

AMENDED IN COMMITTEE

4/6/16

FILE NO. 160283

RESOLUTION NO.

1 [Office Space Lease - PBV II, LLC - 564-6 Street - \$848,190 in Initial Year]

2
3 **Resolution authorizing a Lease between the City and County of San Francisco, as**
4 **Tenant, and PBV II, LLC, as Landlord, of office space located at 564-6 Street,**
5 **consisting of approximately 17,500 square feet from July 1, 2016, through June 30,**
6 **2026, subject to City's termination rights, for use by the Adult Probation Department at**
7 **\$70,682.50 monthly; for \$848,190 rent in the initial year with annual 3% increases and**
8 **four five-year options to extend.**

9
10 WHEREAS, The mission of the Adult Probation Department ("ADP") is to achieve
11 excellence in community corrections, public safety and public service through the integration
12 of Evidence Based Practices and a victim centered approach into its supervision strategies,
13 to collaborate with law enforcement, Courts, Department of Public Health, victim
14 organizations and community based organizations to provide a unique blend of enforcement,
15 justice and treatment, to extend a continuum of integrated services to address its clients'
16 criminogenic needs and empower them to become productive law-abiding citizens; and

17 WHEREAS, The Adult Probation Department ("ADP") is responsible for the court
18 ordered probation supervision of approximately 4,500 clients; and

19 WHEREAS, In 2011, the State of California initiated criminal justice realignment which
20 ignited funding and policy shifts focused on more robust integration of evidence based and
21 innovative strategies into probation department work; and

22 WHEAREAS, ADP created both AB109/Realignment Community Services and
23 Reentry Divisions on the heels of criminal justice realignment to address additional probation
24 supervision and reentry services needs of its clients; and

1 WHEREAS, ADP's risk assessment tool clearly defines the broad range of challenges
2 faced by its clients including behavioral health, housing, employment, education, and life
3 skills challenges; and

4 WHEREAS, ADP conducted research to determine that a broad range of client needs
5 could be efficiently addressed through establishing a one-stop services center that co-locates
6 reentry services and supervision strategies (Community Services Assessment Center or
7 CASC); and

8 WHEREAS, ADP completed a competitive bid process and entered into a professional
9 service contract with Leaders In Community Alternatives, Inc. ("LCA") as the operator of the
10 CASC for the period of June 1, 2012, through June 30, 2017; and

11 WHEREAS LCA leased 564-6 Street in San Francisco, a facility of approximately
12 17,500 square feet as the site for CASC services; and

13 WHEREAS, ADP desires to continue the CASC programs and services currently
14 offered at 564 6th Street beyond June 30, 2017; and

15 WHEREAS, In accordance with the City and County of San Francisco's procurement
16 guidelines, ADP will issue a second RFP for CASC services and programs in the fall of 2016;
17 and

18 WHEREAS ADP seeks to avoid the cost of identifying and securing a new CASC
19 facility, moving staff, programs, as well as relocating telephone and data systems by
20 continuing to provide services from 564-6 Street; and

21 WHEREAS, At the request of ADP, the Real Estate Division and the Landlord have
22 negotiated a new lease agreement for ten (10) years (July 1, 2016, through June 30, 2026),
23 subject to City's right to terminate the Lease without penalty prior to June 30, 2018, by
24 providing Landlord with one (1) years prior written notice, at \$70,682.50 per month
25

1 (approximately \$48.47 per square foot annually), with annual increases of three (3%)
2 percent; and

3 WHEREAS, The proposed Lease agreement provides the City with four (4) options of
4 five (5) years each to further extend the Term each requiring Board of Supervisors approval;
5 and

6 WHEREAS, LCA is agreeable to a sublease agreement for the period through June
7 30, 2017 with options to extend if LCA is selected to continue services through the second
8 RFP; and

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

12 RESOLVED, That in accordance with the recommendation of the Chief Adult
13 Probation Officer and the Director of Property, that the Director of Property on behalf of the
14 City and County of San Francisco, as Tenant, is hereby authorized to take all actions
15 necessary to execute the Lease (a copy of which is on file with the Clerk of the Board of
16 Supervisors in File No. 160283) and a sublease with the City and County of San Francisco,
17 as Sublandlord and Leaders in Community Alternatives, Inc., as Subtenant on a form
18 approved by the Office of the City Attorney for 564-6 Street, San Francisco, California; and,
19 be it

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

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

7 FURTHER RESOLVED, Said Lease shall be subject to certification as to funds by the
8 Controller, pursuant to Charter, Section 3.105; and, be it

9 FURTHER RESOLVED, That within thirty (30) days of the agreements being fully
10 executed by all parties, the Director of Real Estate shall provide the agreements to the Clerk
11 of the Board for inclusion into the official file; and, be it

12 FURTHER RESOLVED, That the Capital Planning Committee shall evaluate
13 alternatives to the Adult Probation Department's long-term lease for 564-6 Street as part of
14 the evaluation of the Sheriff's Department's and Adult Probation Department's space needs,
15 and incorporate these alternatives into the City's capital plan.

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Total Funds Available: \$848,190.00
(Base Rent from 7/1/16 to 6/30/17)
Index code: 135005.
Sub Object: 03011


Controller

Subject to approval of the FY 16/17 Annual
Appropriation Ordinance

RECOMMENDED:


Chief Adult Probation Officer
Adult Probation Department


Director
Real Estate Division

Items 6 and 7 Files 16-0282 and 16-0283	Departments: Adult Probation Department Real Estate Division
EXECUTIVE SUMMARY	
Legislative Objectives	
<p>File 16-0282 approves fifth amendment to the contract between the Adult Probation Department and LCA to operate the Community Assessment and Services Center (CASC).</p>	
<p>File 16-0283 approves a ten-year lease between the City, as tenant, and Presidio Bay Ventures (PBV) II, LLC, as landlord for office space located at 564 6th Street for use as the CASC.</p>	
Key Points	
<ul style="list-style-type: none"> • The Adult Probation Department entered into a contract in June 2012 with the Leaders in Community Alternatives, Inc. (LCA) to operate the CASC. In addition, LCA leases space at 564 6th Street for the CASC. The proposed fifth amendment to the contract between the Adult Probation Department and LCA would exercise the final one-year contract extension option from July 1, 2016 to June 30, 2017. • The proposed lease between the City and PBV II, LLC replaces the existing lease between LCA and PBV II, LLC for 564 6th Street. The proposed lease is for ten years from July 1, 2016 through June 30, 2026 with four 5-year options to extend through June 30, 2046. 	
Fiscal Impact	
<ul style="list-style-type: none"> • The proposed fifth amendment to the contract increases the not-to-exceed amount by \$2,276,196, from \$9,213,957 to \$11,490,153. Rent to be paid by the City to PBV II, LLC for 564 6th Street over the initial ten-year lease term is \$9,723,548. 	
Policy Consideration	
<ul style="list-style-type: none"> • Based on the inquiry of the Budget and Legislative Analyst, PBV II, LLC, owner of 564 6th Street, will agree to revise the proposed lease to provide the City the right to terminate the lease with one year's notice in order to give the Capital Planning Committee the opportunity to evaluate and recommend alternatives to the Adult Probation Department's long-term lease for 564 6th Street. 	
Recommendations	
<ul style="list-style-type: none"> • Approve the proposed resolution approving the fifth amendment to the contract between the Adult Probation Department and Leaders in Community Alternatives, Inc. (File 16-0282). • Amend the proposed resolution (File 16-0283), approving the lease between the City and PBV II, LLC for 564 6th Street, to (a) request the Capital Planning Committee to evaluate alternatives to the Adult Probation Department's long-term lease for 564 6th Street as part of the evaluation of the Sheriff's Department's and Adult Probation Department's space needs, and incorporate these alternatives into the City's capital plan; and (b) state that the City's Real Estate Division and PBV II, LLC have agreed to add a clause to the proposed lease providing the City the right to terminate the lease with one year's notice. This right to terminate the lease would expire in two years on June 30, 2018. • Approve the proposed resolution (File 16-0283) as amended. 	

MANDATE STATEMENT

City Charter Section 9.118(b) requires Board of Supervisors approval for contracts that have a term of more than ten years or expenditures of \$10 million or more.

City Administrative Code 23.27 states that any lease with a term of one year or longer or with rent of \$5,000 or more and where the City is the tenant is subject to Board of Supervisors approval.

BACKGROUND

The Adult Probation Department's Community Assessment and Services Center (CASC) is a one-stop service center to coordinate services, such as behavioral health and job training, to individuals under the jurisdiction of the Adult Probation Department. These individuals include offenders sentenced to probation supervision by the Adult Probation Department, and offenders released from State prison to post release community supervision by the Adult Probation Department (rather than State parole) under Assembly Bill (AB) 109.¹

The Adult Probation Department entered into a contract in June 2012 with the Leaders in Community Alternatives, Inc. (LCA), a non-profit organization, through a competitive Request for Proposals (RFP) process, to operate the CASC. Under the contract, LCA assesses individuals under Adult Probation Department supervision to identify appropriate treatments and services, provides direct services, and refers individuals to other services, such as housing referrals. In addition, LCA leases space at 564 6th Street for the CASC.

The original contract was for one year from June 1, 2012 through June 30, 2013, with four one-year options to extend through June 30, 2017. The original contract not-to-exceed amount was \$2,258,879. The contract has been amended four times to extend the contract through June 30, 2016 and increase the not-to-exceed amount to \$9,213,957.

DETAILS OF PROPOSED LEGISLATION

File 16-0282 is a resolution approving the fifth amendment to the contract between the Adult Probation Department and LCA to operate the CASC. The fifth amendment authorizes the fourth option to extend the contract by one year to June 30, 2017 and increases the not-to-exceed amount by \$2,276,196, from \$9,213,957 to \$11,490,153.

