlord be required to incur any expense in accommodating the Rooftop Equipment. The Rooftop Equipment must be (i) designed, installed and operated in compliance with all Laws and (ii) installed and operated so as not to adversely affect or impact structural, mechanical, electrical, or other systems serving the Premises or any communication systems of the Property

and so as not to cause injury to persons or property, and without limitation of the foregoing, so as not to void or impair any applicable roof warranty. City shall obtain Landlord's prior written approval of plans and specifications for the Rooftop Equipment (including the design, size and features thereof and mounting structure, floor and power load requirements, cabling installations, means of affixing or mounting the Rooftop Equipment, and means of connecting the Rooftop Equipment to the Building's electrical system and to the interior of the Premises), which approval shall not be unreasonably withheld, conditioned or delayed. Subject to the terms and conditions of this Section 2.5, Landlord hereby grants to City the right to install (at City's sole cost and expense) any additional equipment required to operate the Rooftop Equipment and to connect the Rooftop Equipment to City's other machinery and equipment located in the Premises (e.g., conduits and cables) in the shafts, ducts, chases and utility closets located in the core of Buildings A and B ("Additional Equipment"), which Additional Equipment shall be deemed a part of the Rooftop Equipment for all purposes of this Section 2.5. City acknowledges and agrees that, without limiting the generality of the foregoing, it shall be reasonable for Landlord to disapprove any Rooftop Equipment or Additional Equipment (x) if the same exceeds roof load limitations or exceeds the height of the roof parapet or (y) the installation of the same would be non-compliant with the conditions and restrictions of the approvals and permits for the Property or any other applicable Laws, including those relating to noise levels.

(b) Subject to reasonable rules relating to security and safety that may be promulgated by Landlord pertaining to access to the roof of the Premises, City and City's contractors shall have reasonable access to the Rooftop Equipment and the Additional Equipment for purposes of operating, servicing, repairing or otherwise maintaining said equipment. City shall provide Landlord with reasonable advance notice prior to commencing installation of the Rooftop Equipment or other work on or to the Rooftop Equipment, provided that only subsequent notice within a reasonable time shall be required in the event of an emergency. Landlord may elect to be present for all such work, so long as the same does not require rescheduling of such work or hinder, interfere with or delay the performance of the work. Upon Landlord's written request, City shall use the roofing contractor designated by Landlord to perform any roof penetration or other work that may affect the integrity of the roof or the roof warranty. If not separately metered, City shall pay Landlord monthly, within thirty (30) days after being billed therefor, for all electricity used in connection with operation of the Rooftop Equipment.

(c) Nothing contained in this Section 2.5 shall be deemed to prohibit or restrict any other individual or entity, including without limitation, Landlord, from installing communications equipment on the roof of the Premises or to use the roof for any other purpose. However, if Landlord shall after the Commencement Date place on the roof any communications equipment of its own, or shall after the Commencement Date grant to any third party the right to locate and maintain any such equipment, all such equipment shall be located, designed and operated so as not to interfere with signals to and from City's Rooftop Equipment and Additional Equipment, the installation of which, in accordance with this Section 2.5, predates the installation of such equipment. Similarly, any Rooftop Equipment and Additional Equipment installed by City shall be located and designed so as not to interfere with signals to and from such other equipment belonging to Landlord or to third parties that has been installed prior to the Commencement Date. If City's Rooftop Equipment or Additional Equipment interferes with equipment previously installed by others, City shall be required, at its expense, to take all measures necessary to eliminate the source of interference caused by City's equipment. If communications equipment installed after the Commencement Date by Landlord or by a third party pursuant to rights granted by Landlord interferes with Rooftop Equipment or Additional Equipment installed by City pursuant to and in accordance with this Section 2.5, Landlord, at no expense to City, shall take measures necessary to eliminate the source of interference caused by such equipment.

(d) Upon the expiration or earlier termination of this Lease, City shall remove the Rooftop Equipment and Additional Equipment. In connection with the installation, repair, maintenance and removal of any Rooftop Equipment and Additional Equipment, City, at City's sole cost and expense, shall comply with all applicable Laws and repair any damage to the Premises caused by such installation, repair, maintenance or removal, or at Landlord's election, such damage shall be repaired by Landlord, and City shall reimburse Landlord for the actual costs reasonably incurred by Landlord therefor, provided that prior to incurring such costs, Landlord shall provide to City, for City's approval or disapproval, notice of the required repairs ten days prior to commencing any such repairs, together with a budget or other satisfactory estimate of the costs and expenses to be incurred in connection therewith. In the event that the placement of City's Rooftop Equipment or Additional Equipment interferes with Landlord's performance of any repair or maintenance to the Property, City, at City's expense, shall temporarily or permanently relocate and reinstall City's Rooftop Equipment or Additional Equipment. City acknowledges it must comply with Article 7, to the extent reasonably applicable to the installation, maintenance, repair, operation, replacement and removal of City's Rooftop Equipment and Additional Equipment.

(e) Landlord shall have no liability for damage arising from, and Landlord does not warrant that City's use of the Rooftop Equipment or Additional Equipment will be free from, any breach in security or damage or interference by third parties or any shortages, failures, variations, interruptions, disconnections, loss or damage caused by environmental conditions or any failure in the power supply for Buildings A and B. City assumes full responsibility for protecting from theft or damage, the Rooftop Equipment and Additional Equipment and any other tools or equipment that City may use in connection with the installation, operation, use, repair, maintenance or removal of the Rooftop Equipment or the Additional Equipment, assumes all risk of theft, loss or damage, and to the maximum extent permitted by applicable Laws, waives all Claims with respect thereto against Landlord and its Agents, including any Claims caused by any active or passive act, omission or neglect of Landlord or its Agents. Further, no damage or disruption in City's use of the Rooftop Equipment or the Additional Equipment shall entitle City to abate Rent or relieve City from the performance of any of City's other obligations under this Lease.

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "Initial Term") commencing on the Commencement Date and expiring on the Expiration Date, 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), below. The word "Term" as used herein shall refer to the Initial Term and the Extended Term if City exercises the Extension Option 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." Promptly following the Commencement Date, Landlord shall deliver to City a notice substantially in the form of Exhibit B attached hereto, confirming the actual Commencement Date and Expiration Date, but Landlord's failure to do so shall not affect the commencement of the Term.

3.3 Intentionally Deleted

3.4 Delay in Delivery of Possession

Subject to City's timely performance of its obligations under Article 6, Landlord shall use its commercially reasonable efforts to deliver possession of the entire Premises with all of the Leasehold Improvements Substantially Completed pursuant to Section 6.1 (Landlord's Obligation to Construct Improvements) on or before the date which is 243 days after the Lease Reference Date. However, if Landlord is unable to deliver possession of the Premises as provided above, then, the validity of this Lease shall not be affected by such inability to deliver possession if due to City's failure to timely perform its obligations under Article 6 and City's shall commence payment of Base Rent or any other charges.

3.5 Extension Option

(a) City shall have the right to extend the Initial Term of this Lease (the "Extension Option") for the additional term specified in the Basic Lease Information (the "Extended Term"). Such Extension Option shall be on all of the terms and conditions contained in this Lease except that the Base Rent shall be adjusted as provided in Section 4.3 (Determination of Base Rent for Extended Term). City may exercise the Extension Option(s), if at all, by giving written notice ("Extension Exercise Notice") to Landlord no earlier than four hundred fifty (450) days and no later than three hundred sixty five (365) days prior to expiration of the Initial Term; provided, however, if a monetary or material non-monetary event of default exists at the time of exercise of the Extension Option or at the commencement of the applicable Extended Term, at Landlord's election, City's exercise of the Extension Option shall be null and void. Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension Option shall be binding on the City subject only to the condition subsequent of the enactment of a resolution (each, an "Extension Authorizing Resolution") by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, within ninety (90) days after the date of the Extension Authorizing Resolution. If the Extension Authorizing Resolution has not been finally adopted and becomes binding on City within ninety (90) days after the date such Base Rent has been determined pursuant to Section 4.4 (subject to any mutually agreed upon extensions, which Landlord may agree to or not in Landlord's sole discretion), then City's Extension Exercise Notice shall become null and void without cost or penalty, and the Term shall not be extended and the Extension Option shall terminate.

(b) The following general provisions shall apply to the Extension Option:

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

(ii) City's right to exercise the Extension Option is personal to, and may be exercised only by, the City. If City shall assign this Lease pursuant to Section 14.1, then immediately upon such assignment, City's right to exercise the Extension Option shall simultaneously terminate and be of no further force and effect, and if City shall sublet more than twenty-five percent (25%) of the rentable area of the Premises, then immediately upon such subletting, City's right to exercise the Extension Option shall simultaneously terminate and be of no further force or effect. No assignee or subtenant shall have any right to exercise any Extension Option granted herein.

(iii) After the Base Rent payable during the Extended Term is determined, the parties shall promptly execute an amendment to this Lease in a form reasonably acceptable to both parties, memorializing the extension of the Term and stating the amount of the Base Rent payable during the applicable Extended Term.

(iv) If City shall fail to timely exercise the Extension Option, the Extension Option shall terminate and be of no further force and effect.

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") provided that the Base Rent shall be abated in full for the first month of the Term. 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. The Base Rent rates per rentable square foot shall be adjusted from time to time as set forth in Section 4.3 below. 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 Base Rent Abatement

The first one (1) month of Base Rent shall be abated

4.3 Adjustments in Base Rent

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

On each Adjustment Date, the Base Rent for the following twelve month period shall be adjusted to equal three percent (3%) of the Base Rent for the lease year preceding such Adjustment Date.

4.4 Determination of Base Rent for Extended Term

At the commencement of the Extended Term, the Base Rent shall be adjusted to equal 100% of the then Prevailing Market Rate (defined below). The Prevailing Market Rate shall be determined as follows:

(a) "Prevailing Market Rate" shall mean the base rental rate for light industrial space with approximately 15% general office space of comparable size and location to the Premises in its Pre-Leasehold Condition having been leased within the prior six (6) months in other buildings similar in age, condition, location and quality of the Property, taking into consideration all factors to make such spaces comparable including (i) any expense adjustments such as operating expenses, taxes, insurance and maintenance (on a straight pass through basis or increases over a base year), (ii) any escalations payable, (iii) age, condition, location and size of the premises covered by leases of such comparable space, (iv) the duration of the renewal term and the term of such comparable leases, (v) free rent given under such comparable leases and any other tenant concessions, and (vi) tenant improvement allowances and other allowances offered under such comparable leases, (vii) building quality, natural light, views, ceiling height and other aesthetics of such comparable space, and (viii) parking availability and rate. As used herein, the term "Pre-Leasehold Condition" shall mean an open warehouse with the improvements depicted on the floor plans and in the condition depicted in the photographs attached as Exhibit E and assuming improvements or upgrades costing the amount of the Allowance. Comparable space to the Premises in its Pre-Leasehold Condition is space in those office/warehouse buildings located in

San Francisco (primarily within Hunter's Point, Bayview, Potrero Hill, India Basin or Mission Bay submarkets) comprised of approximately 50,000 square feet (of which not less than 15% of such space is improved for office) within a freestanding building, with fire sprinklers, not less than 4 dock-high doors, adequate off-street truck staging for tractor trailers with 53' trailers and adequate off-street parking.

(b) Within thirty (30) days following Landlord's receipt of Extension Exercise Notice, Landlord shall notify City of Landlord's good faith determination of the Prevailing Market Rate for the Premises along with reasonable substantiation for such rates, including three (3) comparable lease transactions. If City disputes Landlord's determination of the Prevailing Market Rate, City shall so notify Landlord of City's good faith determination of the Prevailing Market Rate along with reasonable substantiation for such rates, including three (3) comparable lease transactions, within fourteen (14) days following Landlord's notice to City. If City and Landlord still disagree, then the dispute shall be resolved as follows:

(i) Within fourteen (14) days following City's notice of the Prevailing Market Rate (the "Consultation Period"), Landlord and City shall attempt in good faith to meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve any such disagreement.

(ii) If, within the Consultation Period, Landlord and City cannot reach agreement as to the Prevailing Market Rate, they shall each select one appraiser, with the qualifications specified below, to determine the Prevailing Market Rate. Each such appraiser shall arrive at a determination of the Prevailing Market Rate and submit his or her conclusions to Landlord and City within forty five (45) days after the expiration of the Consultation Period.

(c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the Prevailing Market Rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the Prevailing Market Rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser, with the qualifications specified below, who will within ten (10) business days after his or her selection make a determination of which of the two appraisals is closest to his or her opinion of the Prevailing Market Rate and submit such determination to Landlord and City.

(d) All appraisers specified herein shall be "MAI" designated members of the Appraisal Institute with not less than five (5) years' experience appraising leases of commercial properties similar to the Premises in San Francisco. Landlord and City shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other costs incurred in the arbitration.

4.5 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, Landlord's Insurance Costs and Operating Costs as provided for hereinbelow and the payment of Landlord's cost of constructing the Leasehold Improvements as provided in Section 6.1. All such Additional Charges shall be payable to Landlord at the place where the Base Rent is payable. Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to below as "Rent."

4.6 Definitions; Cost Pools

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

(a) "Base Year" means the calendar year specified in the Basic Lease Information (or if adjusted for the Extended Term in connection with the determination of Prevailing Market Rent).

(b) "City's Percentage Share" means the equitably adjusted percentage of Operating Costs, Landlord's Insurance Costs and Real Estate Taxes attributable to the Premises pursuant to Cost Pools as described below, which shall be either 100% or 11.78%.

(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 Operating Costs shall be equitably adjusted for the Expense Years involved in any such change.

(d) "Landlord's Insurance Costs" means all premiums and costs, including, but not limited to, any deductible amounts, of insurance incurred by Landlord as required hereunder or deemed necessary or advisable in the reasonable judgment of Landlord or required by any Encumbrancer, all in such amounts as Landlord determines to be appropriate. Any new or changed insurance coverages carried by Landlord subsequent to the Base Year shall be equitably added to or removed from Landlord's Insurance Costs for the Base Year for purposes of calculating City's payments under Section 4.8.

(e) "Operating Costs" means the total costs and expenses actually paid or incurred by Landlord in for (1) the cost of painting, cleaning, and repairing the exterior of the Property Buildings (including the roofs) and (2) the cost of painting, cleaning and repairing paved areas within the Project, including parking areas, drive aisles and walkways. Any Operating Cost that includes a capital expenditure component shall be amortized over the useful life thereof, together with interest on the unamortized balance at a rate per annum equal to ten (10) percent..