File 16-0283 is a resolution approving a ten-year lease between the City, as tenant, and Presidio Bay Ventures (PBV) II, LLC, as landlord for office space located at 564 6th Street for use as the Community Assessment and Services Center. LCA initially entered into a lease with PBV II, LLC for 564 6th Street in September 2012 for use as the CASC. LCA's lease for 564 6th Street was for

¹ In 2011, the State Legislature adopted AB 109, which shifted responsibility for certain offenders from the State to the County. AB 109 revised the State Penal Code to create a new category of non-serious, non-violent and non-sex crimes for offenders without serious prior convictions that would be prosecuted by the County rather than the State. These offenders are now sentenced to County jail time (rather than State prison time) or a combination of jail time and mandatory supervision by the Adult Probation Department. Also, under AB 109, inmates exiting from state prison on or after October 2011, who were serving sentences for lower level felonies, were released to post release community supervision by the Adult Probation Department (rather than State parole).

approximately four years and 10 months from September 7, 2012 through June 30, 2017. The proposed lease between the City and PBV II, LLC for 564 6th Street would replace the lease between LCA and PBV II, LLC.

File 16-0283: Proposed Lease for 564 6th Street

The proposed lease terms are shown in Table 1 below.

Table 1: Proposed Lease Terms for 564 6th Street

Premises	17,500 square feet of office space on the first and second floors of 564 6 th Street
Lease Term	10 years from July 1, 2016 through June 30, 2026
Options to Extend	Four five-year options to extend, totaling 20 years, through June 30, 2046
Initial Rent	Approximately \$48.47 per square foot per year for 17,500 square feet \$848,190 annual rent in first year
Annual Rent Increase	3 percent per year
Rent Adjustment on Exercise of Options	95 percent of fair market rate based on properties of comparable size and location. If the City and landlord do not agree to the prevailing market rate, then the fair market rate will be determined by an independent appraisal.
Property Taxes	City pays increase in property taxes over 2016/2017 base year property tax
Operating Expenses	City pays gas, electricity, water, sewer, trash removal, pest control, janitorial, security

According to information provided by the Real Estate Division to the Budget and Legislative Analyst’s Office, rents for comparable properties in the neighborhood range from \$60 per square foot to \$73 per square foot, which is \$11.53 to \$24.53 per square foot more than the proposed rent for 564 6th Street of \$48.47 per square foot.

Sublease between the City, as sub-landlord, and LCA, as sub-tenant

The proposed resolution would also approve a one-year sublease between the City, as sub-landlord, and LCA, as sub-tenant for LCA to use the space at 546 6th Street to operate the CASC. The sublease would continue through June 30, 2017, when the contract between the Adult Probation Department and LCA will terminate. The sublease may be extended beyond June 30, 2017 if LCA is awarded a new contract to operate the CASC following a new competitive RFP process.

Under the sublease, LCA would occupy approximately 4,923 square feet, including 2,085 exclusive use space and 2,838 shared space including common areas. The sublease states that LCA would pay to the City initial rent of \$238,596 in the first year, which is LCA’s proportional

share of the City’s rent for 564 6th Street, ² and a proportional share of utilities, property tax, and other charges. However, LCA will not pay rent, utilities and other charges to the City during the term of the contract between the City and LCA for LCA to operate the CASC which expires on June 30, 2017.

Current and Proposed Use of Space

Of the 17,500 square feet of space at 564 6th Street:

- 5,326 square feet are occupied by the Adult Probation Department;³
- 2,085 square feet are occupied by LCA;⁴ and
- 10,089 square feet are shared program space.

Change in Rent Arrangement under Proposed Lease

Currently, LCA has the lease with PBV II, LLC, for 564 6th Street, which terminates on June 30, 2017. Under the contract between LCA and the Adult Probation Department, LCA pays rent and operating expenses to PBV II, LLC and is reimbursed the full amount by the Adult Probation Department. In addition the City pays a lease administration fee to PBV II, LLC, as shown in Table 2 below.

Under the proposed lease, the City pays rent directly to PBV II, LLC. As shown in Table 2 below, the City’s rent payments to PBV II, LLC under the proposed lease are 8.7 percent less than the City’s reimbursements to LCA and lease administration fees under the current lease.

Table 2: Comparison of City Costs under Current and Proposed Lease

	Current Lease Between LCA and PBV II, LLC			Proposed Lease Between City and PBV II, LLC	Decrease in Rent Under Proposed Lease	
	LCA Rent Paid to Landlord and Reimbursed by City	City Lease Administration Fee	Total Current Lease	City Rent Paid to Landlord	Amount	Percent
Annual	\$807,792	\$121,169	\$928,961	\$848,190	(\$80,771)	-8.7%
Per Square Foot ^a	\$46.16	\$6.92	\$53.08	\$48.47	(\$4.62)	-8.7%

Source: Real Estate Division

^a Amounts may differ by \$.01 due to rounding

² 4,923 square feet equals 28.1 percent of 17,500 total square feet, and rent of \$238,597 equals approximately 28.1 percent of the City’s total rent of \$848,190.

³ 31 Adult Probation Department staff, and four Department of Public Health staff, totaling 35 staff, are assigned to the CASC at 564 6th Street (resulting in approximately 152 square feet per staff member). The Adult Probation Department staff consist of probation officers providing probation supervision services, and civilian staff providing contract administration, record keeping, probation support and other services.

⁴ 25 LCA staff are assigned to 564 6th Street (resulting in approximately 83 square feet per staff member).

File 16-0282: Proposed Fifth Amendment to the Contract between the Adult Probation Department and LCA

The proposed fifth amendment to the contract between the Adult Probation Department and LCA for LCA to operate the CASC would exercise the final one-year contract extension option from July 1, 2016 to June 30, 2017. The Adult Probation Department will issue a new competitive RFP to select a contractor to operate the CASC prior to June 30, 2017.

The proposed fifth amendment includes the following provisions:

- Continues LCA's scope of work as part of the operation of the CASC, including: (1) staff training in the National Institute of Correction's evidence-based principles for effective community corrections interventions; (2) assessment of individuals under community intervention, and planning for appropriate services; (3) oversight of service provision, including case management; and (4) providing rehabilitative programs, such as anger management and substance abuse counseling.

According to Ms. Diane Lim, Adult Probation Department Director of Finance and Administrative Services, eligibility for these services will be extended to any San Francisco resident who is currently involved in the criminal justice system or who has a criminal history.

- Continues LCA's role in maintaining the CASC facility at 564 6th Street, including onsite security and other facility maintenance. However, while LCA currently holds the lease for 564 6th Street and is compensated by the City for the rent, under File 16-0283, the City would enter directly into a ten-year lease with PBV II, LLC, for 564 6th Street and pay the rent directly to PBV II, LLC.

FISCAL IMPACT**File 16-0282: Proposed Fifth Amendment**

The proposed fifth amendment increases the contract not-to-exceed amount by \$2,276,196, from \$9,213,957 to \$11,490,153, as shown in Table 3 below.

Table 3: Contract Budget Compared to Actual and Projected Contract Expenditures

	Start Date	End Date	Budget	Actual and Projected	Over/ (Under) Budget
Original Contract/ First Amendment	6/1/12	6/30/13	\$3,075,795	\$2,048,465	(\$1,027,330)
2nd Amendment	7/1/13	6/30/14	2,360,603	2,822,023	461,420
3rd Amendment	7/1/14	6/30/15	2,361,603	2,384,773	23,170
4th Amendment	7/1/15	6/30/16	1,415,956		(1,415,956)
5th Amendment	7/1/15	6/30/16		2,556,286	2,556,286
5th Amendment	7/1/16	6/30/17		1,678,606	1,678,606
Total			\$9,213,957	\$11,490,153	\$2,276,196

Source: Adult Probation Department and Contract Amendments

The FY 2015-16 and FY 2016-17 budgets for the CASC contract are shown in Table 4 below.

Table 4: FY 2015-16 and FY 2016-17 CASC Budget

	FY 2015-16 Revised Budget	FY 2016-17 Budget
LCA Staff Salaries and Benefits	\$807,774	\$894,968
Program and Operating Expenses	559,289	539,522
Subtotal, Staff and Operating	1,367,063	1,434,490
Rent for 564 6th Street	807,792	0
Utilities and Other Charges	48,002	48,002
Subtotal, Facilities	855,794	48,002
Indirect Expenses	333,429	196,114
Total	\$2,556,286	\$1,678,606

Source: Contract Fifth Amendment

Sources of funds to pay for the contract are State Public Safety Realignment funds, authorized under AB 109, subject to appropriation approval by the Board of Supervisors.

File 16-0283: Proposed Lease for 564 6th Street

Rent to be paid by the City to PBV II, LLC for 564 6th Street over the initial ten-year lease term is \$9,723,548, as shown in Table 4 below. In addition, the City's Real Estate Division estimates \$1,219,471 in operating costs, including utilities, security, and other costs over ten years, for total estimated lease and operating costs of \$10,943,019.

Table 4: Rent to be Paid by the City to PBV II, LLC for 564 6th Street

Lease Year	Month Rent	Annual Rent
FY 2016-17	\$70,683	\$848,190
FY 2017-18	72,803	873,636
FY 2018-19	74,987	899,845
FY 2019-20	77,237	926,840
FY 2020-21	79,554	954,645
FY 2021-22	81,940	983,285
FY 2022-23	84,399	1,012,783
FY 2023-24	86,931	1,043,167
FY 2024-25	89,538	1,074,462
FY 2025-26	92,225	1,106,696
Total		\$9,723,548

Source: Proposed Lease

The lease costs are City General Fund costs. Funds to pay the lease costs will be requested in the Department's annual budget submission, subject to appropriation approval by the Board of Supervisors.

POLICY CONSIDERATION

The City needs to develop a space plan for re-entry programs to avoid duplication of programs and related lease costs

According to the March 11, 2016 memorandum from the Chief Adult Probation Officer to the Board of Supervisors, the Adult Probation Department seeks to retain 564 6th Street as the dedicated CASC facility due to (a) the proximity to the Adult Probation Department offices in the Hall of Justice, (b) the usefulness of the facility as a one-stop service center for re-entry services for people in the criminal justice system, and (c) continued use of \$1.6 million in tenant improvements paid by the City in 2013 when LCA entered into the original lease with PBV II, LLC for 564 6th Street.