In no event shall Landlord recapture more than one hundred percent (100%) of the Operating Costs in any Expense Year.

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

(f) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the Property. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, any tax on the rent, right to rent or other income from any portion of the Property or against the business of leasing any portion of the Property, 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, 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, and (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Property.

(g) "Tax Year" means each calendar 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.

Landlord shall equitably allocate some or all of the Operating Costs for the Property among different portions or occupants of the Property (the "Cost Pools"). Such Cost Pools shall include, but shall not be limited to, the tenants of a particular Property Building. The Operating Costs allocated to any Cost Pool shall be allocated and charged to the tenants and occupants within such Cost Pool in an equitable manner, in Landlord's reasonable discretion. The Operating Costs allocated to each Property Building shall include all Operating Costs attributable solely to such Property Building and a portion of the Property-wide Operating Costs attributable to the Property as a whole (and not to a particular Property Building). Operating Costs which relate to a specific Property Building and not to any other Property Building (including without limitation, separately metered electrical costs and repair and maintenance costs of any Property Building), shall be entirely allocated to such specific Property Building. Accordingly, the cost of the maintenance and repairs set forth in Article 8 with respect to Buildings A and B and the Real Estate Taxes assessed against Building A and B and the parcel of land upon which Buildings A and B are located shall be entirely allocated to the Premises. If the Property emergency generators do not serve the Premises, none of the Operating Costs relating to the maintenance and operation of the emergency generators would be allocated to the Premises.

4.7 Payment of Percentage Share of Operating Costs

During the Term, commencing on the Commencement Date, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the Operating Costs. For sake of clarity, the City's Percentage Share of Operating Costs are calculated and charged for each Expense Year without reference to or an adjustment from a Base Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City prior to February 1 of each Expense Year. Landlord may revise such estimates of Operating Costs from time to time and City shall thereafter make payments on the basis of such revised estimates, provided that no such revisions shall be retroactive and Landlord may not make any such revisions more than twice in any given Expense Year and no such revision may be made any earlier than four (4) months subsequent to the prior estimate for such Expense Year. Within one hundred eighty days (180) 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 Operating Costs for such Expense Year and City's Percentage Share thereof. Landlord shall also endeavor to furnish City with Landlord's reasonable estimate of Landlord's Expense Statement not later than thirty (30) days after the expiration of each Expense Year. If City's Percentage Share of the actual Operating Costs for such Expense Year exceeds the estimated payments of City's Percentage Share of Operating Costs made by the City for such Expense Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the amount of the estimated City's Percentage Share of the Operating Costs and the amount of City's Percentage Share of the actual Operating Costs within thirty (30) days after the receipt of Landlord's Expense Statement. If the total amount of estimated payments exceeds City's Percentage Share of the actual Operating Costs for such Expense Year, such excess shall be credited against the next

installments of Operating Costs due from City to Landlord hereunder, or refunded to City, at City's option. Notwithstanding the foregoing, any failure or delay in the delivery of Landlord's Expense Statement shall not operate as a waiver of Landlord's right to collect City's Percentage Share of Operating Costs owing to Landlord.

4.8 Payment of Percentage Share Increases in Landlord's 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, by which Landlord's Insurance Costs for each Expense Year exceed Landlord's Insurance Costs for the Base Year, if any. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. Landlord's Expense Statement delivered pursuant to Section 4.7 shall include in reasonable detail the increase in Landlord's Insurance Costs for such Expense Year and City's Percentage Share thereof. If City's Percentage Share of the actual increase in Landlord's Insurance Costs for such Expense Year exceeds the estimated increase in Landlord's 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 increase in Landlord's Insurance Costs paid by City for such Expense Year and City's Percentage Share of the actual increase in Landlord's Insurance Costs for such Expense Year within thirty (30) days following Landlord's delivery of Landlord's Expense Statement. If the total amount of estimated Landlord's Insurance Costs paid by City for such Expense Year exceeds City's Percentage Share of the actual Landlord's Insurance Costs for such Expense Year, such excess shall be credited against the next installments of Landlord's Insurance Costs due from City hereunder, or if this Lease has terminated, such excess shall be refunded to City within thirty (30) days following Landlord's delivery of Landlord's Expense Statement. Notwithstanding the foregoing, any failure or delay in the delivery of Landlord's Expense Statement shall not operate as a waiver of Landlord's right to collect City's Percentage Share of the increase in Landlord's Insurance Costs owing to Landlord.

4.9 Payment of Percentage Share of Increases in 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, by which Real Estate Taxes for each Tax Year exceed Real Estate Taxes for the Base Year, if any. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. Within one hundred eighty (180) 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 Estate Taxes for such Tax Year and City's Percentage Share of any increase thereof. If City's Percentage Share of the actual increase in Real Estate Taxes for such Tax Year exceeds the estimated increase in Real Estate Taxes paid by City for such Tax Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the amount of estimated increase in Real Estate Taxes paid by City for such Tax Year and City's Percentage Share of the actual increase in Real Estate Taxes for such Tax Year within thirty (30) days following Landlord's delivery of Landlord's Expense Statement. (For the sake of clarity, reconciliation of Tenant's payments pursuant to Section 4.7, 4.8 and 4.9 shall occur concurrently notwithstanding the separate Expense Year and Tax Year for determining such payments.) If the total amount of estimated increases in Real Estate Taxes paid by City for such Tax Year exceeds City's Percentage Share of the actual increases in 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 if this Lease has terminated, such excess shall be refunded to City within thirty (30) days following Landlord's delivery of Landlord's Tax Statement. Notwithstanding the foregoing, any failure or delay in the delivery of Landlord's Tax Statement shall not operate as a waiver of Landlord's right to collect City's Percentage Share of Real Estate Taxes owing to Landlord.

4.10 Proration

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

4.11 Audits

City shall have the right, not more frequently than once during any calendar year and upon not less than thirty (30) days' notice to Landlord, to audit the books and records of the Property and Buildings A and B related to Landlord's Insurance Costs, Operating Costs and Real Estate Taxes for the two (2) most recent Expense Years and Tax Years, which shall include the right to audit the Landlord's Insurance Costs or Real Estate Taxes for the Base Year if commenced within two (2) years following the end of the Base Year. Such audit shall be performed by an Agent of the City who is an accountant employed or retained by the City and who is competent to examine and audit books and records of insurance costs, real estate taxes and operating expenses. City's Agent may not be paid on a contingency basis for performance of the audit. Landlord's books and records shall be inspected during reasonable business hours at Landlord's applicable local office or other location reasonably designated by Landlord. The results of any such audit shall be kept strictly confidential by City (to the extent permitted by Law) and City's Agent. If such audit results in the discovery of errors in Landlord's Expense Statements or Landlord's Tax Statements (based upon the definitions of Landlord's Insurance Costs, Operating Costs and Real Estate Taxes as set forth in this Lease and following the resolution of any dispute between Landlord and City with respect to the existence of any such error), and the correction of such errors would (a) reduce City's Percentage Share of Landlord's Insurance Costs, Operating Costs or Real Estate Taxes for any of the past two (2) Expense Years or Tax Years, then Landlord shall refund to City the amount of any overpayment by City within thirty (30) days following City's demand or permit City to credit such amount against the Rent as it next becomes due and owing or (b) increase City's Percentage Share of Landlord's Insurance Costs, Operating Costs or Real Estate Taxes for any of the past two (2) Expense Years or Tax Years, then City shall pay to Landlord the amount of any underpayment by City within thirty (30) days following Landlord's demand. City shall pay the cost of such audit, provided that if such audit discloses any errors that result in a reduction in the amount of Landlord's Insurance Costs, Operating Costs or Real Estate Taxes by an aggregate amount of five percent (5%) or more for any Expense Year or Tax Year, then Landlord shall pay the costs reasonably incurred for such audit for such Expense Year or Tax Year up to a maximum of Three Thousand Dollars (\$3,000.00). If such audit results in the discovery of errors in Landlord's Expense Statements or Landlord's Tax Statements (based upon the definitions of Landlord's Insurance Costs, Operating Costs and Real Estate Taxes as set forth in this Lease and following the resolution of any dispute between Landlord and City with respect to the existence of any such error), in excess of 5% then City shall have the further right to audit Landlord's Insurance Costs, Operating Costs or Real Estate Taxes for an additional past two (2) Expense Years or Tax Years, In no event shall City be permitted to make a claim against Landlord for any errors or omissions in (i) Landlord's Expense Statement or in Landlord's Tax Statement that was delivered to City more than four (4) years prior to the date of the claim or (ii) the calculation of the Landlord's Insurance Costs and Real Estate Taxes for the Base Year more than four (4) years following the end of the Base Year.

4.12 Records

Landlord shall maintain at the Property or at its offices in San Francisco in a safe, complete and organized manner all of its records pertaining to this Lease and Real Estate Taxes, Operating Costs and any other charges paid by City pursuant hereto, for a period of not less than four (4) years following the year to which such records pertains. Landlord shall maintain such records on a current basis and in sufficient detail to facilitate adequate audit and review thereof.

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

4.13 Late Penalty

City acknowledges that late payment by City of any Rent will cause Landlord to incur administrative costs not contemplated by this Lease, the exact amount of which is extremely difficult and impracticable to ascertain based on the facts and circumstances pertaining as of the date hereof. Provided Landlord is registered as an approved City Vendor and has enrolled in City's electronic payment system (ACH), if any Rent is not paid by City within ten (10) business days after written notice that such sum was not received when due, then City shall pay to Landlord interest from the due date until paid to Landlord at a rate equal to the lesser of (i) twelve percent (12%) or (ii) the maximum rate permitted by applicable law (the "Interest Rate"). The parties acknowledge that such late interest represents a fair and reasonable estimate of the administrative costs and loss of use of funds Landlord will incur by reason of City's failure to pay Rent when due (a "Late Penalty"), but Landlord's acceptance of such Late Penalty shall not constitute a waiver of a default with respect to such Rent or prevent Landlord from exercising any other rights and remedies provided under this Lease. Notwithstanding the foregoing and in recognition of the City's budgeting process, the Late Penalty shall be waived for each July and then once during any twelve (12) consecutive calendar month period during the Lease Term that a payment of Rent that is not reoccurring established payment shall not be timely paid hereunder provided that such amount is paid within forty five (45) days after the date such payment is due.

5. USE

5.1 Permitted Use

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

5.2 Observance of Rules and Regulations

City shall observe Landlord's reasonable rules and regulations for the Property 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, and such additions or modifications shall not conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Property Building tenants to comply with them to the extent applicable to such tenants.

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 Property; provided, however, that Landlord may, after consultation with the City's

Administrator, interrupt City's access to the Premises or the Property in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Property being rendered unsafe for human occupancy ("Unsafe Condition"). If City's use of any of the Premises or access thereto is interrupted as a result of an Unsafe Condition unless such Unsafe Condition is due to a default by the City under the Lease or the acts or omissions of the City, then Landlord shall immediately undertake all necessary steps to correct such Unsafe Condition and if such Unsafe Condition continues for five (5) business days and impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such Unsafe Condition interferes with City's ability to carry on its business at the Premises. If such Unsafe Condition continues for one hundred eighty (180) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS

6.1 Landlord's Obligation to Construct Improvements

Landlord, through Hathaway Dinwiddie Construction Co retained by Landlord as the general contractor (the "General Contractor") shall perform the work and make the installations in the Premises pursuant to the Construction Documents (as defined in this Section below) approved by City, and in accordance with the provisions of this Section below. Such work and installations are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements." All costs incurred by Landlord in connection with the Leasehold Improvements and Leasehold Improvement Work in excess of the Allowance shall be reimbursed by City.

(a) Plans and Specifications

Before the Lease Reference Date, Landlord has caused ASD Architects ("Architect") to prepare and submit to City for its approval a space plan for the Leasehold Improvements based on City's program requirements for use of the Premises. City hereby approves space plan dated February 24, 2016 (the "Approved Space Plan") attached hereto as Exhibit F.

Immediately following the Effective Date of this Lease (as defined in Section 23.30 hereof), based on the Approved Space Plan and any adjustments authorized by City, Landlord shall cause the Architect and a Leadership in Energy and Environmental Design ("LEED") consultant (if required to meet City's obligations to cause the Leasehold Improvements to comply with the requirements of Sections 700 through 713 of the San Francisco Environment Code), to prepare final plans, specifications and working drawings in form and detail sufficient for purposes of contractor pricing (the "Pricing Plans"). City shall have ten (10) business days to review and either approve of the Pricing Plans (which approval shall not be unreasonably withheld) or provide Landlord with City's adjustments to the Pricing Plans. If the City fails to approve or disapprove the Pricing Plans within such ten-day period the Pricing Plans shall be deemed approved by the City.

Immediately following City's approval (or deemed approval) of the Pricing Plans, based on the approved Pricing Plans and any adjustments authorized by City, Landlord shall cause final plans, specifications and working drawings for the Leasehold Improvements to be prepared, in conformity with the requirements hereof. Landlord shall submit a copy of such final plans, specifications and working drawings in sufficient detail to define the work (the "Construction Drawings") to City within sixty (60) days after the City's approval of such Pricing Plans. The Construction Drawings shall be subject to City's approval, which approval shall not be unreasonably withheld. City shall have ten (10) business days to review and either approve of

the Construction Drawings (which approval shall not be unreasonably withheld) or provide Landlord with the revisions that City reasonably requires in order to obtain City's approval. If the City fails to approve or disapprove the Construction Drawings within such ten-day period, the Construction Drawings shall be deemed approved. As soon as reasonably possible thereafter, Landlord shall submit to City revised Construction Drawings that incorporate the revisions required by City. City shall have five (5) business days to review and approve the revisions to the Construction Drawings (which approval shall not be unreasonably withheld). If the City fails to approve or disapprove the revisions to the Construction Drawings within such ten-day period, the revisions to the Construction Drawings shall be deemed approved. The final Construction Drawings approved by City shall be referred to as the "Construction Documents."

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

In the event the Leasehold Improvement Work requires construction permits, Landlord acknowledges that City requires that the Construction Documents be reviewed by the San Francisco Mayor's Office of Disability ("MOD") for compliance with the Americans With Disabilities Act of 1990 ("ADA") and other related laws before Landlord submits them to the San Francisco Department of Building Inspection ("DBI") for construction permits. Landlord shall cause the Architect to submit the Construction Documents to MOD for review promptly following City's approval of the final Construction Drawings. If MOD requires revisions to the Construction Documents or modifications or additional improvements to the Property, Landlord shall cause Architect to revise the Construction Documents and/or design and prepare all additional plans and specifications as required by such MOD review, in conformity with ADA and other legal requirements. Such revised Construction Documents and additional plans shall thereafter be referred to as the "Construction Plans." Upon MOD's approval of the Construction Plans, Landlord shall cause Architect to notify Landlord and City that the Construction Plans have been approved and to identify the additional work, if any, specified therein as a result of the MOD review.

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

(c) City's Approval of Costs

City has approved a good faith initial construction budget ("ROM") which includes all project hard and soft costs, Landlord's administrative fee/project management of two percent (2%) of all project hard and soft costs. A copy of the ROM is attached hereto as Exhibit K.

Upon completion of the Pricing Plans, General Contractor shall update the ROM based on such additional information. City shall have the right to request (3) competitive bids from subcontractors in each trade in connection with all work performed by Landlord or its Contractor hereunder. If necessary, the Construction Documents shall be revised and completed such that the cost of leasehold Improvement work does not exceed the ROM.

Prior to commencing construction of the Leasehold Improvement Work, Landlord shall prepare and submit to City, based on the Construction Plans, a good faith cost for the Leasehold Improvement Work, showing all costs to be paid by City, including a Contractor

contingency of two percent (2%) (the "Construction Budget") or such other Contingency reasonably approved by City. Provided the Construction Budget does not exceed the ROM, City shall have five (5) business days to review and approve or disapprove the Construction Budget. If the City fails to approve or disapprove the Construction Budget within such five-day period, the Construction Budget shall be deemed approved.

If such Construction Budget exceeds the ROM, Architect, General Contractor, and City shall at City's option diligently pursue reductions in scope so that the Construction Budget can be equal to or less than the ROM.

If during the course of construction, the Leasehold Improvements cannot be completed in conformity with the most recently City approved Construction Budget, Landlord shall immediately submit to City for its approval a revised Construction Budget and shall identify to City changes in line items and the reasons for the changes. City acknowledges that renovation or improvement of existing facilities inherently involves risk of unanticipated costs necessary to obtain a Final Certificate of Occupancy. If further changes are required, Landlord shall seek City's approval, following the same procedures. If costs exceed the approved Construction Budget, the parties agree to meet and confer in good faith to either (i) obtain City approval of any increased costs, with an appropriation for such amount or (ii) revise the Leasehold Improvements Work so that it does not exceed the approved Construction Budget. City shall have the right to reasonably approve or disapprove any Construction Budget or revised Construction Budgets in its reasonable judgment. No such approval or disapproval shall be unreasonably delayed, but any such revised Construction Budget shall be deemed approved if City shall not after approved or disapproved the revised Construction Budget within ten business days after request for such approval. The most recent City approved Construction Budget shall supersede all previous City approved Construction Budgets.

(d) Construction

Immediately upon City's approval of the Construction Plans and the Construction Budget and Landlord's procurement of all necessary permits and approvals for the Leasehold Improvements, Landlord shall commence, using the General Contractor, the construction of the Leasehold Improvements. Landlord shall require in any contract issued in connection with the Leasehold Improvement Work that General Contractor (i) shall cause the Leasehold Improvement Work to be completed in a good and professional manner in accordance with sound building practice, (ii) shall comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on construction of the Leasehold Improvements (iii) shall comply strictly with all applicable disabled access laws, including, without limitation, the most stringent requirements of the ADA, Title 24 of the California Code of Regulations (or its successor) and (iv) shall pay prevailing wages in connection with the Leasehold Improvement Work as further provided in Section 23.24 (Prevailing Wages), below, and shall not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban), below. Landlord shall use commercially reasonable efforts to enforce such requirements.

(e) Construction Schedule; Substantial Completion

Landlord shall keep City apprised on a regular basis of the status of plan preparation, permit issuance and the progress of construction. City shall have the right upon reasonable advance oral or written notice to Landlord to enter the Premises at reasonable times to inspect the Leasehold Improvement Work. When construction progress so permits, but not less than fifteen (15) days in advance of Substantial Completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be Substantially Completed in accordance with the Construction Documents. Landlord shall revise such notice of the

approximate Substantial Completion date as appropriate from time to time and shall immediately notify City when the Leasehold Improvement Work is in fact substantially completed on such date or other mutually agreeable date as soon as practicable thereafter, City and its authorized representatives shall have the right to accompany Landlord or its architect on an inspection of the Leasehold Improvement Work.

“Substantial Completion” or “Substantially Completed” shall be when the Leasehold Improvements are sufficiently completed in accordance with the approved Construction Documents except for finishing details, decorative items, minor omissions, mechanical adjustments, and similar items of the type customarily found on an architectural punch-list, the correction or completion of which items collectively will not substantially interfere with Tenant’s occupancy and use of the Premises (such items generally, “Punch-List Items”) and Architect has provided an AIA G704 certificate of substantial completion with respect to the Leasehold Improvements. Landlord and Tenant shall cooperate to facilitate completion of any Punch-List Items as quickly as possible.

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

(f) Appointment of Representatives

City and Landlord shall each designate and maintain at all times during the design and construction period a project representative (“Representative”), and an alternate for such Representative (“Alternate”), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to the Leasehold Improvement Work. Landlord and City shall not make any inquiries of or requests to, and shall not give any instructions or authorizations to, any other employee or agent of the other party. The initial Representatives and Alternates shall be:

City:	Representative -- _____
	Alternate -- _____
Landlord:	Representative -- _____
	Alternate -- _____

Each party may at any time and from time to time change it’s Representative or Alternate by written notice to the other party. Each party’s Representative or Alternate shall be available during ordinary business hours so that questions and problems may be quickly resolved and so that the Leasehold Improvements may be completed economically and in accordance with the Construction Schedule. All approvals made by City’s Representative or Alternate shall be made in writing.

(g) Changes to Construction Plans

If City inquires in writing about any change, addition or alteration relating to the design or specifications of the Leasehold Improvement Work (a “Change Order”), Landlord shall cause its Architect and Contractor to promptly supply a good faith not to exceed change order cost estimate. In the event that a Change Order would delay Substantial Completion, Landlord shall also provide its good faith estimate of such a delay. Within five (5) business days of receipt of such cost and delay estimates, City shall notify Landlord in writing whether City approves the proposed Change Order and an increase in the Construction Budget (if required). If City timely

approves the proposed Change Order, then Contractor shall proceed with such Change Order as soon as reasonably practical thereafter.

(h) Costs

Landlord shall contribute to the cost of constructing and installing the Leasehold Improvements in the amount of the Allowance and the City shall pay amounts above the Allowance. The phrase "cost of constructing" shall include, but not be limited to, architects fees, consultant fees, contractors' fees, permits, materials, and insurance. As of the Effective Date, Landlord shall apply the Allowance to any costs of constructing the Leasehold Improvements incurred by Landlord. Thereafter, Landlord shall apply the remaining Allowance on a pari passu basis with contributions by the City to be made pursuant to this Section 6.1(h) until the Allowance is exhausted. Commencing on the Effective Date, City shall pay to Landlord monthly throughout the course of construction, monthly payments based on a payment schedule to be agreed to and attached as Exhibit L concurrent with the approval of the initial ROM Construction Budget to permit timely payments to the Architect and General Contractor of the costs of constructing the Leasehold Improvement based on the approved Construction Budget and construction schedule, in conformance with the payment obligations under Landlord's contracts with the Architect and General Contractor and subject to adjustments resulting from any Change Orders. City's payments of the cost of constructing the Leasehold Improvements shall be due as Additional Charges and payment shall be made monthly together with payment of Base Rent hereunder. City's failure to timely pay any monthly payment of such costs of constructing the Leasehold Improvements shall be subject to a Late Penalty pursuant to Section 4.13.

(i) Required Documentation of Costs

Landlord shall provide City with copies of a final cost reconciliation including (i) all invoices received by Landlord from the Architect and the General Contractor in connection with the preparation of the Construction Plans or the Change Order or performance of the Leasehold Improvement Work, (ii) satisfactory evidence of payment by Landlord of such invoices, and (iii) upon City's request, such documentation as the Architect or the General Contractor may have provided to Landlord pursuant to its contract for the Leasehold Improvement Work. If the costs set forth in such final reconciliation exceed the amounts paid to Landlord pursuant to Section 6.1(h), City shall reimburse Landlord for such additional cost within thirty (30) days following the final reconciliation. If the costs in the final reconciliation show that the amounts paid by the City under Section 6.1(h) exceed the amounts reimbursable by City for the Leasehold Improvements, then Landlord shall pay such excess amount to the City within thirty (30) days following the final reconciliation. The City and Landlord agree to meet and confer in good faith as and when requested by either party to ensure that City's payment schedule meets the cash flow requirements of the Leasehold Improvement Work, and to review budgets, invoices and progress payments throughout the construction period.

(j) Restoration of the Premises

City shall not be required to remove the Leasehold Improvements upon the expiration or sooner termination of this Lease except those improvements specifically identified on the Approved Space Plans to be removed on the expiration or sooner termination of this Lease.

(k) Remedies for City's Failure to Timely Pay

Provided (i) Landlord is registered as an approved City Vendor and has enrolled in City's electronic payment system (ACH), and (ii) Landlord is not in Default, the following shall apply. If any payment due Landlord by City under Section 6.1(h) shall not be paid within ten (10) business days after written notice ("Non Payment Notice") that such sum was not received when due and twenty (20) business days if such payment is due in July, then Landlord shall have the right to stop construction of the Leasehold Improvements, exercise any and all rights to terminate the contracts with the General Contractor and Architect (for convenience or otherwise) and after forty five (45) days from the Non Payment Notice, terminate the Lease by giving written notice of such termination to City. In addition to such right to terminate the Lease, Landlord shall be entitled to payment of liquidated damages by City in the amount of (i) \$500,000 if Landlord has not started construction and has only incurred soft costs or (ii) \$1,900,000.00 if Landlord has commenced construction pursuant to Construction Plans (the "Termination Liquidated Damages"). With respect to the Termination Liquidated Damages, the parties agree that the actual damages to be suffered by Landlord in the event of a default by City under Section 6.1(h) would be extremely difficult if not impossible to ascertain and that the amount of Termination Liquidated Damages is a reasonable estimate of the actual damages to be suffered by Landlord and that such sum represents liquidated damages and not a penalty. Landlord shall incur damages under the contracts with the Architect and General Contractor (including with respect to the purchase of materials, equipment, tools, and construction equipment and machinery, loss of overhead and profit and remobilization costs), costs relating to the improvements required to restore the Premises to a market-ready condition, losses arising from changes in the market condition and losses resulting from Landlord's allocation of resources to the Leasehold Improvement Work that may not be fairly compensated by the administration fee payable to Landlord. By executing this provision where indicated below, each party specifically confirms the accuracy of the statements made above and the fact that each party fully understood the consequences of these liquidated damages provisions at the time this Lease was made.

Landlord's Initials: _____ City's Initials: _____

The Termination Liquidated Damages shall be paid by City to Landlord within fifteen (15) business days delivery of Landlord's termination notice. Landlord shall not be entitled to any other rights or remedies, including any right to specific performance, compensatory damages, consequential damages, punitive damages or equitable relief by reason of City's failure to make payments under Section 6.1(h) if Landlord exercises its termination right hereunder.

6.2 Installation of Telecommunication and other Equipment

Landlord and City acknowledge that the Leasehold Improvement Work shall be completed by Landlord exclusive of the installation of telecommunication and data wiring and equipment. City shall be responsible for installing any fiber, cabling, wiring, and connections as reasonably required for the installation of City's telephone and internet connections. City shall be permitted access to an existing one inch (1") conduit that runs from Building A and B and connects to an existing "punch panel" located on the first floor of Building F (which depicted on Exhibit N) for the installation of City's telecommunications fiber, cabling and wiring. All telecommunications fiber, cabling and wiring shall be installed, repaired, maintained, modified, terminated, and removed at City's expense by an experienced and qualified contractor approved in writing in advance by Landlord and all such work shall be performed with applicable permits. City shall label all telephone, computer, or other data cabling at the time of installation. Unless Landlord notifies City to the contrary at least thirty (30) days prior to the expiration of this Lease or within ten (10) after the earlier expiration of this Lease, prior to the expiration of the Term or promptly following any earlier termination of this Lease, Tenant shall remove all such fibers,

cabling, wiring and equipment. City shall be responsible for all damage, costs and delays caused by any installation, modification or removal of telecommunication fiber, cabling or wiring by City.

6.3 Construction of Improvements that Disturb or Remove Exterior Paint

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, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord and its Agents shall give to City three (3) business days' prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 34 of the San Francisco Building Code does not constitute notification to City as Tenant under this Lease and similarly that notice under this Lease does not constitute notice under Chapter 34 of the San Francisco Building Code. Further, Landlord and its Agents, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) heat guns operating above 1,100 degrees Fahrenheit. Landlord covenants and agrees to comply with the requirements of Title 17 of the California Code of Regulations when taking measures that are designed to reduce or eliminate lead hazards. Under this Section, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 34 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.

7. ALTERATIONS

7.1 Alterations by City

(a) 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 Premises, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below). Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

(b) City shall be solely responsible for compliance with all applicable Laws in connection with all Alterations. City shall be responsible for the cost of any additional alterations required by applicable Laws, to any portion of Buildings A and B as a result of

Alterations; provided that at Landlord's election, Landlord shall perform all such work outside the Premises, and City shall reimburse Landlord for the cost thereof within thirty (30) days after written demand accompanied by an invoice or other reasonable supporting documentation. Landlord shall provide notice of such election to Tenant at least ten (10) business days prior Landlord's commencement of the performance of such work. Landlord shall use commercially reasonable efforts to minimize the disruption to the operation of the City within the Premises in performing such work. Further, if Landlord estimates that the cost of the work to be performed outside the Premises will exceed One Hundred Thousand Dollars (\$100,000.00), Landlord may require City to make monthly payments to Landlord as an Additional Charge pursuant to a reasonable schedule as was done with the Leasehold Improvements such that there are sufficient funds available for the payment of any contractors and vendors. Within thirty (30) days after the actual cost of such work is determined, Landlord shall refund any overpayment to City or City shall pay any shortfall to Landlord, as the case may be. City shall promptly commence or cause the commencement of construction of all Alterations and complete or cause completion of the same with due diligence after commencement in order to cause the least disruption to building operations and occupants.