The Budget and Legislative Analyst previously noted in the report to the April 30, 2014 Budget and Finance Committee that the Adult Probation Department provides programs at the CASC at 564 6th Street which are similar to the programs provided by the Sheriff's Department at the leased space at 70 Oak Grove Street (File 14-0249). Based on the Budget and Legislative Analyst's recommendation, the Board of Supervisors amended File 14-0249 to state that "re-entry programs provided by community justice departments of the City be analyzed for opportunities of consolidation where feasible to effect reductions in leasing expenses".

The City needs to develop a longer-range plan to consolidate space for re-entry programs provided by the Adult Probation Department and the Sheriff's Department to avoid duplication

of leased space and high costs to the City.⁵ According to Mr. Brian Strong, Director, Capital Planning Program, the Sheriff's Department is currently evaluating a facility master plan that will consider the space needs for the Sheriff's Department, including re-entry programs. Further, the Capital Planning Committee is evaluating (1) the alternatives to constructing a jail to replace County Jails No. 3 and 4, (2) the alternatives to the Sheriff's Department's use of 70 Oak Grove Street for re-entry programs, and (3) the relocation of the Adult Probation Department from the Hall of Justice. The Capital Planning Committee should evaluate alternatives to the Adult Probation Department's long-term lease for 564 6th Street as part of the evaluation of the Sheriff's Department's and Adult Probation Department's space needs, and incorporate these alternatives into the City's capital plan.

Based on the inquiry of the Budget and Legislative Analyst and in order to give the Capital Planning Committee the opportunity to evaluate and recommend alternatives to the Adult Probation Department's long-term lease for 564 6th Street, according to Mr. Charlie Dunn, Real Estate Division, Senior Real Property Officer, PBV II, LLC, owner of 564 6th Street, will agree to revise the proposed lease to provide the City the right to terminate the lease with one year's notice. This right to terminate the lease would expire in two years on June 30, 2018.

RECOMMENDATIONS

1. Approve the proposed resolution approving the fifth amendment to the contract between the Adult Probation Department and Leaders in Community Alternatives, Inc. (File 16-0282).
2. Amend the proposed resolution (File 16-0283), approving the lease between the City and PBV II, LLC for 564 6th Street, to (a) request the Capital Planning Committee to evaluate alternatives to the Adult Probation Department's long-term lease for 564 6th Street as part of the evaluation of the Sheriff's Department's and Adult Probation Department's space needs, and incorporate these alternatives into the City's capital plan; and (b) state that the City's Real Estate Division and PBV II, LLC have agreed to add a clause to the proposed lease providing the City with the right to terminate the lease with one year's notice. This right to terminate the lease would expire in two years on June 30, 2018.
3. Approve the proposed resolution (File 16-0283) as amended.

⁵ The estimated costs to the City to lease 564 6th Street would be \$40.3 million over 30 years, based on annual rent increases of 3 percent per year, if the City were to exercise the four 5-year options to extend the lease for 546 6th Street for up to 30 years. The annual rent increases during the initial 10-year term by 3 percent per year; the rent adjusts to 95 percent of fair market value for each of the four 5-year options to extend the lease.

160283

OFFICE LEASE

between

PBV II, LLC, a California limited liability company

as Landlord
and

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation
as Tenant

For the lease of

564 Sixth Street
San Francisco, California

March 4, 2016

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LIST OF ATTACHMENTS

SCHEDULE 1 – Energy Use Data Verification Checklist (see Section 2.4)

EXHIBIT A – Floor Plans

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EXHIBIT E – Form of Subordination, Nondisturbance and Attornment Agreement

OFFICE LEASE

THIS OFFICE LEASE (this "**Lease**"), dated for reference purposes only as of March 4, 2016, is by and between PBV II, LLC, a California limited liability company ("**Landlord**"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**" or "**Tenant**", and together with Landlord "parties" or "**Parties**").

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:	March 4, 2016
Landlord:	PBV II, LLC, a California limited liability company
Tenant:	City and County of San Francisco
Building (<u>Section 2.1</u>):	564 Sixth Street, San Francisco, California
Premises (<u>Section 2.1</u>):	Premises on the first and second floors of the Building, as shown on <u>Exhibit A</u> , comprising all usable space in the Building.
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 17,500 rentable square feet.
Term (Section 3):	Approximately ten (10) years, commencing on the Commencement Date (as defined in Article 3), and ending June 30, 2026 (the " Expiration Date ") (the " Initial Term "), subject to the Extension Options set forth in <u>Section 3.4</u> . Estimated Commencement Date: July 1, 2016
Early Termination Option (Section 3.4):	City shall have the right to terminate the Lease prior to June 30, 2018 by providing Landlord with one (1) year's advance written notice.
Extension Options (<u>Section 3.5</u>):	City shall have four (4) separate options to extend the Term for additional periods of five (5) years each (each, an " Extended Term "), exercisable by City by notice to Landlord given not less than twelve (12) months in advance, on the terms and conditions set forth in <u>Section 3.4</u> .
Initial Base Rent (<u>Section 4.1</u>):	Annual Base Rent: \$848,190 (\$48.47 per square foot) Monthly Base Rent: \$70,682.50 (\$4.04 per

	square foot)
Base Rent Adjustment:	Base Rent shall be adjusted annually per the Schedule attached as <u>Exhibit C</u>
Base Rent for the Extended Terms (<u>Section 4.2</u>):	Base Rent for each Extended Term shall be ninety-five percent (95%) of the then fair market rent, as provided in <u>Section 4.2</u> .
Additional Charges (<u>Section 4.3</u>):	In addition to Base Rent, City shall pay City's share of the Annual Tax Increases over a 2016/2017 Base Tax Year as provided in <u>Section 4.4</u> .
Use (<u>Section 5.1</u>):	General office and classroom use by City, including the Adult Probation Department and their service providers.
Utilities (<u>Section 9.2</u>):	City shall pay for natural gas, electricity, janitorial, security, water, pest control and sewer charges and for trash removal for the Premises, as further described in <u>Section 9.2</u>).
Key Contact and Notice Address of Landlord (<u>Section 23.1</u>):	PBV II, LLC 3334 E. Coast Highway, Suite 588 Corona del Mar, CA 92625 Attention: Neil Miller Tel: 949-485-8673 Fax: 949-612-3289 Email: nm@clybournecapital.com
Notice Address for Tenant (<u>Section 23.1</u>):	Real Estate Division 25 Van Ness Avenue, Suite 400 San Francisco, California 94102 Attn: John Updike, Director of Property Fax No.: (415) 552-9216
with a copy to:	Adult Probation Department 850 Bryant Street, Room 200 San Francisco, California 94103 Attn: Chief Financial Officer
and a copy to:	Office of the City Attorney City Hall, Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, California 94102-4682 Attn: Real Estate and Finance Team Fax No.: (415) 554-4757

Key Contact for Tenant:

Adult Probation Department
850 Bryant Street, Room 200
San Francisco, California 94103
Attn: Diane Lim
Telephone No.: (415) 553-1058

Brokers (Section 23.8):

None

Parking Rights:

No parking is provided in this lease.

Other Noteworthy Provisions (Section 22):

Exterior Signage (Section 22.1)

2. PREMISES

2.1 Lease; Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises shown on the floor plan(s) attached hereto as Exhibit A (the "**Premises**"), located in the building identified in the Basic Lease Information (the "**Building**"). The Premises contain the rentable area and are located on the floor(s) of the Building specified in the Basic Lease Information. The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "**Property**." Notwithstanding anything to the contrary in this Lease, the recital of the Rentable Area of Premises above set forth is for descriptive purposes only and Landlord makes no representations or warranties as to the exact square footage of the Premises. City shall have no right to terminate this Lease or receive any adjustment or rebate of any Base Rent or Rent (as hereinafter defined) payable hereunder if said recital is incorrect. City has inspected the Premises and is fully familiar with the scope and size thereof and agrees to pay the full Base Rent set forth herein in consideration for the use and occupancy of said space in accordance with the terms of this Lease, regardless of the actual number of square feet contained therein. City represents that City has occupied the Premises and is thoroughly acquainted with their condition and, subject to Landlord's maintenance and repair obligations under this Lease, takes the Premises "AS IS" as of the date of this Lease and subject to parties in possession, including without limitation the Adult Probation Department, City consultants and LCA (as hereinafter defined), and the taking of possession of the Premises by City shall be conclusive evidence that the Premises were in good and satisfactory condition at the time possession was taken by City. Neither Landlord nor Landlord's agents have made any representations or promises with respect to the condition of the Building, the Premises, the Property or any other matter or thing affecting or related to the Building, the Premises or the Property, except as herein expressly set forth, and no rights, easements or licenses are acquired by City by implication or otherwise, except as may be expressly set forth in this Lease.

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; provided, however, the City's Mayor's Office on Disability did inspect and approve the Property as a condition to the issuance of the certificate of occupancy (or equivalent approval for occupancy) by the City's Department of Building Inspection in 2013.

2.2 Common Areas

As the tenant of all usable space in the Building, City has the exclusive right to use and occupy the Building, subject to Landlord's rights under Section 18. If Landlord and City agree

in the future to amend this Lease to reduce the size of the Premises, then Tenant shall have the non-exclusive right to use, together with other tenants of the Property, if any, any public areas of the Property (collectively, the "**Common Areas**"), and the non-exclusive right of access to and from the Premises by any common entrances to the Property.

2.3 Existing Lease

City's consultant, Leaders in Community Alternatives, Inc. ("**LCA**"), is presently occupying the Premises pursuant to that certain Lease Agreement dated September 7, 2012, between Landlord and LCA (the "**Existing Lease**"). The Existing Lease was originally scheduled to expire on June 30, 2017. Landlord and LCA have agreed to terminate the Existing Lease effective upon commencement of the term of this Lease.

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 1681) for the Premises, a copy of which is attached as Schedule 1 to this Lease, no less than 24 hours prior to City's execution of this Lease.