(c) If required by Landlord in writing at the time Landlord provides consent to an Alteration, City shall, prior to the expiration of the Term or earlier termination of this Lease, remove such Alteration at City's cost and expense and restore the Premises to the condition existing prior to the installation of such Alteration, normal wear and tear, Damage and Destruction excepted. If City fails so to do, then after written notice to City Landlord may remove such Alteration and perform such restoration and City shall reimburse Landlord for the cost and expense reasonably incurred by Landlord to perform such removal and restoration (which obligation of City shall survive the expiration or earlier termination of this Lease). City shall repair at its cost and expense all damage to the Premises or Buildings A and B caused by the removal of such Alteration. Subject to the foregoing provisions regarding removal, all Alterations remaining at the Premises at the expiration or earlier termination of this Lease shall be Landlord's property from and after the expiration or earlier termination of this Lease, without compensation to City

7.2 Title to Improvements

Subject to the provisions of Section 7.1 and Article 20, except for City's Personal Property (as defined in the next Section), all appurtenances, fixtures, improvements, equipment, additions and other property permanently installed in the Premises as of the Commencement Date or during the Term shall be and remain Landlord's property. City may not remove such property unless Landlord consents thereto.

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises within

thirty (30) days after the Expiration Date (but if it does not remove City's Personal Property within such time it shall have waived any rights it may have had to City's Personal Property), and (ii) will repair any damage caused by the removal of City's Personal Property. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within thirty (30) days after the Expiration Date, subject to such terms, conditions and restrictions as Landlord customarily imposes, and provided that City shall reimburse Landlord for any attorneys' fees or other costs incurred by Landlord in negotiating an agreement with such supplier, lessor or lender within thirty (30) days after written request accompanied by an invoice or other reasonable supporting documentation.

7.4 Alteration by Landlord

Landlord shall use its best efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Property, including without limitation any leasehold improvement work for other tenants in the Property. Landlord shall promptly remedy any such interference or disruption upon receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Landlord shall repair and maintain in good condition, (a) the exterior and structural portions of Buildings A and B, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, (b) the utilities to the point of entry to the Building, and (b) the Common Area. Without limiting the foregoing, Landlord shall maintain the Property in a clean, safe and attractive manner, shall provide exterior graffiti removal with reasonable frequency, and shall not permit any other tenants of the Property to materially disturb or interfere with City's use of or access to the Premises or permit to be done in or about the Property anything that is illegal, is dangerous to persons or property or constitutes a nuisance. Except as provided in Section 4.6 and Exhibit C, the costs incurred by Landlord to perform the foregoing obligations shall be deemed Operating Costs and charged to Tenant pursuant to Section 4.7.

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 hereunder, City shall repair and maintain at its cost (a) the interior portions of the Premises and (b) the plumbing, electrical, fire protection, heating, ventilating and air-conditioning, life safety, security and other mechanical, electrical, and communications systems within Buildings A and B (collectively, the "Building Systems") and shall keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that Landlord specifies in writing (i) at City's cost, (ii) by contractors or mechanics selected by City and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original Leasehold Improvements 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 Buildings A and B or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term of this Lease, Landlord shall, upon reasonable notice by City, afford City and its Agents with access to those portions of the Property which are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City. In performing Tenant's obligations hereunder with respect to the Building Systems, Tenant shall

fully comply with all operation, maintenance, repair and replacement regulations and requirements prescribed by the manufacturer or contractor of each such Building System (the "Maintenance Specifications"). Tenant shall enter into and keep in full force and effect continuously throughout the Term maintenance contracts which provide coverage for the operation, maintenance, repair and replacement costs for such Building Systems with a qualified, licensed contractor(s) in accordance with the Maintenance Specifications. After reasonable notice, except in emergencies where no such notice shall be required, Landlord and Landlord's agents and representatives, shall have the right to enter the Premises to inspect the Building Systems. At least thirty (30) days prior to the expiration or earlier termination of the Term, Landlord shall cause an inspection of the Building Systems to be performed by a qualified, licensed contractor and obtain a cost estimate to bring each major component of the Building Systems into good working order and condition, normal wear and tear, Damage and Destruction excepted. The Premises shall be surrendered with all such Building Systems in good working order and condition, including all Building Systems installed by or behalf of the City.

8.3 Liens

City shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by City during the Term. Landlord shall have the right to post on the Premises any notices permitted or required by Law or that Landlord deems are needed for the protection of Landlord, the Premises, or Buildings A and B, from mechanics', material suppliers' or other liens and to take any other action at the expense of City that Landlord deems necessary or appropriate to prevent, remove or discharge any such lien, provided that Landlord shall first allow the City the reasonable opportunity to contest such lien or take other appropriate action to remove or bond over the lien for a period of not less than thirty (30) days (or such shorter period as may be required in connection with any financing or sale of Buildings A and B). City shall Indemnify Landlord for all Claims which may be asserted against or incurred by Landlord as a result of City's failure to comply with the obligations of this Section 8.3 (which Indemnity obligation shall survive the Expiration Date or earlier termination of this Lease). City shall give Landlord at least ten (10) business days' prior written notice of commencement of any repair or construction by City on the Premises to allow Landlord to post a Notice of Non-Responsibility with respect to the work.

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Subject to limitations imposed by applicable Laws, periods of regular and emergency maintenance and Casualties, Landlord shall, at Landlord's cost (subject to reimbursement as an Operating Cost, to the extent applicable) be responsible for maintaining the existing main lines for electricity, water and sewer utilities to the Premises in a good condition; however, if the necessity for such maintenance is the result of the negligence or willful misconduct of City, or its Agents or Invitees, the City, at City's cost, shall make the necessary maintenance or repair.

9.2 Services

(a) Utilities

City shall pay for electricity and water for the Premises as submetered to the Premises or equitably allocated by Landlord.

(b) Refuse and Recycling, Pest Control

City shall provide, at its sole cost, recycling, refuse removal and pest control, as deemed necessary by City.

(c) Janitorial Service

City shall provide at its cost janitorial service for the Premises, as deemed necessary by City.

(d) Security Service

City shall provide, at its cost, security for the Premises.

(e) Heating Ventilating and Air Conditioning

Landlord, as an Operating Cost, shall maintain and repair all HVAC equipment installed as a Leasehold Improvement in a good and working condition.

(f) Yard Maintenance

Landlord, as an Operating Cost, shall maintain and repair the driveway and fencing along the east side of the Property in a first class condition.

9.3 Additional Services

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

9.4 Conservation

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

9.5 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished to the Premises by Landlord hereunder, Landlord shall immediately notify City of such failure, stoppage or interruption, 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 Premises' sanitary, electrical, or water 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 business days if such failure is in the reasonable control of Landlord or a period of seven (7) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises. 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. City shall not be entitled to any abatement of Rent if Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City and its Agents.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Landlord represents and warrants to City, and covenants with City, that to Landlord's Knowledge, Landlord has received no written notices of any violation or non-compliance with any laws or building codes relating to the Premises. Landlord shall make, at Landlord's cost (subject to reimbursement as an Operating Cost, to the extent applicable, and at its sole cost, to the extent not applicable), any and all modifications to the Premises, the Property and/or the Building Systems as may be required by applicable Laws for general office use, subject to City's obligations pursuant to Section 10.2. Landlord shall at all times during the Term cause the Property, Buildings A and B, and the Common Areas to be in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders, permits, approvals and other governmental requirements, the requirements of any board of fire underwriters or other similar body, any directive or occupancy certificate issued pursuant to any law by any public officer or officers acting in their regulatory capacity (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Notwithstanding the foregoing, if specifically and to the extent (a) City's status as a governmental entity or (b) City's proposed or actual use of the Premises (other than for general office use) requires changes or upgrades to the Premises or special services in the Premises in order to comply with applicable Law, (i) Landlord shall provide City with prior written notice of the required additional changes, upgrades or services and Landlord's good faith estimate of the cost thereof, (ii) City shall be responsible for the cost of the additional changes, upgrades or services that result from City's status as a governmental entity or City's proposed or actual use of the Premises (other than for general office use), and (iii) City shall reimburse Landlord, promptly upon demand accompanied by an invoice and supporting documentation, as additional Rent, for any costs or expenses that Landlord reasonably incurs arising from such additional changes, upgrades or services, provided that prior to incurring such costs or expenses Landlord shall provide City, for City's reasonable approval or disapproval, with written notice of the required building changes or upgrades and a budget or other satisfactory estimate of the costs and expenses to be incurred in connection therewith. If Landlord is required to make building changes or upgrades due to a use which is not general office use, City shall have the option of terminating such use and instead using the space for general office use, provided that such termination shall not reduce or eliminate the City's obligations with respect to any additional changes, upgrades or services that arose prior to such termination becoming effective. Nothing contained herein shall prevent Landlord from contesting any alleged violation of Laws in good faith, including, but not limited to, the right to apply for and obtain a waiver or deferment of compliance, the right to assert any and all defenses allowed by applicable Laws, and the right to appeal any decisions, judgments or rulings to the fullest extent permitted by applicable Laws. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any failure of the Property, Common Areas, or any portion thereof, to comply with applicable Laws as provided in this Section.

10.2 City's Compliance with Laws; Indemnity

City shall make, at City's sole cost and expense, any and all modifications to the Premises as may be required by applicable Laws, and shall use the Premises during the Term in compliance with applicable Laws, the provisions of all recorded documents affecting any portion of Buildings A and B and all life safety programs, procedures and rules implemented or promulgated by Landlord, and shall not do or permit to be done, or bring or keep or permit to be brought or kept, in or about the Premises, or any other portion of Buildings A and B, anything that is prohibited by or will in any way conflict with any Law, the provisions of any recorded documents affecting any portion of Buildings A and B and all life safety programs, procedures and rules implemented or promulgated by Landlord, except that City shall not be required to make any structural alterations, additions or other modifications to the Premises or Buildings A

and B in order to comply therewith, except to the extent that such modifications are necessary because of: (a) any Alterations to the Premises made by City pursuant to Section 7.1 (Alterations by City); or (b) City's use of the Premises for other than light industrial purposes; or (c) City's status as a government entity (by way of example, but not limitation, modifications that would not be necessary if the Premises were leased exclusively to private users instead of City). Without limiting the generality of the foregoing, City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of City's furniture or other City Personal Property and the operation of any programs in the Premises, other than any requirement relating to the path of travel to the Premises, which is Landlord's obligation to the extent provided in Section 10.1 (Landlord's Compliance with Laws) and City's obligation to the extent provided in Section 7.1. Without limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided in this Section 10.2. The recorded documents identified in Landlord's owner's policy of title insurance are listed on Exhibit I.

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 Buildings A and B or any property located therein, (b) result in a refusal by fire insurance companies of good standing to insure Buildings A and B or any such property in amounts reasonably satisfactory to Landlord or the holder of any mortgage or deed of trust encumbering the Property, (c) cause an increase in the fire insurance premium for the Property 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 said instrument or the recording thereof. At City's request, the holder of the Encumbrance shall enter into a subordination and nondisturbance agreement with City upon customary terms and conditions modifications reasonably acceptable to Landlord, City and the holder of the Encumbrance.

(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 attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of such succession and the name and address of the successor landlord.

City's covenant under subsection (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).

(c) The provisions of subsection 11(a) and (b) shall be self-operative. However, City agrees to execute upon request by Landlord and substantially in the form attached to this Lease as Exhibit N with commercially reasonable modifications required by the holder of the Encumbrance, a subordination, non-disturbance and attornment agreement evidencing the priority or subordination of this Lease with respect to any Encumbrance as provided herein on customary terms and conditions.

(d) Landlord represents that as of the Lease Reference Date Landlord has not granted any mortgage or deed of trust for the benefit of any lender or mortgagee encumbering the Premises.

12. DAMAGE AND DESTRUCTION

If the Premises, the Property or any Building Systems are damaged by fire or other casualty, Landlord shall repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if City at its sole option makes funds available to Landlord, Landlord shall also repair the Leasehold Improvements), provided that such repairs can be made under applicable Laws within two hundred seventy (270) days after Landlord obtains all necessary permits for such repairs but not later than four hundred fifty (450) days after the date of such damage (the "Repair Period") and adequate insurance proceeds are made available to Landlord for such repairs, provided Landlord maintains replacement cost insurance. In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in Rent shall be based upon the extent to which such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents.

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

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

If at any time during the last eleven (11) 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.

Notwithstanding anything to the contrary contained in this Article 12, Landlord shall have no obligation to repair or restore the damage or destruction, and Landlord may instead elect to terminate this Lease, in the event the hard costs and soft costs to repair or restore the damage or destruction are reasonably estimated by Landlord's contractor to exceed the insurance proceeds available for the repair by ten percent (10%) of the cost of replacing the Premises in its entirety due to the exercise of its rights by any holder of a mortgage or deed of trust, provided that such holder is not an affiliate of Landlord (or if such party is an affiliate of Landlord, the retention of insurance proceeds by such party is then common practice in the State of California for similar losses and such party consistently retains insurance proceeds in connection with similar losses).

The parties intend that the provisions of this Section govern fully their rights and obligations in the event of damage or destruction, and Landlord and City each hereby waives and releases any right to terminate this Lease in whole or in part under Section 1932, subdivision 2, Section 1933, subdivision 4, and Sections 1941 and 1942 of the Civil Code of California or under any similar law, statute or ordinance now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

If during the Term or during the period between the execution of this Lease and the Commencement Date, there is any Taking of all or any part of the Premises or any interest in this Lease, the rights and obligations of the parties hereunder shall be determined pursuant to this Section. City and Landlord intend that the provisions hereof govern fully in the event of a Taking and accordingly, the parties each hereby waive any right to terminate this Lease in whole or in part under Sections 1265.110, 1265.120, 1265.130 and 1265.140 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

13.3 Total Taking; Automatic Termination

If there is a total Taking of the Premises, then this Lease shall terminate as of the Date of Taking.

13.4 Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease shall terminate in its entirety if all of the following exist: (i) the partial Taking, in City's reasonable judgment, renders the remaining portion of the Premises untenable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affects City's normal operations in the Premises, (ii) the condition rendering the Premises 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 Buildings A and B, 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 Buildings A and B taken shall, in City's reasonable judgment, render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises.