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "**Initial Term**") commencing on the last to occur of (i) the date Landlord tenders possession of the Premises to City under this Lease, (ii) the effective date of termination of the Existing Lease, (iii) the Effective Date, as defined in **Section 23.30**, or (iv) July 1 2016, and ending on the Expiration Date specified in the Basic Lease Information or such earlier date as this Lease may be terminated pursuant to the provisions of this Lease; provided, however, that City shall have the right to extend the Term pursuant to Section 3.4 (Extension Options). The word "**Term**" as used herein shall refer to the Initial Term and any Extended Term if City exercises any of the Extension Options as provided below.

3.2 Commencement Date and Expiration Date

The dates on which the Term commences and terminates are referred to respectively as the "**Commencement Date**" and the "**Expiration Date**." If the Commencement Date occurs on a date other than July 1, 2016, then promptly thereafter City shall deliver to Landlord a notice substantially in the form of Exhibit C attached hereto, confirming the actual Commencement Date, but City's failure to do so shall not affect the commencement of the Term.

3.3 Delay in Delivery of Possession

Landlord shall use its best efforts to deliver possession of the Premises with the Existing Lease terminated on or before July 1, 2016 (the "**Target Delivery Date**"). However, if Landlord is unable to deliver possession of the Premises by the Target Delivery Date, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease. If the Term commences later than the Target Delivery Date, then such date shall be the Commencement Date for all purposes under this Lease. If Landlord is unable to deliver possession of the Premises to City as required hereunder within one hundred eighty (180) days after the Target Delivery Date, then City may terminate this Lease, without any further liability under this Lease, upon written notice to Landlord. If despite reasonable efforts Landlord is unable to deliver possession of the Premises to City as required hereunder within one hundred

eighty (180) days after the Target Delivery Date, then Landlord may terminate this Lease, without any further liability under this Lease, upon written notice to the City.

3.4 Early Termination Option

City shall have the right to terminate the Lease (the "Early Termination Option") prior to June 30, 2018 by providing Landlord with at least one (1) year's advance written notice (thus prior to June 30, 2017) (the "Early Termination Notice"). The Early Termination Option shall be exercisable by the City's Director of Property.

3.5 Extension Options

City shall have four (4) options to extend the Term of this Lease (each, an "**Extension Option**") for additional periods of five (5) years each (each, an "**Extended Term**"). Such Extension Options shall be on all of the terms and conditions contained in this Lease, provided that Base Rent shall be adjusted as provided in Section 4.2. City may exercise each Extension Option, if at all, by giving written notice to Landlord no sooner than eighteen (18) months and no later than twelve (12) months prior to the then scheduled expiration of the Term; provided, however, City may not exercise an Extension Option during any period of time that City is in default (following written notice and an opportunity to cure such default). Each such Extension Option may be exercised on City's behalf by the City's Director of Property, without the need for the Board of Supervisors' approval.

4. RENT

4.1 Base Rent

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

4.2 Determination of Base Rent for the Extended Term

Upon the commencement of the Extended Term, the Base Rent shall be adjusted to equal ninety-five percent (95%) of the prevailing market rental rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises situated within the South of Market (SOMA) area of San Francisco ("**Reference Area**"). As used herein, the term "**prevailing market rate**" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) building standard tenant improvement allowances and other allowances given under such comparable leases.

Within thirty (30) days following City's exercise of each Extension Option, Landlord shall notify City of Landlord's determination of the prevailing market rate for the Premises. If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord within fourteen (14) days following Landlord's notice to City of the prevailing market rate and such dispute shall be resolved as follows:

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

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

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

(d) If Base Rent for the Extended Term is not determined before the commencement of the Extended Term, City shall continue to pay Base Rent at the rate in effect immediately prior to the Extended Term. Thereafter, City shall pay any deficit or Landlord shall refund any excess payment, as the case may be, within thirty (30) days after the parties determine Base Rent.

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

4.3 Additional Charges

In addition to Base Rent, City shall pay as additional rent any other charges or amounts City is expressly required to pay to Landlord under this Lease ("Additional Charges"). Such Additional Charges shall be paid 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." Landlord shall pay all costs and charges relating to the Premises and the Property not expressly imposed on City under this Lease.

4.4 Real Estate Tax Increases

(a) City's Share of Annual Tax Increase

The amount by which the Real Estate Taxes, as defined in **Section 4.4(b)**, for each Tax Year, as defined in **Section 4.4(c)**, exceed the Base Real Estate Taxes specified in Section 1

(Basic Lease Information) is referred to herein as the “**Annual Tax Increase.**” During the Term, City shall pay to Landlord each month, as Additional Charges, one-twelfth (1/12) of City’s percentage share of the Annual Tax Increase. If the Commencement Date occurs on a day other than the first day of a calendar month or the Lease expires or terminates on a day other than the last day of a calendar month, then the monthly payment of City’s percentage share of the Annual Tax Increase for such fractional month shall be prorated based on a thirty (30)-day month. As of the Commencement Date, City’s percentage share of such Annual Tax Increase shall be 100%; provided, however, if this Lease is amended in the future to reduce the size of the Premises, City’s percentage share shall then be the ratio that the rentable area of the Premises bears to the total rentable area of the Building. With reasonable promptness, not to exceed thirty (30) days after Landlord receives the tax bills for any Tax Year, Landlord shall furnish City with a copy of the tax bills accompanied by a statement (“**Landlord’s Tax Statement**”) setting forth the Annual Tax Increase and City’s percentage share thereof. If the current tax bill is not available, City shall make payments equal to one-twelfth (1/12) of City’s percentage share of City’s estimate of the Annual Tax Increase. If City’s percentage share of the actual Annual Tax Increase exceeds the estimated Real Estate Taxes paid by City for such tax year, City shall pay the difference to Landlord within thirty (30) days after the receipt of Landlord’s Tax Statement and the tax bill (whether or not this Lease has terminated). If the total amount of estimated Real Estate Taxes paid by City for such tax year exceeds City’s percentage share of the actual Annual Tax Increase for such Tax year, such excess shall be credited against the next installments of Real Estate Taxes due from City or, at City’s option, such excess shall be refunded to City within thirty (30) days after City requests the refund.

(b) **Definition of “Real Estate Taxes”**

“**Real Estate Taxes**” means all taxes, assessments and charges levied upon or with respect to the Property, Building or Landlord’s interest in the Building and 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, service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the State of California or any political subdivision thereof, district, or any other public entity having the direct or indirect power to tax and where the funds are generated with reference to the Building and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Property and Building are located, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes.

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

(c) **“Tax Year” Defined**

“**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 the Annual Tax Increase shall be equitably adjusted for the Tax Year involved in any such change.

5. USE

5.1 Permitted Use

Subject to compliance with applicable Laws (as defined in Section 10.1), City may use the Premises for general office and classroom uses and such other uses as may be specified in the Basic Lease Information, and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed. The foregoing notwithstanding, City shall be responsible for compliance with all zoning laws and ordinances and City acknowledges that neither Landlord nor its agents has made any representations or warranties with respect thereto. City shall not use, occupy, or permit the use or occupancy of the Premises for any purpose which Landlord, in its reasonable discretion, deems to be illegal, immoral, or dangerous; permit any public or private nuisance; keep any substance or carry on or permit any operation which might introduce offensive odors or conditions into other portions of the Building; use any apparatus which might make undue noise or set up vibrations in or about the Building; permit anything to be done which would increase the premiums paid by Landlord for fire and extended coverage insurance on the Building or its contents or cause a cancellation of any insurance policy covering the Building or any part thereof or any of its contents; or permit anything to be done which is prohibited by or which shall in any way conflict with any covenants, conditions and restrictions now or in the future affecting the Building or the Property or any law, statute, ordinance, or governmental rule or regulation now or hereinafter in force. Should City do any of the foregoing without the prior written consent of Landlord, it shall constitute an event of default and Landlord shall have the rights and remedies set forth herein.

5.2 Observance of Rules and Regulations

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit D (the "**Rules and Regulations**"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period following Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Landlord's obligations hereunder, increase City's rental obligations, interfere with City's business in the Premises, conflict with the provisions of this Lease, materially increase the burdens or obligations upon City, impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, or materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Such additions or modifications must be applicable to the other Building tenants on a uniform basis. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building tenants to comply with them. City shall be entitled upon request to any waiver or special dispensation granted by Landlord to any other tenant in the Building with respect to the Rules and Regulations, and Landlord shall notify City of any such waiver or special dispensation.

5.3 Interference with Access

City shall have access to the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, after making diligent efforts to consult with the City's Administrator, interrupt City's access to the Premises in the event of an immediate threat of the Premises, the Common Areas or any other portion of the Building being rendered unsafe

for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises, the Common Areas or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or due to the negligence or willful misconduct of Landlord or its Agents, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition continues for five (5) business days and materially 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 interruption of access to the Premises interferes with City's ability to carry on its business at the Premises. If any such interruption of access shall continue for sixty (60) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within ninety (90) days of the date City's use was interrupted due to Landlord's failure to comply with its obligations under this Lease or the negligence or willful misconduct of Landlord or its Agents, and such use is actually restored within such 90-day period. Nothing in this Section shall limit the rights of the Parties with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof. Except as provided in Section 12, City shall not be entitled to any abatement of Rent or right to terminate if the interrupted access (a) is due neither to Landlord's failure to perform its obligations under this Lease nor to the negligence or willful misconduct of Landlord or its Agents, or (b) is otherwise due to the negligence or willful misconduct of City and its Agents.

6. TENANT IMPROVEMENTS

Landlord and City agree that Landlord has no obligation to construct any tenant improvements to prepare the Premises for City's occupancy under this Lease.

7. ALTERATIONS

7.1 Alterations by City

City shall not make or permit any alterations, installations, additions or improvements (collectively, "**Alterations**") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems (as defined in Section 8.1) or structural integrity of the Building, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined in Section 10.1). Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

7.2 Title to Improvements

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

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "**City's Personal Property**") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (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 request, shall execute and deliver any document, in a form reasonably acceptable to Landlord and any holder of an Encumbrance (defined below), 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, all at the cost and expense of such supplier, equipment lessor or lender. 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 upon delivery to Landlord of advance written notice from such supplier, equipment lessor or lender.