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

13.5 Termination of Lease; Rent and Award

Upon termination of this Lease in its entirety pursuant to Section 13.3, 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 Premises taken bears to the area of the Premises prior to the Date of Taking, and (b) Landlord shall be entitled to the entire Award in connection therewith, provided that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

14.1 Except as provided in Section 14.2, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or permit all or any portion of the Premises to be occupied by anyone other than itself or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed. If Landlord consents to any such assignment or sublease of City's interest in the Premises to a third party, fifty percent (50%) of any rent that City receives under such assignment or sublease in excess of the Base Rent and Additional Charges payable hereunder (or the amount thereof proportionate to the portion of the Premises subject to such sublease) shall be paid to Landlord after City first recovers any unamortized costs incurred by City for the Leasehold Improvements in excess of the Allowance (as amortized on a straight line basis over the Term) and the cost of any additional leasehold improvements installed for the benefit of the sublessee or assignee and paid for by City, (ii) the cost of any real estate commissions and (iii) any actual, reasonable attorney fees incurred in the negotiation and documentation of the assignment or sublease. Whether or not Landlord shall grant consent, City shall pay, within thirty (30) days after written request by Landlord, all reasonable legal fees incurred by Landlord in connection with any proposed transfer.

14.2 City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises to any department, commission vendor, contractor, nonprofit or agency of the City and County of San Francisco for uses permitted under this Lease and such transfer of the Lease or such use of occupancy of the Premises shall not be considered an assignment or sublease subject to the provisions of Section 14.1. Any notice to Landlord pursuant to this Section 14.2 shall identify such employees and their respective City department(s) and provide a detailed description of the portion of the Premises to be utilized by such employees. City's rights under this paragraph shall apply only to City and shall not inure to the benefit of any assignee, sublessee or other transferee of City's interest in this Lease.

14.3 Any transfer by City pursuant to this Section shall not release City from its obligations under this Lease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

Any of the following shall constitute an event of default by City hereunder:

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

(i) The worth at the time of award of all unpaid Rent which had been earned at the time of termination;

(ii) The worth at the time of award of the amount by which all unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that City proves could have been reasonably avoided;

(iii) The worth at the time of award of the amount by which all unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that City proves could be reasonably avoided; and

(iv) All other amounts necessary to compensate Landlord for all the detriment proximately caused by City's failure to perform all of City's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

The "worth at the time of award" of the amounts referred to in clauses (i) and (ii) above shall be computed by allowing interest at the Interest Rate. The "worth at the time of award" of the amount referred to in clause (iii) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). For purposes of computing the amount of Rent hereunder that would have accrued after the time of award, the amount of increases in Operating Costs and Real Estate Taxes shall be projected based upon the average rate of increase, if any, in such items from the Commencement Date through the time of award. City waives redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other present or future law, if City is evicted or Landlord takes possession of the Premises by reason of any default of City hereunder.

(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.

(c) Upon the occurrence of an event of default, Landlord may, at its option, take any reasonable action to cure the event of default, without waiving its rights and remedies against City or releasing City from any of its obligations hereunder. Notwithstanding the preceding sentence, in the event of an emergency or other circumstance in which City's failure to take immediate action may result in injury to persons or damage to property, Landlord may, at its option, take any reasonable action to perform any obligation of City, after first giving such prior notice to City as may be reasonable under the circumstances. All reasonable out-of-pocket costs actually paid by Landlord in performing City's obligations as set forth in this Section 15.2(c)

shall be paid by City to Landlord within thirty (30) days after request accompanied by invoices or other reasonable supporting documents.

(d) The remedies provided for in this Lease are in addition to all other remedies available to Landlord at law or in equity by statute or otherwise.

15.3 Landlord's Default

Notwithstanding anything to the contrary set forth in this Lease, Landlord shall not be in default in the performance of any obligation required to be performed by Landlord pursuant to this Lease unless Landlord fails to perform such obligation within thirty (30) days after the receipt by Landlord of written notice from City specifying in detail Landlord's alleged failure to perform; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be in default under this Lease if Landlord commences such performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. If Landlord defaults in the performance of any of its obligations under this Lease, which default materially impairs City's ability to conduct business in the office portion of the Premises, then 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 a second notice to Landlord and any holder of a mortgage or deed of trust encumbering the Property of City's intention to perform such cure pursuant to this Section 15.3. However, in the case of a default which cannot with due diligence be cured within such thirty (30) day period, such thirty (30) day period shall be extended if Landlord or any holder of a mortgage or deed of trust encumbering the Property promptly upon receipt of City's notice, advises City of its intent to cure such default, and Landlord or any holder of a mortgage or deed of trust encumbering the property promptly commences such cure and diligently prosecutes the same to completion. In performing any repairs or maintenance pursuant to this Section 15.3, City shall (i) comply with the provisions of Article 7, (ii) be liable to Landlord for any damage to Buildings A and B, including Building Systems, caused by City's actions, and (iii) Indemnify Landlord for any Claims asserted by tenants or other occupants of Buildings A and B in connection with City's exercise of its self-help rights.

15.4 Limitation on Representations and Warranties

Notwithstanding anything to the contrary in this Lease, (i) all representations and warranties by Landlord shall survive for a period of one (1) year following the Effective Date and (ii) in the event of a breach of a representation or warranty in this Lease, Landlord's liability to City for all such breaches, in the aggregate, shall not exceed Five Hundred Thousand Dollars (\$500,000.00). Any claim for breach of any representation or warranty not made in writing within such one (1) year period following the Effective Date shall be waived.

15.5 Non-Recourse

City shall look solely to Landlord's interest in the Property for recovery of any damages for breach of this Lease by Landlord or execution on any judgment in connection therewith, except to the extent provided in Section 16.2 below.

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, cause of action, obligation, liability, costs and expenses, including, without limitation, reasonable attorneys' fees, (collectively, "Claims"), incurred as a result of (a) City's use of or activities in, on, or about the Premises or Property, including, but not

limited to, City's installation, maintenance, repair, replacement and removal of the Rooftop Equipment on the roof of Buildings A and B, (b) any default by City in the performance of any of its material obligations under this Lease, or (c) any negligent acts or omissions of City, City's Agents or City's Invitees, in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents by reason of any Claim indemnified by City hereunder, City shall assume the defense and indemnification of Landlord. City may defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both; and City shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. City's obligations under this Section shall survive the termination of this Lease.

16.2 Landlord's Indemnity

Landlord shall Indemnify City and its Agents against any and all Claims incurred as a result of (a) any default by Landlord in the performance of any of its material obligations under this Lease, or (b) any negligent acts or omissions of Landlord or its Agents in, on or about the Premises or the Property; provided, however, Landlord shall not be obligated to Indemnify City or its Agents to the extent any Claim arises out of the acts or omissions of City, City's Agents or City's Invitees. In any action or proceeding brought against City or its Agents by reason of any Claim indemnified by Landlord hereunder, Landlord shall assume the defense and indemnification of City. Landlord may 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.

16.3 Duty to Defend

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. No indemnifying party shall have the right to settle any indemnified Claim that contains any admission of liability or wrongdoing by the indemnified party, or its officers, directors, members, partners or employees without obtaining the consent of such indemnified party.

16.4 Waiver

City agrees that neither Landlord nor its Agents shall be liable to City or City's Program Affiliates, or City's Agents or Invitees, and City waives all claims against Landlord and its Agents, for any injury to or death of any person or for loss of use of or damage to or destruction of property in or about the Premises, Buildings A and B or the Property by or from any cause whatsoever, including but not limited to, earthquake or earth movement, explosion, gas, fire, oil, electricity or water leakage from the roof, walls, basement or other portion of the Premises, Buildings A and B or the Property, and including any such injury, death or damage caused by any active or passive act, omission or neglect of Landlord or its Agents or by any act or omission for which liability without fault or strict liability may be imposed, except only, with respect to Landlord or its Agents, to the extent such injury, death or damage is caused by the gross negligence or willful misconduct of Landlord or its Agents and is not covered by the insurance

required to be carried by City hereunder (or which would be covered if City wasn't self-insuring) or except to the extent such limitation on liability is prohibited by law.

17. INSURANCE

17.1 City's Self-Insurance

(a) Landlord acknowledges that City maintains a program of self-insurance and agrees that City shall not be required to carry any third-party insurance with respect to this Lease. At all times during the Term (and periods prior to or after the Term that City has access to or occupies the Premises), City's self-insurance shall include such coverage as would have been covered by (a) a standard Commercial General Liability Insurance with respect to the Premises with limits of liability not less than Ten Million Dollars (\$10,000,000) per occurrence and in the aggregate, and (b) causes of loss – special form "All Risk" Property Insurance for City's Personal Property. For purposes of the waiver of subrogation provision in Section 17.5 below, the amount of any deductible shall be deemed included in the proceeds City receives. If City assigns this Lease or sublets some or all of the Premises to a third party, Landlord may require as a condition to Landlord's consent to any such assignment or sublease (or if Landlord's consent is not required, City shall require in the applicable sublease) an amendment to be executed to this Lease requiring the assignee to carry such insurance as is consistent with tenants in comparable buildings, as determined by Landlord in Landlord's reasonable discretion. The Director of Property shall be authorized to sign any such amendment without the need for commission or other governmental approvals.

(b) "Self-insure" shall mean that City is itself acting as though it were the insurance company providing the insurance required under the provisions hereof and City shall pay amounts due in lieu of insurance proceeds because of self-insurance, which amounts shall be treated as insurance proceeds for all purposes under this Lease. City's program of self-insurance shall provide Landlord with the same rights and privileges to which Landlord is otherwise entitled under the terms of this Lease including the defense obligations that would be provided by a commercial insurer to Landlord as an additional insurer in accordance with Section 16.3.

(c) All amounts which City pays or is required to pay and all loss or damages resulting from risks for which City has elected to self-insure shall be subject to the waiver of subrogation provisions hereof and shall not limit any of City's indemnification obligations under this Lease.

(d) In the event City elects to self-insure, City shall provide Landlord and Landlord's mortgagee and any ground lessor with letters of self-insurance specifying the extent of self-insurance coverage hereunder and containing waiver of subrogation provisions reasonably satisfactory to Landlord. Any insurance coverage provided by City shall be for the benefit of City, Landlord, the first mortgagee and any ground lessor, as their respective interests may appear, and shall name mortgagee under a standard mortgage provision.

(e) In the event City elects to self-insure and an event or claim occurs for which a defense and/or coverage would have been available from a third-party insurance company, City shall (i) undertake the defense of any such claim, including a defense of the other party if applicable, at the self-insuring party's sole cost and expense, and (ii) use its own funds to pay any claim or replace any property or otherwise provide the funding which would have been

paid by the third-party insurer under the circumstances had such party purchased the insurance required under this Article 17 instead of electing to self-insure.

17.2 Landlord's Insurance

At all times during the Term, Landlord shall keep the Property (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, upon request by City, provide to City a memorandum of insurance evidencing the insurance required above. Landlord shall notify City within fourteen (14) day after receiving any notice of cancellation of any of the policies to insurance maintained by Landlord. Except to the extent any loss or damage is caused by the City's gross negligence or willful misconduct, Landlord hereby waives any rights against City for loss or damage to the Premises or any other part of the Property, to the extent covered by Landlord's property insurance.

In addition, Landlord, at no cost to City, shall procure and keep in effect at all times during the Term insurance as follows: (a) Commercial general liability insurance with limits not less than Five Million Dollars (\$5,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and (b) if Landlord has employees, Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident.

17.3 Waiver of Subrogation

Notwithstanding anything to the contrary contained herein, except to the extent a property loss or damage suffered by Landlord is caused by the City's gross negligence or willful misconduct, Landlord hereby waives any right of recovery against City for any loss or damage sustained by Landlord with respect to Buildings A and B or the Premises or any portion thereof or the contents of the same or any operation therein to the extent such loss or damage is covered by property insurance which Landlord is required to purchase under this Lease or is otherwise actually recovered from valid and collectible insurance covering the Landlord. Landlord agrees to obtain a waiver of subrogation endorsement from each property insurance carrier issuing policies relative to Buildings A and B or the Premises, provided Landlord's failure to do so shall not affect the above waiver. For purposes of this Section 17.5, Landlord shall be deemed to be carrying the property insurance policies that it is required to carry pursuant to Section 17.4 but does not actually carry, including in such deemed coverage any policies not carried because Landlord has elected to self-insure. Notwithstanding anything to the contrary contained herein, except to the extent a property loss or damage suffered by City is caused by Landlord's gross negligence or willful misconduct, City for itself and for its Agents and Invitees, hereby waives any right of recovery against Landlord for any loss or damage sustained by City or its Agents or Invitees with respect to Buildings A and B or the Premises or any portion thereof or the contents of the same or any operation therein to the extent such loss or damage would have been covered by property insurance which City would have been required to provide under this Article 17 had City not been entitled to self-insure. With respect to subtenants or assignees of City, if such persons are required to obtain insurance hereunder, City's waiver shall apply to the extent such loss or damage is covered by insurance they are required to purchase under this Lease or is otherwise actually recovered from valid and collectible insurance covering such subtenants or assignees. If City, or any successor to City, obtains any policy of insurance with respect to Buildings A and B or the Premises or any portion thereof or the contents of the same or any operation therein, City, for itself and its successors, agrees to obtain a waiver of subrogation

endorsement from each insurance carrier issuing policies relative to Buildings A and B or the Premises, provided City's or its successors' failure to do so shall not affect the above waiver

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Property, 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. City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Property resulting from such removal. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1 Definitions

As used in this Lease, the following terms shall have the meanings hereinafter set forth:

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

(b) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive

Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended (42 U.S.C. Section 9601 et seq.), or pursuant to Section 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Property 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 Buildings A and B, or in, on, under or about the Property.

21.2 Landlord's Representations and Covenants

Landlord hereby represents and warrants that, to Landlord's Knowledge (i) neither the Property nor the Premises is currently in violation of any Environmental Laws and (ii) Landlord has received no written notice that that the Property is subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Materials, or that there is any 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 Materials in Buildings A and B or in, on, under or about the Property, or the migration of Hazardous Materials from or to other real property. As used herein, the phrase "Landlord's Knowledge" or similar phrase shall mean the actual personal knowledge, as of the date hereof, of Raul Saavedra, Senior Asset Manager, and Christopher Lundstrom, Senior Property Manager, without such individuals having undertaken or being required to undertake any duty of inquiry, investigation or due diligence with respect to such matters, without the knowledge of any other individual being imputed to such individuals, and without such individuals assuming any personal liability with respect to such matters or any obligations of Landlord under this Lease.