7.4 Alteration by Landlord

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

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Landlord shall repair and maintain, at its cost and in a good working order and condition, and replace as necessary, the exterior and structural portions of the Building (including, without limitation, the roof, foundation, bearing and exterior walls, sidewalk, sidewalk trees, exterior windows, entrance doors and subflooring), the vertical transportation systems, utility stubs to and from the Building, and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, and other mechanical, electrical and communication systems of the Building (collectively, the "**Building Systems**"). Without limiting the foregoing, Landlord shall maintain the Building in a clean, safe and attractive manner in compliance with all Laws, shall provide exterior graffiti removal with reasonable frequency, and shall not permit any other tenants of the Building to disturb or interfere with City's use of the Premises or permit to be done in or about the Building or the Common Areas anything that is illegal, is dangerous to persons or property or constitutes a nuisance. The above notwithstanding, City shall be responsible for the cost of repairs of damage caused by City's willful misuse of the Premises or the Property or the gross negligence of City, its contactors, vendors or invitees.

8.2 City's Repairs

Subject to Landlord's express obligations under the Lease, City shall repair and maintain at its cost the interior portions of the Premises, including toilets, sinks, light fixtures and other portions on the interior side of interior walls, ceiling and floors, 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 also be responsible for the cost to repair damage to the vertical transportation system that exceeds normal wear and tear that would result from typical office use or that is caused intentionally or pursuant to grossly negligent behavior by the City and/or its consultants, licensees and invitees. City shall also be responsible for the routine maintenance of the heating, air conditioning and ventilating system, including regularly scheduled quarterly maintenance pursuant to a service agreement, a copy of which shall be provided to Landlord. Notwithstanding Section 8.1 to the contrary, City shall take commercially reasonable measures to maintain in good repair and reasonably clean condition the awning over the second floor windows on the Harriet Street side of the Building. City shall make any such required repairs and replacements that Landlord reasonably specifies in writing **(i)** at City's cost, **(ii)** by contractors or mechanics selected by City and reasonably approved by Landlord, **(iii)** so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, **(iv)** in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and **(v)** in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term of this Lease, Landlord shall, upon reasonable notice by City, afford City and its Agents with access to those portions of the Building which are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City.

8.3 Liens

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

9. UTILITIES AND SERVICES

9.1 Reserved

9.2 Utilities

City, at City's sole cost, shall pay directly to the appropriate utility provider the cost of electric power, water, sewer, telephone, data, internet, cabling and natural gas (if any) for the Building Systems, the Building and the Premises.

9.3 Janitorial Service

City shall be responsible for providing janitorial services, including but not limited to recycling, refuse removal and pest control for the Premises.

9.4 Security

City at City's sole cost shall be responsible for its own security costs.

9.5 Additional Services

City reserves the right to request that Landlord, at City's cost, perform lease-related services or incur additional expenses not covered under this Lease that City may require from time to time, as requested by City in writing and approved by the Director of Property. City shall reimburse Landlord for such expenses as they are incurred, at rates agreed-upon in advance.

9.6 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, 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 Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection and security, audio, video or electronic communications, hazard detection and alarm, or other essential services serving the Premises (collectively, "**Essential Services**") and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of one (1) or more business days if such failure is in the reasonable control of Landlord or a period of five (5) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises, or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for thirty (30) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and the Essential Services are actually restored within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due 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, as follows to the Landlord's actual knowledge: (a) the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building along the path of travel to the Premises (including, but not limited to, the Building entrances, Common Areas, restrooms, elevators, lobbies, telephone banks and drinking fountains and parking areas) are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "**Disabilities Laws**"); (b) the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "**Seismic Safety Laws**"); (c) the Building, the Common Areas and Building Systems serving the Premises are now, and as of the

Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "**Life Safety Laws**"); **(d)** the Building, the Common Areas and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements.; and **(e)** there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term perform its maintenance obligations hereunder and keep the path of travel on the Property to the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "**Laws**"), including, without limitation, Disabilities Laws, Landlord, at Landlord's cost, shall keep the Property and the Building in compliance with all Seismic Safety Laws, and Life Safety Laws, as uniformly enforced except to the extent such compliance is triggered by an Alteration by or City's particular use of the Premises (as opposed to City's use of the Premises for general office purposes in a normal and customary manner). Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any misrepresentation by Landlord under this Section.

10.2 City's Compliance with Laws; Indemnity

City shall use the Premises during the Term in compliance with applicable Laws and shall at all times during the Term perform its maintenance obligations hereunder in compliance with applicable present or future Laws, as defined in Section 10.1, including, without limitation, Disabilities Laws, except that City shall not be required to make any structural alterations or modifications, or any changes to the Common Areas or Building Systems, in order to comply therewith unless such alterations, modifications or changes **(i)** are necessary solely because of any Alterations to the Premises made by City pursuant to Section 7 hereof and such modifications are not otherwise Landlord's responsibility under this Lease or **(ii)** are required as a result of City's particular use of the Premises (as opposed to City's use of the Premises for general office purposes in a normal and customary manner). City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of City's furniture or other City Personal Property and the operation of any programs in the Premises, other than any requirement relating to the physical structure, fixtures and permanent improvements of the Premises or portions of the Property or Building along the path of travel to the Premises, which are Landlord's obligation as provided in Section 10.1 above. Without limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord against any and all Claims arising out of City's failure to comply with applicable Laws as provided in this Section.

10.3 City's Compliance with Insurance Requirements

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

11. SUBORDINATION

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

(b) In the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or in the event any ground lease or underlying lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed nor shall the rights and possession of City hereunder be disturbed if City shall not then be in default in the payment of rental or other sums due hereunder or otherwise be in default under the terms of this Lease. City shall 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). The provisions of this Section shall be self-operative and no further instrument shall be required other than as provided in this Section. City agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to City, any additional documents evidencing the priority or subordination of this Lease with respect to any such Encumbrance as provided herein.

12. DAMAGE AND DESTRUCTION

If the Premises, the Building or any Building Systems are damaged by act of God, fire, explosion, 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 one hundred twenty (120) days after Landlord obtains all necessary permits for such repairs but not later than two hundred seventy five (275) days after the date of such damage (the "**Repair Period**"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in Rent shall be based upon the extent to which City cannot reasonably occupy any part of the Premises during the Repair Period. 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. In the event the Building is damaged such that City cannot reasonably operate within the Premises and such damage cannot be repaired within the Repair Period, City may terminate this Lease.

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

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

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

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

Taking and accordingly, the parties each hereby waive any right to terminate this Lease in whole or in part under Sections 1265.110, 1265.120, 1265.130 and 1265.140 of the California Code of Civil Procedure or under any similar law now or hereafter in effect.

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, 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 material portion of the Building, and if subsection (a) above does not apply, City and Landlord shall each have the right to terminate this Lease by written notice to the other within thirty (30) days after the Date of Taking, provided that, as a condition to City's right to terminate, the portion of the Building taken shall, in City's reasonable judgment, 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 Rent; Award

Upon termination of this Lease 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, except that Rent shall be reduced as provided in Section 13.6 below for any period during which this Lease continues in effect after the Date of Taking, and (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

City shall not have the right to sublease or assign this Lease, or any portion of the Premises during the Term of the Lease without Landlord's prior written consent, which shall not be unreasonably withheld or delayed. 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 or agency of the City and County of San Francisco for uses permitted under this Lease.

In the event that City sublets, assigns or transfers this Lease, City shall pay to Landlord as additional rent an amount equal to seventy-five percent (75%) of any Increased Rent (as defined below) when and as such Increased Rent is received by City, after City has first recovered the following costs of entering into each particular sublease or assignment (with no requirement to amortize such costs): (i) the cost of tenant improvements made in connection with the particular transaction and any tenant improvement allowance paid by City in connection with the particular transaction, (ii) brokerage commissions, if any, (iii) advertising costs, and (iv) attorneys' fees (including the fees of deputy City attorneys calculated at the then applicable rate charged to City departments for such legal services. As used in this Section, "Increased Rent" shall mean the excess of (i) all rent and other consideration which City is entitled to receive by reason of any sale, sublease, assignment or other transfer of this Lease, over (ii) the rent otherwise payable by City under this Lease at such time.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

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

(b) City's abandons the Premises (within the meaning of California Civil Code Section 1951.3); or

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

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after thirty (30) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such thirty (30)-day period, such thirty (30)-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent, if any, to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder and under Section 3.3 (Delay in Delivery of Possession), Section 5.3 (Interference with Access), and Section 9.4 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Claims"), incurred as a result of (a) City's use of the Premises, (b) any default by City in the performance of any of its material obligations under this Lease, or (c) any negligent acts or omissions of City or its Agents in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents by reason of any Claim Indemnified by City hereunder, City may, at its sole option, elect to defend such Claim by

attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. City's obligations under this Section shall survive the termination of the Lease.

16.2 Landlord's Indemnity

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

17. INSURANCE

17.1 City's Self-Insurance

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

17.2 Landlord's Insurance

At all times during the Term, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, upon request by City, provide to City a certificate of insurance issued by the insurance carrier, evidencing the insurance required above. The certificate shall expressly provide that the policy is not cancelable or subject to, reduction of coverage or otherwise subject to modification except after thirty (30) days prior written notice to City. Landlord hereby waives any rights against City for loss or damage to the Premises or any other part of the Property, to the extent covered by Landlord's property insurance.

In addition, Landlord, at no cost to City, shall procure and keep in effect at all times during the Term insurance as follows: (a) Commercial general liability insurance with limits not less than Two Million Dollars (\$2,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and (b) and 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, Landlord hereby waives any right of recovery against City for any loss or damage sustained by Landlord with respect to the Building or the Premises or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of City, to the extent such loss or damage is covered by insurance which Landlord is required to purchase under this Lease or is otherwise actually recovered from valid and collectible insurance covering Landlord. Landlord agrees to obtain a waiver of subrogation endorsement from each insurance carrier issuing policies relative to the Building or the Premises; provided, Landlord's failure to do so shall not affect the above waiver.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall endeavor to give reasonable notice to City), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be materially 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. Any such statement made by City may be relied upon by any prospective purchaser or prospective holder of an Encumbrance of all or any portion of the real property of which the Premises are a part.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Within ten (10) days after the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Alterations City is permitted to install under the terms of this Lease and desires to remove or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary 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. No Leasehold Improvements or other alterations to the Premises that have been approved by Landlord shall be removed from the Premises at or prior to Tenant's surrender.

21. HAZARDOUS MATERIALS

21.1 Definitions

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

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

(b) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended (42 U.S.C. Section 9601 et seq.), or pursuant to Section 25316 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

(c) "Release" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside the Building, or in, on, under or about the Property.

21.2 Landlord's Representations and Covenants

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

21.3 Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), above, Landlord shall Indemnify City and its Agents against any and all Claims arising during or after

the Term of this Lease (a) as a result of any breach of any of Landlord's representations, warranties or covenants in the preceding Section, or (b) in connection with any presence or Release of Hazardous Material in the Building or on, under or about the Property, unless City or its Agents caused such Release.

21.4 City's Covenants

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

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 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

22.1 Exterior Signage

City shall have the right to maintain signage throughout the Term of this Lease, or to install replacement signage, provided that all replacement signage shall be subject to Landlord's approval (which shall not be unreasonably withheld) with regard to size, design, color, material, content and location, and shall be appropriate for a first-class office building and in conformity with the overall design of the Building and the existing tenant signage on the exterior of the Building. The cost of the design, manufacture, installation and maintenance of the signage shall be borne by City. All signage must comply with applicable governmental laws and ordinances and City shall be responsible for obtaining any governmental permits or approvals required for City's signage. Upon the expiration or earlier termination of this Lease, Landlord shall have the right to remove such signage at City's expense (after giving City notice and an opportunity to remove the sign itself) and then to repair and restore, at City's expense the affected areas of the Building to their original condition at the time the signage was installed, ordinary wear and tear excepted.

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 does not violate any provision of any agreement, law or regulation to which Landlord or the Property is subject.

23.5 Parties and Their Agents; Approvals

If applicable, the word "Landlord" as used in this Lease shall include the plural as well as the singular. As used in this Lease, the term "Agents" when used with respect to either party shall include the agents, employees, officers and contractors of such party, and the term "Invitees" when used with respect to City shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of City. All approvals, consents or other determinations permitted or required by City under this Lease 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 and Administrative Code.

23.6 Interpretation of Lease

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

23.7 Successors and Assigns

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

23.8 Brokers

Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein, except for the broker, if any, identified in the Basic Lease Information, whose commission, if any is due, shall be the sole responsibility of Landlord pursuant to a separate written agreement between Landlord and such broker, and City shall have no liability therefor. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

23.9 Severability

If any provision of this Lease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the full extent permitted by law.

23.10 Governing Law

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

23.11 Entire Agreement

The parties intend that this Lease (including all of the attached exhibits, which are made a part of this Lease) shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous written or oral agreements or understandings. The parties further intend that this Lease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts hereof and changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Lease.

23.12 Attorneys' Fees

In the event that either Landlord or City fails to perform any of its obligations under this Lease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Lease, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

23.13 Holding Over

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during the period of such holding over shall be one hundred twenty percent (120%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein.

23.14 Cumulative Remedies

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

23.15 Time of Essence

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

23.16 Survival of Indemnities

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

23.17 Signs

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

23.18 Quiet Enjoyment and Title

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

23.19 Bankruptcy

Landlord represents and warrants to City that Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the best of Landlord's knowledge, no such filing is threatened. Landlord and City agree that City's leasehold estate created hereby includes, without limitation, all rights to receive and enjoy all services, facilities and amenities of the Premises and the Building as provided herein, and that if any of such services, facilities or amenities are terminated, or materially limited or restricted on account of any such case or proceeding, or for any other reason, City shall have the right to (a) contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and (b) offset against the Base Rent or other charges payable hereunder any and all reasonable costs and expenses incurred by City in obtaining such services, facilities or amenities.

23.20 Transfer of Landlord's Interest

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

23.21 Non-Liability of City Officials, Employees and Agents

Notwithstanding anything to the contrary in this Lease, no elective or appointive board, commission, member, officer, employee or agent of City shall be personally liable to Landlord, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Landlord, its successors and assigns, or for any obligation of City under this Lease.

23.22 MacBride Principles - Northern Ireland

The provisions of San Francisco Administrative Code §12F are incorporated herein by this reference and made part of this Lease. By signing this Lease, Landlord confirms that Landlord has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

23.23 Controller's Certification of Funds

The terms of this Lease shall be governed by and subject to the budgetary and fiscal provisions of the City's Charter. Notwithstanding anything to the contrary contained in this Lease, there shall be no obligation for the payment or expenditure of money by City under this Lease unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the City's Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the Term of this Lease commences, sufficient funds for the payment of Rent and any other payments required under this Lease are not appropriated, then City may terminate this Lease, without penalty, liability or expense of any kind to City, as of the last date on which sufficient funds are appropriated. City shall use its reasonable efforts to give Landlord reasonable advance notice of such termination.

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 that Landlord provides under this Lease and are paid for in whole or in part out of public funds, as defined in California Labor Code Section 1720 (including any construction, alteration, demolition, installation, repair, carpet laying, or refuse hauling), 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.

23.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

In the performance of this Lease, Landlord agrees not to discriminate against any employee of, any City employee working with Landlord, or applicant for employment with Landlord, or against any person seeking accommodations, advantages, facilities, privileges,

services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

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

23.26 Tropical Hardwood and Virgin Redwood Ban

(a) Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, neither Landlord nor any of its contractors shall

provide any items to City in the construction of the Leasehold Improvements or otherwise in the performance of this Lease which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

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

(c) In the event Landlord fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environment Code, Landlord shall be liable for liquidated damages for each violation in an amount equal to Landlord's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greatest. Landlord acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County of San Francisco upon demand and may be set off against any monies due to Landlord from any contract with the City and County of San Francisco.

23.27 Bicycle Storage Facilities

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

23.28 Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction and operation of City buildings. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections.

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 (b) this Lease is duly executed by the parties hereto.

23.31 Certification by Landlord

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

23.32 Sunshine Ordinance

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

23.33 Conflicts of Interest

Through its execution of this Lease, Landlord acknowledges that it is familiar with the provisions of 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 it does not know of any facts which would constitute a violation of said provisions, and agrees that if Landlord becomes aware of any such fact during the Term of this Lease, Landlord shall immediately notify City.

23.34 Notification of Limitations on Contributions

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

23.35 Preservative-Treated Wood Containing Arsenic

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

immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

23.36 Cooperative Drafting

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

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

[SIGNATURES ON FOLLOWING PAGE]

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

LANDLORD:

By: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
JOHN UPDIKE
Director of Property

RECOMMENDED:

By: _____

Chief of Adult Probation

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Carolyn Johnson Stein
Deputy City Attorney

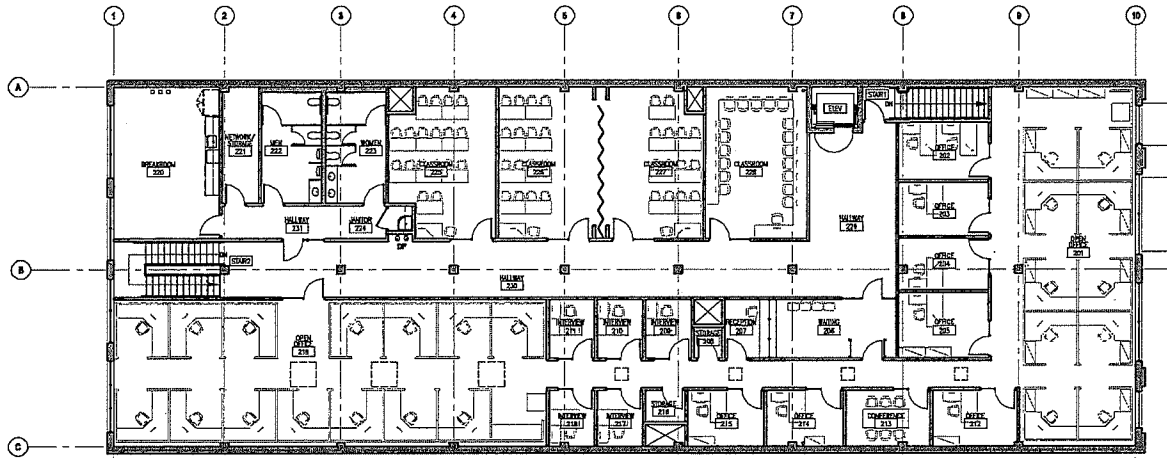
SCHEDULE 1

Energy Use Data Verification Checklist

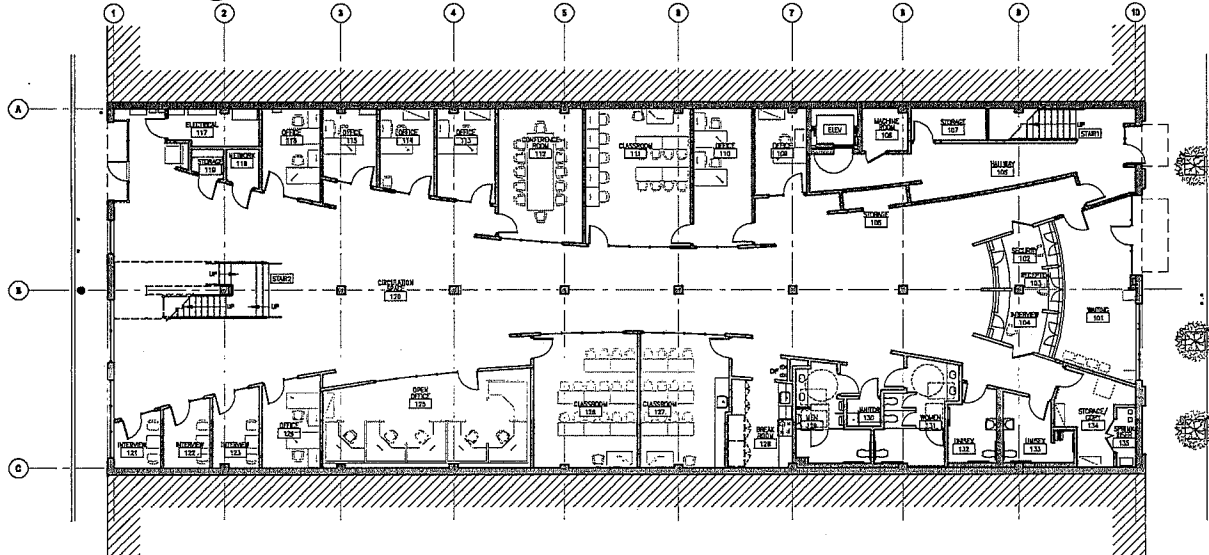
Please see attached Energy Audit Report for City of San Francisco, dated May 22, 2015, issued by Partner Energy.