21.3 Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), above, Landlord shall Indemnify City and its Agents against any and all Claims arising during or after the Term of this Lease in connection with any presence or Release of Hazardous Material in Buildings A and B or on, under or about the Property, unless City or its Agents caused such Release or any hazard posed by existing Hazardous Materials is exacerbated by the negligent acts or omissions or willful misconduct of City or its Agents.

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, provided that City may use in the Premises (a) standard cleaning solvents and chemicals commonly used in the offices, (b) those Hazardous Materials and the quantities and volumes of such Hazardous Materials listed on Exhibit G attached hereto, and (c) such other Hazardous Materials which may be approved by Landlord from time to time in Landlord's reasonable discretion, in such quantities and volumes as are necessary to conduct City's business in the Premises ("Permitted Materials"). Permitted Materials shall be used, kept, stored, disposed of, removed, and transported in strict compliance with all applicable Laws including Environmental Laws. Upon Landlord's written request, City shall provide Landlord with an updated list of all Permitted Materials used, kept, or stored in the Premises. Upon the expiration or sooner termination of this Lease, Tenant covenants to remove from the Premises or Common Area, at its sole cost and expense, any and all Hazardous Materials then located on or

about the Premises or Common Area due to a Release of Hazardous Materials by City or City's Agents.

21.5 City's Environmental Indemnity

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

23. GENERAL PROVISIONS

23.1 Notices

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

23.2 No Implied Waiver

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

23.3 Amendments

Neither this Lease nor any 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 the execution and delivery of this Lease by Landlord has been duly authorized and, to Landlord's Knowledge, does not violate any provision of any agreement, law or regulation to which Landlord or the Property is subject.

23.5 Parties and Their Agents and Invitees; Approvals

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 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. Similarly, for purposes of this Lease, reasonable

fees of attorneys of Landlord's in-house 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 Landlord's in-house attorneys' services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by Landlord's Legal Department. 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 written consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the period of such holding over for the first thirty (30) days shall be one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term of this Lease, then two hundred percent (200%) after the first thirty (30) days and such tenancy shall otherwise be on the terms and conditions contained herein. Nothing contained in this Section 23.12 shall be construed as consent by Landlord to any holding over by City. City's holdover and possession of the Premises after the expiration or earlier termination of the Term without Landlord's consent shall constitute an event of default by City without notice by Landlord, and Landlord shall be entitled to all rights and remedies of Landlord provided herein or at law, including, but not limited to, any claims made by an succeeding tenant based upon such failure to surrender and any lost rental income suffered by Landlord as a result of such holding over.

23.14 Cumulative Remedies

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

23.15 Time of Essence

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

23.16 Survival of Indemnities

Termination of this Lease shall not affect any provision of this Lease that expressly states it shall survive termination hereof.

23.17 Signs

City may erect or post signs on or about the Premises subject to Landlord's prior approval and in accordance with applicable Laws. 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 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.

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 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 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, 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, Buildings A and B or this Lease to any other 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.

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. The obligations of Landlord under this Lease shall not constitute personal obligations of the individual partners, managers or members of such party or their individual partners, directors, officers, employees, members, investors or shareholders and the City shall not seek recourse against the individual partners, managers or members of Landlord or Landlord's individual partners, directors, officers, employees, members, investors or shareholders, or any of their personal assets for such satisfaction. The City shall look solely to Landlord's interest in the Premises, and to no other assets of Landlord or any other Landlord parties, for the satisfaction of any liability of Landlord with respect to this Lease.

23.22 MacBride Principles – Northern Ireland

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

understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

23.23 Controller's Certification of Funds

The terms of this Lease shall be governed by and subject to the 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 (the "Appropriation Termination Date"). If this Lease is so terminated, then on or before the Appropriation Termination Date, the City shall vacate and surrender the Premises in the condition required pursuant to Article 20 above. Any failure by the City to so vacate and surrender the Premises in the required condition shall constitute a holdover without Landlord's consent, subject to the provisions of Section 23.13 above. In no event shall Landlord be obligated to provide any utilities or services to the Premises beyond the Appropriation Termination Date. City's Real Estate Division Staff shall use reasonable efforts to give Landlord at least nine (9) months advance notice of the Appropriation Termination Date. In no event shall City give less than thirty (30) days advance notice of the Appropriation Termination Date. City's Real Estate Division staff and management shall, as part of City's budgetary process, seek to obtain the necessary appropriation of funds from the City's Board of Supervisors and certification of the availability of funds from the Controller. If this Lease is terminated due to lack of appropriated funds pursuant to this Section 23.23, then City shall not appropriate funds in the fiscal year that such termination occurs, or the subsequent fiscal year, for the purpose of purchasing a building, or renting new similarly sized or additional space in any other privately-owned building, to operate any of the City programs that were located in the Premises in the fiscal year that this Lease terminated..

City acknowledges that as a condition to Landlord's entering into this Lease and the effectiveness of the Lease, City shall provide to Landlord a copy of the Board of Supervisors Resolution evidencing a valid appropriation of sufficient funds for the payment of Rent required hereunder for the first fiscal lease year, if any, and the Termination Liquidation Damages, regardless of whether such payments shall or may yet actually be due or payable in the next ensuing fiscal year or any subsequent fiscal year. Upon passage of the Annual Appropriation Ordinance for City's Fiscal Year 16/17, the Director of Property shall also email to Landlord's contact(s) as provided in the Basic Lease Information, a confirmation that sufficient funding for City's Rent and payments due under Section 6.1(h) and Exhibit L (Schedule of Construction Cost Payment) have been included in City's budget. If the passage of the Annual Appropriation Ordinance does not include approval of a budget with funding sufficient for City's Rent and payments due under Section 6.1(h) and Exhibit L (Schedule of Construction Cost Payment), Landlord shall be permitted to suspend construction of the Leasehold Improvements without any liability to Landlord or without any delay or adjustment to the Commencement Date until such time as City has provided evidence reasonably satisfactory to Landlord of an alternative funding source sufficient to provide any deficiencies in the budget approved by the Annual Appropriation Ordinance.

23.24 Prevailing Wages for Construction Work

Landlord agrees that any person performing labor in the construction of the Leasehold Improvements or other improvements to the Premises, which Landlord provides pursuant to this

Lease, shall be paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(e) of the San Francisco Administrative Code, and shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Landlord shall include, in any contract for construction of such Leasehold Improvements or other improvements to the Premises, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing labor in the construction of any Leasehold Improvements or other improvements to the Premises pursuant to this Lease.

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 the services of Landlord, 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 for a substantial portion of any work performed by Landlord on the Premises pursuant to this Lease 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 such subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k) and 12C.3 of the San Francisco Administrative Code. 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 pursuant to this Lease, 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 Landlord's employees (if any) 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 Contracts Monitoring Division (the "CMD"). Landlord hereby represents that prior to execution of the

Lease: (a) Landlord executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and (b) the CMD approved such form.

(e) Incorporation of Administrative Code Provisions by Reference

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

23.26 Tropical Hardwood and Virgin Redwood Ban

(a) Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, neither Landlord nor any of its contractors shall provide any items to City in the construction of the Leasehold Improvements or otherwise install in the Premises 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.

23.27 Bicycle Parking Facilities

Article 1.5, Section 155.3, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle parking at City-leased buildings at no cost to Landlord. During the Term, City shall have the right to install and maintain, at its sole cost, all Class 1 Bicycle Parking Spaces (as defined in the Planning Code) and all Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in Buildings A and B locations required under the Planning Code and reasonably approved by Landlord.

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. Subject and in accordance with Section 6 of this Lease, Landlord hereby acknowledges that the City, in approving the Space Plans, will review such Space Plans for compliance with applicable provisions of such code sections and the marginal cost, if any, shall constitute part of the cost of construction as set forth in Section 6.1(h).

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 Mayor and Board of Supervisors, in their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable Laws (and the City has provided evidence thereof to Landlord as set forth in Section 23.23 above) and (b) this Lease is duly executed by the parties hereto.

23.31 Sunshine Ordinance

In accordance with Section 67.24€ 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 Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that, to Landlord's Knowledge, it does not know of any facts which would constitute a violation of said provisions, and agrees that if Landlord becomes actually 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 Landlord; each member of Landlord's board of directors (if any), and Landlord's chief executive officer, chief financial officer and chief operating officer (if any); any person with an ownership interest of more than 20 percent in Landlord; any subcontractor listed in the contract (if any); 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

As of July 1, 2003, 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 Consideration of Criminal History in Hiring and Employment Decisions

Landlord agrees to comply fully with and be bound by all of the provisions of Chapter 12T of the San Francisco Administrative Code (City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions) ("Chapter 12T"), including the remedies and implementing regulations of Chapter 12T, as may be amended from time to time, in the hiring or employment any person with respect to the Leasehold Improvements Work and any additional construction work in the Premises performed by Landlord pursuant to the Lease and paid for by City during the Term. Landlord agrees to incorporate the requirements of this Section in any contracts it enters into for the Leasehold Improvements. The provisions of Chapter 12T are incorporated by reference and made a part of this Lease as though fully set forth herein. The text of the Chapter 12T is available on the web at <http://sfgov.org>.

Landlord shall incorporate by reference in all contracts for the Leasehold Improvements (and other construction work paid for by the City at the Premises, if any) the provisions of Chapter 12T. Landlord's failure to comply with the obligations in this Section shall constitute a material breach of this Lease. City shall have the right as set forth in Chapter 12T to pursue any rights or remedies available under Chapter 12T against Landlord's contractors that violate Chapter 12T with respect to work at the Premises, including but not limited to, a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Lease. Landlord shall not be responsible for violations by its contractors of Chapter 12T, but shall cooperate with the City in enforcing Chapter 12T upon the City's request.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL CITY'S

BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY AND LANDLORD HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS LEASE SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS LEASE BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

23.37 Disclosure Regarding Ground Leased Portion of Common Areas.

Landlord hereby discloses to City that the portion of the Property depicted on Exhibit H is ground leased to Landlord pursuant to that a month-to-month lease with the Peninsula Corridor Joint Powers Board ("JPB"), which lease may be cancelled upon thirty (30) days' written notice by the JPB. Landlord shall have no liability to City for any Claim arising out of the cancellation or other termination of the leasing notwithstanding any other provision in this Lease to the contrary.

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

LANDLORD:

200 PAUL LLC,
a Delaware limited liability company

By: 200 Paul Holding Company, LLC,
its member

By: Digital Realty Trust, L.P., its member

By: Digital Realty Trust, Inc., its
general partner

By: _____
George Rogers, Vice President
Portfolio Management, West
Region

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

RECOMMENDED:

Director of Department of Technology

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Heidi J. Gewertz
Deputy City Attorney

EXHIBIT A -1

Property

EXHIBIT A -2

Premises

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

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

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

Dear Mr. Updike:

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

The Expiration Date (as defined in the Basic Lease Information and 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:

By: _____
John Updike
Director of Property

Dated: _____

EXHIBIT C

EXCLUSIONS FROM OPERATING COSTS

1. Costs of capital repairs, capital improvements and equipment, except for those described in clause (6) of Section 4.6(e).
2. Rentals and other related expenses for items (except when needed in connection with normal repairs and maintenance of permanent systems) which if purchased rather than rented, would constitute a capital improvement which is specifically excluded in item 1 above (excluding, however, equipment not affixed to the Building which is used in providing janitorial or similar services);
3. Costs incurred by Landlord for the repair of damage to the Property, to the extent that Landlord is reimbursed by insurance proceeds (excluding any deductible) and costs occasioned by the exercise of the right of eminent domain;
4. Costs, including, without limitation, permit, license and inspection costs, incurred with respect to the installation of improvements made for other tenants or occupants of the Property or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for other tenants or occupants in the Property;
5. Depreciation, amortization and interest payments, except to the extent provided herein in the definition of Operating Costs with respect to capital expenses and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied (as applied to commercial real estate), and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life (as reasonably determined by Landlord);
6. Leasing commissions, attorneys' and other professionals' fees, space planning costs and all other costs and expenses in connection with negotiations with present or prospective tenants or other occupants in the Property or any present or future ground lessors or holders of any mortgages or other encumbrances affecting any of the Property or the defense of Landlord's title to the Property or the real property on which it is located;
7. Expenses in connection with services or other benefits which are not offered to City or for which City is charged directly but which are provided to another tenant or occupant of the Property;
8. Costs of repairs or alterations to the Property or a Property Building which are required as a result of the failure of the Property or the Property Building to comply with Laws that are applicable to the Property or the Property Building as of the date of the Lease;
9. Overhead and profit increments paid to Landlord or to subsidiaries or affiliates of Landlord, or to any party as a result of a non-competitive selection process, for management, or other services, supplies or materials, to the extent the same exceed the costs of such goods and/or services rendered by unaffiliated third parties on a competitive, arms-length basis;
10. Any ground lease rental or rental under any other underlying leases;

11. Except as specifically permitted, interest, principal, points and fees on debts or amortization on any mortgage, deed of trust or any other debt instrument encumbering any of the Property Buildings or the real property on which they are located;
12. Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord or in any parking facilities within the Project;
13. All items and services for which City or any other tenant or occupant of the Property separately reimburses Landlord (other than through such tenant's or occupant's proportionate share of operating expenses), or which Landlord provides selectively to one or more other tenants or occupants without reimbursement, or which are not provided in reasonable proportion to the space leased by City but which Landlord provides to another tenant or other occupant of the Property;
14. Advertising or promotional expenditures, and the costs of acquiring and installing signs in or on any of the Property identifying the owner of the Property Buildings or any other tenant or occupant of the Property;
15. Electric power costs for which any tenant or occupant directly contracts with the local public service company (provided that the charge for such services shall be computed for purposes of the gross-up provision of the Lease (i.e., expenses to be grossed up to reflect full occupancy of the Building) to reflect an average charge for power costs);
16. Costs incurred in connection with upgrading the Property to comply with disabled access, life, fire and safety codes in effect prior to the date of the Lease and as interpreted as of the date of the Lease.
17. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due (other than due to City's failure to pay its Percentage Share of Increases in Real Estate Taxes);
18. Costs arising from the presence of Hazardous Material in or about the Property including, without limitation, groundwater or soil conditions, except if such Hazardous Material is brought onto the Property by City in violation of applicable laws;
19. Landlord's charitable or political contributions;
20. Capital costs for sculpture, paintings or other objects of art;
21. Any costs incurred by Landlord to repair or restore any portion of the Building made untenable by fire or other casualty required to be insured against pursuant to the terms of the Lease (except the amortized commercially reasonable deductibles under Landlord's insurance policies may be included in Operating Costs);
22. All direct cost of refinancing, selling, exchanging or otherwise transferring ownership of the Building or the real property on which it is located or any interest therein or portion thereof, including broker commissions, attorney's fees and closing costs;
23. Legal fees incurred by Landlord in connection with collecting delinquent rents or the negotiation or enforcement of leases, financings, refinances, sales, acquisitions, obtaining of permits or approvals, zoning proceedings or actions, environmental permits or actions, disputes with tenants or further development of the Property.
24. Reserves for bad debts, rent loss, capital items or further Operating Costs;

25. Landlord's general corporate overhead and general and administrative expenses not related to the operation or management of the Property;
26. Real Estate Taxes; and
27. Landlord's Insurance Costs.