EXHIBIT A

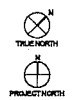
Floor Plan(s)
Consisting of One Page



2 SECOND FLOOR FURNITURE PLAN
SCALE: 1/8" = 1'-0"



1 GROUND FLOOR FURNITURE PLAN
SCALE: 1/8" = 1'-0"



Cast+Abst
ARCHITECTS LLP

1428 BOLE STREET
SAN FRANCISCO, CALIFORNIA
415.774.2200
415.774.2200

Client:

Project: Interior Tenant Improvements
For: Community Assessment and Service Center (CASC) and San Francisco Adult Probation Department Office (SFAPD)
At: 584 8th Street, San Francisco, CA 94103

Date:	September 7, 2012
Project Number:	414-101
Scale:	1/8" = 1'-0"
Architectural Phase/Date:	
MEP SUBMITTAL:	03/19/2012
MEP RESPONSE:	07/14/2012

Sheet Title: Ground & Second Floor Furniture Plans

Sheet Number: A2.2

622

EXHIBIT B

Schedule of Annual Base Rent Adjustments

<u>Lease Year</u>	<u>Monthly Base Rent</u>	<u>Annual Base Rent</u>
1. July 1, 2016 – June 30, 2017	\$70,862.50	\$ 848,190.00
2. July 1, 2017 – June 30, 2018	\$72,802.98	\$ 873,635.70
3. July 1, 2018 – June 30, 2019	\$74,987.06	\$ 899,844.77
4. July 1, 2019 – June 30, 2020	\$77,236.68	\$ 926,840.11
5. July 1, 2020 – June 30, 2021	\$79,553.78	\$ 954,645.32
6. July 1, 2021 – June 30, 2022	\$81,940.39	\$ 983,284.68
7. July 1, 2022 – June 30, 2023	\$84,398.60	\$1,012,783.22
8. July 1, 2023 – June 30, 2024	\$86,930.56	\$1,043,166.71
9. July 1, 2024 – June 30, 2025	\$89,538.48	\$1,074,461.72
10. July 1, 2025 – June 30, 2026	\$92,224.63	\$1,106,695.57

EXHIBIT C

Notice of Commencement Date

[Date]

PBV II, LLC
3334 E. Coast Highway, Suite 588
Corona del Mar, CA 92625

RE: 564 Sixth Street, San Francisco, CA

Dear Sir or Madam:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as defined in Section 3.2 of the Lease) is _____, 2016.

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

Very truly yours,

John Updike, Director of Property

EXHIBIT D

Building Rules and Regulations

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

EXHIBIT E

Form of Subordination, Nondisturbance and Attornment Agreement

See attached.

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Attn: _____

(Space above this line reserved for Recorder's use only)

**SUBORDINATION, NON-DISTURBANCE
AND ATTORNMENT AGREEMENT**

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT, dated as of _____, 20__, is by and among _____, a _____, ("Owner"), _____, a _____ ("Lender"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City").

RECITALS

WHEREAS, Owner is the owner of that certain parcel of real property situated in the City and County of San Francisco, State of California, as more particularly described in **Exhibit A** hereto (the "Property" or "Premises"); and

WHEREAS, Owner has leased the Premises to City pursuant to the terms of the Lease, dated as of _____, 20__ (the "Lease");

WHEREAS, Lender made a loan to Owner in the principal sum of _____ (\$ _____) (the "Loan"), which is evidenced by a Promissory Note from Owner to Lender, dated _____ (the "Note");

WHEREAS, The Note is secured, in part, by that certain Deed of Trust for the benefit of Lender, dated _____, and recorded on _____ in the Official Records of the City and County of San Francisco, as Instrument No. _____ (the "Deed of Trust"); and

WHEREAS, as a condition to making the loan, Lender requires the execution and delivery of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein and after good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Subordination of Lease.** The Deed of Trust, and all supplements, amendments, modifications, renewals, replacements or extensions thereto, shall unconditionally be and remain at all times a lien or charge on the Property prior and superior to the Lease, to the leasehold estate created thereby and to all rights and privileges of City thereunder. The Lease, and the leasehold estate created thereby, together with all rights and privileges of City thereunder, are hereby unconditionally subjected and made subordinate to,

the lien or charge of the Deed of Trust in favor of Lender. Nothing herein contained shall be deemed or construed as limiting or restricting the enforcement by Lender of any of the terms, covenants, provisions or remedies of the Deed of Trust.

Notwithstanding anything to the contrary contained in this Agreement: (a) the subordination contained herein shall apply only with respect to (i) all indebtedness evidenced by the Note in the original principal amount, including all accrued but unpaid interest thereon, and (ii) all future amounts advanced by the Lender (including advances for the payment of real estate taxes and assessments and insurance premiums relating to the Property), and all costs, fees, and expenses including attorneys' fees and costs hereafter incurred by the Lender, under and pursuant to the Loan documents in enforcing any and all of its rights and remedies under the Loan or preserving or protecting the security for the Loan (such amounts, costs, fees and expenses are referred to collectively as the "Loan Advances"); and (b) this Agreement shall not be deemed to apply with respect to (i) a future loan or loans (excluding the Loan and all Loan Advances), which said future loan or loans (excluding the Loan and all Loan Advances) represent new loans to Owner evidenced by a separate note or other instrument, and (ii) future modifications to the Note that increase the original principal face amount of the Note, provided that no Loan Advances shall be deemed to constitute such a modification.

2. **Non-Disturbance During or Prior to Foreclosure.** During the term of the Lease, as long as City is not in material default under the Lease beyond any cure period provided for under the Lease:

2.1 City shall not be named or joined in any foreclosure, trustee's sale or other proceeding to enforce the Deed of Trust unless such joinder is required by law in order to perfect such foreclosure, trustee's sale or other proceeding;

2.2 Enforcement of the Deed of Trust shall not terminate the Lease, or disturb or interfere with City's quiet and peaceable possession and use of the Premises or City's rights and privileges thereunder; and

2.3 The leasehold estate granted by the Lease shall not be affected or disturbed in any manner by any foreclosure, trustee's sale or other proceeding instituted or action taken under or in connection with the Deed of Trust, or if Lender takes possession of the Premises pursuant to any provision of the Deed of Trust or otherwise and the Lease shall remain in full force and effect as a direct indenture of lease with Lender, its transferee, successors, or assigns (collectively "**Purchaser**") and City.

3. **Non-Disturbance After Foreclosure.** If during the term of the Lease any interest of Owner under the Lease shall be transferred to a Purchaser by reason of any foreclosure, trustee's sale or other proceeding for enforcement of the Deed of Trust or by deed in lieu thereof, and if City is not in material default under the Lease beyond any cure period provided for in the Lease, Purchaser will recognize the Lease as a direct lease between Purchaser and the City and will not disturb City in its possession of the Premises for any reason other than one that would have entitled Owner to terminate the Lease or otherwise dispossess City of the Premises under the Lease. Purchaser shall be bound to City under all the terms, covenants and conditions of the Lease for the balance of the term thereof, and any extension or renewal thereof which may be or become effective in accordance with any option therefore in the Lease, with the same force and effect as though the Lease was originally made directly between Purchaser and the City, provided that:

3.1 Purchaser shall not be liable for any acts or omissions of any prior landlord under the Lease, including Owner ("**Prior Landlord**").

3.2 Purchaser shall not be subject to any setoffs or defenses that City might have as to Owner or to any claims for damages against any Prior Landlord.

3.3 Purchaser shall be responsible for the performance of only those covenants and obligations of any Prior Landlord under the Lease accruing after the foreclosure or transfer to Purchaser.

3.4 Purchaser shall not be bound by any payment of rent or additional rent by City to any Prior Landlord for more than two (2) months in advance.

3.5 Purchaser shall not be liable or responsible for or with respect to the retention, application, and/or return to City of any security deposit, cleaning deposit or other prepaid charge paid to other Prior Landlord, whether or not still held by such prior landlord, unless and until Purchaser as actually received for its own account as landlord the full amount of such security deposit, cleaning deposit or other prepaid charge.

However, nothing contained in this Agreement is intended to release, limit or affect (i) Owner or Purchaser from its obligations to fulfill its obligations under the Lease prospectively from and after the date of any foreclosure or other transfer, (ii) any or all of City's rights and remedies against Owner for any act, omission or breach of the Lease by Owner, and (iii) City's right to terminate this Lease or exercise other available remedies based upon a breach by Owner.

4. **Attornment.** If during the term of the Lease any interest of Owner under the Lease shall be transferred to a Purchaser by reason of any foreclosure, trustee's sale or other proceeding for enforcement of the Deed of Trust or by deed in lieu thereof, City shall be bound to Purchaser as City's landlord under the terms, covenants and conditions of the Lease for the remaining balance of the Lease with the same force and effect as if the Lease was originally made directly between City and Purchaser, such attornment to be effective and self-operative without the execution of any further instrument on the part of any of the parties to this Agreement.

5. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California and the Charter of the City and County of San Francisco.