EXHIBIT D

RULES AND REGULATIONS

Tenant shall faithfully observe and comply with the following Rules and Regulations. Landlord shall not be responsible to Tenant for the nonperformance of any of said Rules and Regulations by or otherwise with respect to the acts or omissions of any other tenants or occupants of the Project. In the event of any conflict between the Rules and Regulations and the other provisions of this Lease, the latter shall control.

1. Tenant shall not alter any lock or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior written consent. Tenant shall bear the cost of any lock changes or repairs required by Tenant. Two keys will be furnished by Landlord for the Premises, and any additional keys required by Tenant must be obtained from Landlord at a reasonable cost to be established by Landlord. Upon the termination of this Lease, Tenant shall restore to Landlord all keys of stores, offices, and toilet rooms, either furnished to, or otherwise procured by, Tenant and in the event of the loss of keys so furnished, Tenant shall pay to Landlord the cost of replacing same or of changing the lock or locks opened by such lost key if Landlord shall deem it necessary to make such changes.

2. The Landlord and his agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building or the Project during the continuance thereof by any means it deems appropriate for the safety and protection of life and property.

3. No sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on any part of the Premises or the Building without the prior written consent of the Landlord. Tenant shall not disturb, solicit, peddle, or canvass any occupant of the Project and shall cooperate with Landlord and its agents of Landlord to prevent same.

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

5. Except for vending machines intended for the sole use of Tenant's employees and invitees, no vending machine or machines other than fractional horsepower office machines shall be installed, maintained or operated upon the Premises without the written consent of Landlord.

6. Tenant shall not use or keep in or on the Premises, the Building, or the Project any kerosene, gasoline, explosive material, corrosive material, material capable of emitting toxic fumes, or other inflammable or combustible fluid chemical, substitute or material. Tenant shall provide material safety data sheets for any Hazardous Material used or kept on the Premises.

7. Tenant shall not without the prior written consent of Landlord use any method of heating or air conditioning other than that supplied by Landlord.

8. Tenant shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in or on the Premises, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Project by reason of noise, odors, or vibrations, or interfere with other tenants or those having business therein, whether by the use of any musical instrument, radio, phonograph, or in any other way. Tenant shall not throw anything out of doors, windows or skylights or down passageways.

9. No cooking shall be done or permitted on the Premises, nor shall the Premises be used for the storage of merchandise, for lodging or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, Underwriters' laboratory-approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages for employees and visitors, provided that such use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

10. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the use of the Premises provided for in the Summary. Tenant shall not occupy or permit any portion of the Premises to be occupied as an office for a messenger-type operation or dispatch office, public stenographer or typist, or for the manufacture or sale of liquor, narcotics, or tobacco in any form, or as a medical office, or as a barber or manicure shop, or as an employment bureau without the express prior written consent of Landlord. Tenant shall not engage or pay any employees on the Premises except those actually working for such tenant on the Premises nor advertise for laborers giving an address at the Premises.

11. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations.

12. Tenant shall store all its trash and garbage within the interior of the Premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in San Francisco, California without violation of any law or ordinance governing such disposal. If the Premises is or becomes infested with vermin as a result of the use or any misuse or neglect of the Premises by Tenant, its agents, servants, employees, contractors, visitors or licensees, Tenant shall forthwith, at Tenant's expense, cause the Premises to be exterminated from time to time to the satisfaction of Landlord and shall employ such licensed exterminators as shall be approved in writing in advance by Landlord.

13. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by any governmental agency.

14. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord, and no curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises other than Landlord standard drapes. 25. Tenant must comply with requests by the Landlord concerning the informing of their employees of items of importance to the Landlord.

15. Tenant must comply with all applicable "NO-SMOKING" or similar ordinances, rules, laws and regulations.

16. Tenant hereby acknowledges that Landlord shall have no obligation to provide guard service or other security measures for the benefit of the Premises, the Building or the Project. Tenant hereby assumes all responsibility for the protection of Tenant and its agents, employees, contractors, invitees and guests, and the property thereof, from acts of third parties, including keeping doors locked and other means of entry to the Premises closed, whether or not Landlord, at its option, elects to provide security protection for the Project or any portion thereof. Tenant further assumes the risk that any safety and security devices, services and programs which Landlord elects, in its sole discretion, to provide may not be effective, or may malfunction or be circumvented by an unauthorized third party, and Tenant shall, in addition to its other insurance obligations under this Lease, obtain its own insurance coverage to the extent Tenant desires protection against losses related to such occurrences. Tenant shall cooperate in any reasonable safety or security program developed by Landlord or required by law.

17. No auction, liquidation, fire sale, going-out-of-business or bankruptcy sale shall be conducted in the Premises without the prior written consent of Landlord.

18. No tenant shall use or permit the use of any portion of the Premises for living quarters, sleeping apartments or lodging rooms.

19. Tenant shall install and maintain, at Tenant's sole cost and expense, an adequate, visibly marked and properly operational fire extinguisher next to any duplicating or photocopying machines or similar heat producing equipment, which may or may not contain combustible material, in the Premises.

Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable Rules and Regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care and cleanliness of the Premises, Building, the Common Areas and the Project, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants therein. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant, nor prevent Landlord from thereafter enforcing any such Rules or Regulations against any or all tenants of the Project. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them as a condition of its occupancy of the Premises.

DRAFT

EXHIBIT E

PRE-LEASEHOLD CONDITION

DRAFT

EXHIBIT F
APPROVED SPACE PLAN

DRAFT

EXHIBIT G
PERMITTED MATERIALS

DRAFT

EXHIBIT H

COMMON AREAS SUBJECT TO GROUND LEASE

DRAFT

EXHIBIT I

**RECORDED DOCUMENTS
(BASED ON LANDLORD'S 2004 OWNER'S POLICY)**

EXHIBIT J
RENT ESCALATION SCHEDULE

Base Rent for the Premises is as follows:

Period	Annual Base Rent
Commencement Date to First Anniversary of Commencement Date	\$809,010.00
First Anniversary of Commencement Date to Second Anniversary of Commencement Date	\$833,280.30
Second Anniversary of Commencement Date to Third Anniversary of Commencement Date	\$858,278.71
Third Anniversary of Commencement Date to Fourth Anniversary of Commencement Date	\$884,027.07
Fourth Anniversary of Commencement Date to Fifth Anniversary of Commencement Date	\$910,547.88
Fifth Anniversary of Commencement Date to Sixth Anniversary of Commencement Date	\$937,864.31
Sixth Anniversary of Commencement Date to Seventh Anniversary of Commencement Date	\$966,000.25
Seventh Anniversary of Commencement Date to Eighth Anniversary of Commencement Date	\$994,980.26
Eighth Anniversary of Commencement Date to Ninth Anniversary of Commencement Date	\$1,024,829.66
Ninth Anniversary of Commencement Date to Expiration Date	\$1,055,574.55
Extension Option	As determined pursuant to Section 3.5

DRAFT

EXHIBIT K
INITIAL CONSTRUCTION BUDGET
ROM

EXHIBIT L [Draft to be updated with new ROM]

INITIAL PAYMENT SCHEDULE OF CONSTRUCTION COST

ROM Amount		
	Hard Costs	\$4,615,153
	Soft Costs	
	Architectural & Engineering fees	\$312,500
	LEED Consultant & USGBC Fees - \$30,000	\$30,000
	LEED commissioning & LEED calculation/submittals	\$30,000
	Civil Engineering fees for ADA access and truck ramp - \$35,000	\$35,000
	MOD fees - \$12,000	<u>\$12,000</u>
	Total Project Costs	\$5,034,653
LL Allowance		<u>\$211,802</u>
City Project Cost		\$4,822,851

Project timeline	<u>Months</u>
Design Development	1
Full Construction/Permit Drawings	2
Permits	1
Construction	<u>5</u>
Total Project time in months	9

Month from Lease Execution	City Payment
1	\$535,872.33
2	\$535,872.33
3	\$535,872.33
4	\$535,872.33
5	\$535,872.33
6	\$535,872.33
7	\$535,872.33
8	\$535,872.33
9	\$535,872.33
Total Payments	\$4,822,851.00

DRAFT

EXHIBIT M

Estoppel

Department of _____

TENANT ESTOPPEL CERTIFICATE

[date]

Landlord: _____

Tenant: City and County of San Francisco, a municipal corporation

Premises: _____ Street, San Francisco, CA (the "Premises")

Lease Date: _____, [as Amended or extended]

With respect to the lease between _____ ("Landlord") and the City and County of San Francisco ("Tenant" or "City") dated _____, [as amended by the First Amendment to Lease dated _____, as extended by that certain Letter (the "First Option to Extend") dated as of _____] (the "Lease"), Tenant hereby certifies to _____ or its assigns ("Purchaser"), as the prospective purchaser of _____, and _____, Purchaser's lender, ("Lender"), as follows:

1. The Premises are leased by Tenant per the terms of the Lease. The Lease is unmodified and is in full force and effect. In the event of any conflict between the terms of this estoppel and the terms set forth in the Lease, the terms set forth in the Lease shall control. Any undefined term used in this estoppel shall have the meaning given to such term in the Lease.
2. The term of the Lease commenced on _____ and shall expire on _____ [subject to City's Option to Extend the term]. Tenant's obligation to pay rent has commenced.
3. The Lease provides for _____ options to extend the lease for _____ () years.
4. The Lease provides for rent payable as follows:
 - (a) Current monthly Base Rent payable through _____, is \$ _____
 - (b) No Rent has been paid by Tenant in advance except for the Rent that became due for the current month. The Rent has been paid through the date hereof.

(c) [The Base Year is _____ and City pays \$ _____ monthly in estimated Operating Costs, \$ _____ monthly in estimated Landlord Insurance Costs and \$ _____ in estimated Real Estate Taxes. Such estimated costs for _____ have / have not been reconciled and trued up with actual costs.]

5. The Lease does not contain a right to purchase the Premises.
6. Tenant has not paid a security deposit under the Lease.
7. Tenant has not received a notice of any default which has not been cured and, to Tenant's knowledge, Tenant is not in default under the Lease.
8. Tenant is in actual possession of the Premises. Landlord's current obligations to pay for tenant improvements, if any, have/ have not been satisfied.
9. To Real Estate Division's knowledge, Landlord is/ is not in default and Tenant has/has no current set-offs against Landlord; [provided, however, we note the following issues and nothing herein shall be deemed a release or waiver of rights with respect to these issues: _____.]
10. Tenant has not entered into any sublease or assignment, or otherwise transferred its interest in the Lease or the Premises.
11. The Leasehold Improvements have been Substantially Completed.
12. Tenant understands that this estoppel certificate as of the date hereof, is being delivered to and shall be relied on by Purchaser in connection with its potential acquisition of the building of which the Premises are a part.

CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation

Director of Real Estate



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

April 29, 2016

Through Naomi Kelly,
City Administrator

**Department of Technology
Public Safety - 200 Paul Avenue
Assignment #6979**

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

Dear Board Members:

Attached for consideration is a Resolution authorizing a new lease at 200 Paul Avenue, for use by the Department of Technology (DT) Public Safety Division (DT-PS) with 200 Paul, LLC (Landlord).

DT PS is responsible for:

- Maintaining the physical internet connections, telephone switches, and wiring for all City departments including maintaining 220 miles of fiber infrastructure supporting approximately 350 City facilities;
- Maintaining and upgrading mission critical communication systems for law enforcement agencies and emergency responders including the 911 Radio system, 911 Wireless Data system, Mutual Aid Radio system, microwave links connecting City buildings to Bay Area counties, police stations and hospitals, public 911 call boxes, ambulance radio and vehicle locating systems, hospital emergency radio systems, fire station public address systems, the City's fire station Automated Information System (AIS), radar in Fire boats and Police Marine Units, and the City's OPWS (Outdoor Public Warning System);
- Installing and repairing the radios and mobile data terminals in all new police, fire, ambulance, parking control vehicles, and other City service vehicles;
- Maintaining and upgrading cameras and burglar alarms at critical locations throughout San Francisco; and
- Maintaining and upgrading radio systems for first responders, SFMTA and SFPUC including for several backup and intercity communication systems.

In 2012, DT-PS was relocated from 901 Rankin Street to temporary facilities at 1800 Jerrold Ave while the Real Estate Division investigated suitable long term facilities as part of the Board of Supervisor's approved expansion of the San Francisco Wholesale Produce Market. The current temporary facility at 1800 Jerrold Ave. is located adjacent to the SFPUC's Southeast Treatment Facility. The proposed Resolution relocates DT-PS into an appropriate facility suitable for long-term occupancy.

DT-PS has 118 field and support employees and 74 trucks, vehicles and trailers. These vehicles range from 3 ton crane trucks to "sprinter" vans to trailers with huge cable spools and because they carry highly valuable and easily resold tools and materials, these vehicles require high security overnight and weekend storage.

The 901 Rankin site had approximately 85,666 SF of area – approximately 31,563 SF of warehouse and office and 67,966 SF of yard area. The proposed facility has approximately 77,934 SF of area – approximately 53,934 SF of warehouse and office and 24,000 SF of yard area (or approximately 9% less than 901 Rankin). The proposed facility has less yard space and more warehouse space than the 901 Rankin facility. The additional interior space allows for the above mentioned secure overnight vehicle storage.

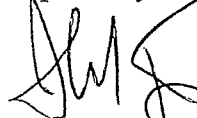
The proposed term is ten (10) years commencing upon January 1, 2017 and expiring on December 31, 2026 with an option to extend the term for five (5) additional years at the then fair market rent, subject to Board approval. Under the proposed lease, the City would pay \$67,417.50 per month (or approximately \$15.00 psf annually on the building area only). The base rent increases annually by three percent (3%) and the City would be responsible for utilities, janitorial, maintenance, and security typical of an industrial use lease. These expenses are estimated to add \$18,375 per month (or approximately \$4.09 psf annually).

To perform its functions, DT-PS requires specialized yard, office, and production facilities. These improvements include vehicle emission exhausting, heavy power, shower & locker facilities, emergency power generator, security, LEED certification and ADA access, not typically available at a warehouse-yard facility. Under the proposed Resolution, the City pays for improvements up to a cost of \$5,929,909 to customize the premises for DT-PS.

The Department of Technology recommends approval of the proposed lease.

If you have any questions regarding this matter, please contact Charlie Dunn of our office at 554-9861.

Respectfully



John Updike
Director of Real Estate

cc: Miguel Gamino, CIO and DT Director

Attachment #1
200 Paul
DT Public Safety

	901 Rankin	Proposed
Total SF	Approximately 85,666 SF of total area	Approximately 77,934 SF of total area (or approximately 9% less than 901 Rankin)
Premises	Approximately 31,563 SF of warehouse and office and 67,966 SF of yard area.	Approximately 53,934 SF of warehouse and office and 24,000 SF of yard area
Base Rent	None - City Owned	\$67,417.50 monthly (or approximately \$1.25 psf monthly and \$15.00 psf annually on the building area only).
Estimated Expenses	None – Operating expenses such as utilities were paid by GSA Central Shops	\$18,375 per month (or approximately \$0.34 psf monthly and \$4.09 psf annually on the building area only).
Estimated Total Rent and Expenses	None	\$85,792.50 monthly (or approximately \$1.59 psf monthly and \$19.09 psf annually on the building area only).
Base Rent Increase	None	3%
Term	None	Through December 31, 2026
Options to Extend	None	One (1) five year extension at Fair Market Rent, subject to Board approval.



**SAN FRANCISCO
PLANNING DEPARTMENT**

General Plan Referral

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Date: March 30, 2016
Case No. **Case No. 2016-03725GPR**
**City lease of private property at 200 Paul Ave
for use by Department of Technology's Public Safety Division**

Reception:
415.558.6378

Fax:
415.558.6409


Block/Lot No.: 5431A/001F
Project Sponsor: John Updike, Director
San Francisco Real Estate Department
25 Van Ness Ave. Suite 400
San Francisco, CA 94102

Planning
Information:
415.558.6377

Applicant: Same as Above

Staff Contact: Jacob Bintliff – (415) 575-9170
jacob.bintliff@sfgov.org

Recommendation: Finding the project, on balance, is in conformity with
the General Plan

Recommended
By:  John Rahaim, Director of Planning

PROJECT DESCRIPTION

The Project is the City's proposed lease of a warehouse building occupying the rear portion of private property located at 200 Paul Ave. If the Project is approved, the Department of Technology's Public Safety Division (DT-PS) would relocate storage, installation, and repair functions currently housed at a facility located on City property at 1800 Jerrold Ave. Accessory support office space and shower and locker room facilities would also be relocated to the proposed site.

Specifically, the Project would lease a total of 54,000 square feet of warehouse and support office space at the proposed site. Of this, 26,000 square feet will be used to store materials including cable, tools, conduit, and street fiber boxes and provide secure overnight storage for City trucks with sensitive equipment; 10,000 square feet would be used for radio repair, morning assembly and dispatch activities, end of day report writing, and shower and locker room facilities; 8,000 square feet would be used to install radios in new Police, Fire, and other City vehicles; and 10,000 square feet would be accessory support office space.

While DT-PS would use the building structure in its current configuration, some interior modifications will be required, including the installation of storage racks, secure fencing, support office modifications, and the installation of shower and locker room facilities to serve DT-PS employees who work primarily in the field. The Project would also entail modifications to bring the property into ADA compliance and seek LEED Gold Certification. Necessary permit applications for these modifications would have to be submitted by an architect and contractor to be retained by the property lessor. Verification of ADA compliance would also have to be obtained from the Mayor's Office on Disability prior to the submittal of any construction permit plans.

The submittal is for a General Plan Referral to recommend whether the Project is in conformity with the General Plan, pursuant to Section 4.105 of the Charter, and Section 2A.52 and 2A.53 of the Administrative Code.

ENVIRONMENTAL REVIEW

On March 29, 2016 the project was determined to be categorically exempt under CEQA Guidelines Section 15301 on 3/29/16 (Planning Record No. 2016-003725GPR).

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The Project is the City's proposed lease of a warehouse building located on private property to relocate storage, installation, repair, and support functions of the Department of Technology's Public Safety Division (DT-PS) from an existing facility located on City property. The Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 as described in the body of this letter and is, on balance, **in-conformity** with the following Objectives and Policies of the General Plan:

COMMUNITY SAFETY ELEMENT

OBJECTIVE 3

Ensure the protection of life and property from disasters through effective emergency response. Provide public education and training about earthquakes and other natural disasters and how individuals, businesses and communities can reduce the impacts of disasters.

DT-PS is responsible for the maintenance, upgrade and expansion of the City's communication systems, many of which are mission critical for law enforcements agencies and emergency responders, including the 911 Radio system, 911 Wireless Data system, Mutual Aid Radio system, microwave links connecting City buildings to Bay Area counties, police stations, and hospitals, public 911 call boxes, ambulance radio and vehicle locating systems, hospital emergency radio systems, fire station public address systems, the City's fire station Automated Information System (AIS), radar in Fire boats and Police Marine Units,

and the City's Outdoor Public Warning System (OPWS). Therefore, the Project, which is to lease warehouse space to support DT-PS functions, advances this objective.

COMMERCE AND INDUSTRY ELEMENT

OBJECTIVE 4

Improve the viability of existing industry in the city and the attractiveness of the city as a location for new industry.

The dispersion of manufacturing activities from their initial concentration in San Francisco during the mid 19th Century has been a gradual process... manufacturing has steadily declined in importance as an employer and land user in San Francisco... despite the decline of manufacturing generally, there are activities, for which the central city remains an attractive location. Growth in these areas should be encouraged.

The Project would maintain and improve (i.e. providing for ADA accessibility and LEED Gold status) existing light industrial space in San Francisco. The Project would protect the City's stock of industrial space for use by the manufacturing sector, in support of this objective.

BAYVIEW HUNTERS POINT AREA PLAN

Policy 1.5

Encourage a wider variety of light industrial uses throughout the Bayview.

The Project, which would lease the warehouse portion of 200 Paul Ave. for use by the City's Department of Technology Public Safety Division, is consistent with this policy. DT-PS provides communications services for all City Departments that provide emergency services in San Francisco, and coordinates with other jurisdictions, as required. The Project would maintain and improve (i.e. providing for ADA accessibility and LEED Gold status) existing light industrial space in the Bayview and consists of uses that are consistent with the production, distribution, and repair activities of the PDR-2 District, while also providing critical public safety support functions.

PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project, demolition and replacement of the Chinese Recreation Center, is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

Eight Priority Policies Findings

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

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

The Project would have no adverse effect on neighborhood serving retail uses or opportunities for employment in or ownership of such businesses.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhood.

The Project would have no adverse effect on the City's housing stock or on neighborhood character. The existing housing and neighborhood character will be not be negatively affected, and would be maintained because the activities proposed by the Project are consistent with the production, distribution, and repair character of the area.

3. That the City's supply of affordable housing be preserved and enhanced.

The Project would have no adverse effect on the City's supply of affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

The Project would not result in commuter traffic impeding MUNI's transit service, overburdening the streets or altering current neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.

The subject property is located in the PDR-2 District: Core Production, Distribution, and Repair. The intent of this District is to encourage the introduction, intensification, and protection of a wide range of light and contemporary industrial activities. Thus, this District prohibits new housing, large office developments, large-scale retail, and the heaviest of industrial uses, such as incinerators. Generally, all other uses are permitted.

According to information provided by the Project sponsor (see Appendix C), the proposed uses for the subject property include various activities which are consistent with several primarily permitted uses in this District, including automotive repair, light manufacturing, and commercial storage. Accessory uses in this District are limited to a total of one-third of the total floor area occupied by all permitted and accessory uses. In this case, 10,000 square feet of the total 54,000 to be leased would be used for an accessory use of support office space; this falls below the limit of 17,820 square feet of accessory use space (54,000 sq ft x 0.33).

permitted and accessory uses. In this case, 10,000 square feet of the total 54,000 to be leased would be used for an accessory use of support office space; this falls below the limit of 17,820 square feet of accessory use space (54,000 sq ft x 0.33).

The Project is consistent with the use controls for this District, which is intended to protect space for light industrial use, and therefore would not affect the existing economic base in this area.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

The Project would not adversely affect achieving the greatest possible preparedness against injury and loss of life in an earthquake. It would improve the City's ability to respond to injuries caused by earthquakes and other emergencies by securing space needed to perform DT-PS services that are mission critical to Police, Fire, and emergency management City functions.

7. That landmarks and historic buildings be preserved.

This site and building are not landmarks or of historic significance. The property is recorded as a Class C Historic Resource Status (No Historic Resource Present / Not Age Eligible)

8. That our parks and open space and their access to sunlight and vistas be protected from development.

The Project would have no adverse effect on parks and open space or their access to sunlight and vistas. The Project proposes a lease of an existing building and proposes no changes to the existing building structure or any additional structures on the site.

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

- A. Letter from project sponsor to Director of Planning dated March 17, 2016
- B. Email from project sponsor detailing proposed uses dated March 24, 2016

cc: Charlie Dunn, Real Estate



John Updike
Acting Director of Real Estate



March 17, 2016

Mr. John Rahaim
Director of Planning
City and County of San Francisco
1650 Mission Street, Suite 400
San Francisco, Ca 94103-2414

Block 5431A, Lot 032
City Lease at 200 Paul Ave

Attn: Susan Exline, General Plan Referrals

**Subject: Lease of a portion of 200 Paul Ave
for the Department of Technology Public Safety Division**

Dear Mr. Rahaim:

Enclosed is a General Plan Referral application for the City lease of a portion of the property located at 200 Paul (Assessor's Block 5431A, Lot 032) in the City and County of San Francisco for the Public Safety Division of the Department of Technology.

The Department of Technology's Public Safety Division (DT-PS) is responsible for the maintenance, upgrade and expansion of the City's communication systems. DT-PS maintains the internet and telephone systems for all City departments including maintaining 220 miles of fiber infrastructure supporting approximately 350 City facilities.

Many of these communication systems are mission critical for law enforcement agencies and emergency responders including the 911 Radio system, 911 Wireless Data system, Mutual Aid Radio system, microwave links connecting City buildings to Bay Area counties, police stations and hospitals, public 911 call boxes, ambulance radio and vehicle locating systems, hospital emergency radio systems, fire station public address systems, the City's fire station Automated Information System (AIS), radar in Fire boats and Police Marine Units, and the City's OPWS (Outdoor Public Warning System).

DT-PS will also be installing the radios and mobile data terminals in all new police, fire, ambulance, parking control vehicles, and other City service vehicles (as well as fixing the broken ones); and

The Property consists of 2 buildings: a Data Center in the front and a warehouse in the rear. The City will be leasing only the rear warehouse for warehouse and production uses consistent with the former

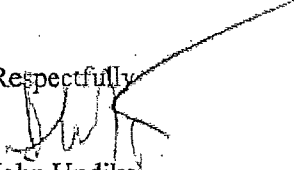
I:\Work\CDunn\69\6979 DT Radio Shop 200 Paul\CEQA\GPR Ltr 200 Paul R2.doc

uses and PDR-2 zoning. While the City will permit and construct interior improvements specialized for DT-PS needs, the City will be using the Building structure in its current configuration.

Please advise if the lease of the subject property is in conformity with the General Plan and the Eight Priority Policies of Planning Code Section 101.1. Planning Department fees are on deposit with your Department through work order.

Should you have any questions or need additional information, do not hesitate to call Charlie Dunn of our office at 554-9861.

Respectfully



John Updike
Director of Real Estate

Enclosure

Bintliff, Jacob (CPC)

From: Dunn, Charlie (ADM)
Sent: Thursday, March 24, 2016 1:42 PM
To: Exline, Susan (CPC); Bintliff, Jacob (CPC)
Subject: RE: General Plan Referral - 200 Paul Ave lease

Per our telephone discussion, the following are rough estimated percentages

10,000 SF for admin offices

10,000 SF for radio repair, morning assembly, end of the day report writing, showers and locker rooms ,etc

8,000 SF for Radio installations

26,000 SF for material storage and overnight vehicle secured parking

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee.
An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative

Sponsor(s):

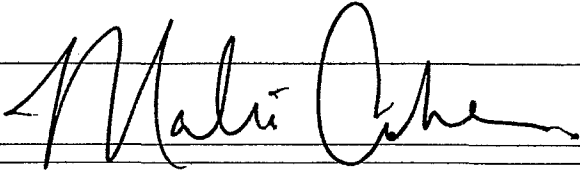
COHEN

Subject:

Real PROPERTY lease - 200 Paul LLC - \$809,010 Annual Rent

The text is listed below or attached:

Attached

Signature of Sponsoring Supervisor: 

For Clerk's Use Only:

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

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): SF Board of Supervisors	City elective office(s) held: Members, SF Board of Supervisors

Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: 200 Paul LLC, a Delaware limited liability company	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary. (1) None, George Rogers is the Authorized Person of 200 Paul, LLC to act on behalf of 200 Paul, LLC (2) None (3) 200 Paul Holding Company, LLC, a Delaware limited liability company, is the only party who owns more than 20% (4) None (5) 200 Paul LLC, does not sponsor or control any political committee	
Contractor address: 4 Embarcadero Center, Suite 3200, San Francisco, CA 94111.	
Date that contract was approved:	Amount of contract: \$9,413,508.90 over 120 months
Describe the nature of the contract that was approved: Lease at 200 Paul Ave for the Department of Technology	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form (Mayor, Edwin Lee)
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits
- Print Name of Board

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

_____ Signature of City Elective Officer (if submitted by City elective officer)	_____ Date Signed
_____ Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)	_____ Date Signed