6. **Recordation.** Lender may record this Agreement in the Official Records of the City and County of San Francisco. The parties hereto agree to execute and deliver, in recordable form if necessary, any and all further documents and instruments reasonably requested by any party hereto to give effect to the terms of provisions of this Agreement.

7. **Modifications.** This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by the parties hereto or their respective successors in interest. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

8. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. Signature and acknowledgment pages may be detached from the counterparts and attached to a single copy of this Agreement to form one document, which may be recorded.

9. **Attorneys Fees.** In the event that any legal action or proceeding is commenced to interpret or enforce the terms of, or obligations arising under this Agreement,

or to recover damages for the breach thereof, the party prevailing in any such action or proceeding shall be entitled to recover from the non-prevailing party all reasonable attorneys' fees, costs and expenses incurred by the prevailing party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

OWNER: _____,
a _____

By: _____
Name: _____
(type or print)
Title: _____

By: _____
Name: _____
(type or print)
Title: _____

LENDER: _____,
a _____

By: _____
Name: _____
(type or print)
Title: _____

By: _____
Name: _____
(type or print)
Title: _____

CITY: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation,

By: _____
JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA,
City Attorney

By: _____

Deputy City Attorney

State of California)
) ss
County of San Francisco)

On _____, before me, _____, a notary public in and for said State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

Legal Description of Property

LANDLORD'S CONSENT

Landlord consents and agrees to the foregoing Agreement, which was entered into at Landlord's request. The foregoing Agreement shall not alter, waive or diminish any of Landlord's obligations under the Mortgage or the Lease. The above Agreement discharges any obligations of Mortgagee under the Mortgage and related loan documents to enter into a nondisturbance agreement with Tenant. Landlord is not a party to the above Agreement.

LANDLORD:

By: _____

Name:

Title:

Dated: _____, _____

LIST OF EXHIBITS

If any exhibit is not attached hereto at the time of execution of this Agreement, it may thereafter be attached by written agreement of the parties, evidenced by initialing said exhibit.

Exhibit "A" - Legal Description of the Land

SUBLEASE

between

THE CITY AND COUNTY OF SAN FRANCISCO

as Sublandlord

and

**LEADERS IN COMMUNITY ALTERNATIVES, INC., a California corporation
as Subtenant**

**for a non-demised portion of the Building at
564 Sixth Street, San Francisco, CA**

San Francisco, California

March 10, 2016

SUBLEASE

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LIST OF EXHIBITS:

- EXHIBIT A - Master Lease
- EXHIBIT B - Subtenant's Insurance Requirements
- EXHIBIT C - Diagram of Sublease Premises
- EXHIBIT D - Diagram of Shared Rooms and Facilities

SUBLEASE

[NEED TO CHECK ALL SECTION REFERENCES]

THIS SUBLEASE (the "**Sublease**"), dated for reference as of March 10, 2016, is by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**Sublandlord**" or the "**City**") and LEADERS IN COMMUNITY ALTERNATIVES, INCORPORATED, a California corporation ("**Subtenant**" or "**LCA**"). From time to time, Sublandlord and Subtenant may be referred to herein as a "**Party**" and together as the "**Parties**".

This Sublease is made with reference to the following facts and circumstances:

A. PBV II, LLC, a California limited liability company ("**Master Landlord**"), owns the property commonly known as 564 Sixth Street, San Francisco, California, which is improved with a commercial building containing approximately 17,500 rentable square feet of space (the "**Building**").

B. Sublandlord and Subtenant entered into a Professional Services Contract (PSC) No 4077-11/12 (as amended the "**Service Agreement**") for Subtenant's provision of described public programs and services.

C. Subtenant entered into a Lease Agreement with PBV II, LLC, a California limited liability company, dated September 7, 2012 as amended by the First Addendum to Lease, dated February 14, 2013 and the Second Addendum to Lease, dated August 14, 2013 (as amended the ("**LCA Lease**") pursuant to which Subtenant leased the Building from Master Landlord.

D. Sublandlord and Master Landlord have negotiated a new Lease (the "**Master Lease**") pursuant to which Master Landlord will lease the Building) referred herein as the "**Master Leased Premises**" to Sublandlord upon termination of the LCA Lease.

E. Master Landlord desires to terminate the LCA Lease early and Subtenant is willing to agree to such early termination provided Subtenant can continue to occupy a portion of the Building until July 1, 2017. Sublandlord and Subtenant desire to continue LCA's occupancy of a non-demised portion of the Building, without interruption, as shown on Exhibit C attached hereto (the "**Sublease Premises**") for the staff and programs of the Adult Probation Department's Service Agreement with Subtenant through June 30, 2017 on the terms and conditions herein.

F. Sublandlord's execution of the Master Lease is subject to the review and approval of the San Francisco Board of Supervisors, which approval is being requested simultaneously with the approval of this Sublease.

G. Sublandlord and Subtenant have shared the use of the Building under the LCA lease and Sublandlord intends to continue use the portions of the Building not being subleased to Subtenant hereunder.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows:

1. BASIC SUBLEASE INFORMATION

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

Commencement Date: The date the Master Lease commences and the LCA Lease is terminated

Sublandlord: City and County of San Francisco

Subtenant: LEADERS IN COMMUNITY
ALTERNATIVES, INC., a California corporation

Term and Term Extensions:
Term (Section 4.1): The Term of this Sublease shall commence on the Commencement Date and shall end on June 30, 2017, unless sooner terminated or extended under the provisions of the Sublease

Sublease Premises and Subtenant’s Rentable Square Footage:
Sublease Premises (Section 2.5): Approximately 2,085 useable square feet, generally depicted on Exhibit C, the Diagram of Sublease Premises

Subtenant’s Rentable Square Footage (Section 2.5): Approximately 4,923 square feet, consisting of (a) the Sublease Premises, (b) the square footage of the Subtenant’s Prorata Share of the Shared Rooms and Facilities and (c) the square footage of Subtenant’s Proportionate Share of the Common Areas

Shared Rooms and Facilities (Section 2.5): Depicted in Exhibit D, the Diagram of Shared Rooms and Facilities

Subtenant's Proportionate Share
(Section 2.5):

Twenty eight and 13/100 percent (28.13 %)

Rent:

Sublease Rent (Section 5.1):

Consists of Subtenant's share of Base Rent and Additional Charges payable by Subtenant under the Master Lease, including but not limited to Additional Services requested by Subtenant

Initial Base Rent (Section 5.1):

\$19,936.35, monthly based Subtenant's share of Base Rent payable by Sublandlord under the Master Lease

Additional Charges:

As set forth in Section 4 of the Master Lease

Additional Services:

As set forth in Section 9 of the Master Lease

Notices (Section 21.1):

All notices shall be provided in writing in the manner indicated in Section 21.1, unless otherwise indicated in the Sublease

2. PREMISES

2.1. Sublease Premises and License. Subject to the terms, covenants and conditions of this Sublease, Sublandlord (i) subleases to Subtenant the Sublease Premises, as shown on Exhibit C, (ii) confers upon Subtenant a non-exclusive license to enter and use the Common Areas, including without limitation, the bathrooms, certain common conference rooms, and the entrances to the Building and the Property subject to the Rules and Regulations, and (iii) also confers upon Subtenant a non-exclusive license to enter and use the Shared Rooms and Facilities as hereafter defined in Section 2.4 and depicted in Exhibit D. Subtenant shall have the access to the Common Areas, on the same terms and conditions as Sublandlord.

2.2. Condition of Sublease Premises. Subtenant acknowledges and agrees that the Sublease Premises are being subleased subject to the Master Lease and all applicable Laws, and Subtenant acknowledges that neither Sublandlord, nor any of its Agents, have made any representations or warranties, express or implied, concerning any aspect of the Master Lease Premises, the Sublease Premises, or the Common Areas.

2.3. Shared Rooms and Facilities. As set forth in Section 6.1 below, Sublandlord and Subtenant have cooperated in the use of common area spaces, and the Parties acknowledge and agree that there are some shared spaces and facilities that will be used by both Sublandlord and Subtenant as shown in Exhibit D (the "**Shared Rooms and Facilities**"). Sublandlord and Subtenant agree to share all benefits and costs relating to the Shared Rooms and Facilities. All costs will be prorated based upon the 28.13% (Subtenant) and 78.17% (Sublandlord) allocation unless such allocation results in an unfair distribution of costs relative to the actual usage by each Party, in which case the Parties agree to amend the allocation of such Shared Room or Facility in proportion to actual use or such other measure as may be agreed upon by the Parties. Shared conference rooms will be made available on a first-come, first-serve basis, pursuant to a memorandum of understanding ("**MOU**") to be executed by and between Subtenant and Sublandlord, that describes their respective rights, responsibilities and procedures for shared use consistent with this Sublease and the Master Lease.

2.4. Sublease Premises, Subtenant's Rentable Square Footage, Subtenant's Prorata Share and Subtenant's Proportionate Share.

(a) **Sublease Premises and Subtenant's Rentable Square Footage.** The Parties agree that the Sublease Premises consist of approximately 2,085 useable square feet. Subtenant agrees to pay Base Rent on a total of approximately 4,923 rentable square feet (collectively "**Subtenant's Rentable Square Footage**"), consisting of the Sublease Premises, the Subtenant's Prorata Share (as hereafter defined) of the Shared Rooms and Facilities and the Subtenant's Proportionate Share (as hereafter defined) of the Common Areas,

(b) **Subtenant's Prorata Share.** The Parties further agree that Subtenant's prorata share of utilities and other costs pertaining to Subtenant's use of the Sublease Premises and Shared Rooms and Facilities shall be calculated at the rate of twenty eight and 13/100 percent (28.13%) ("**Subtenant's Prorata Share**") of such costs, which the Parties agree is the Subtenant's prorata share of the Building's 17,500 rentable square feet contained in the Master Lease..

(c) **Subtenant's Share of Additional Charges; Subtenant's Proportionate Share.** Unless otherwise agreed in writing, or unless an Additional Charge is attributable to one Party, then Sublandlord and Subtenant agree that all Additional Charges be allocated on a per **Subtenant's Proportionate Share**, as appropriate; provided, however, that the Parties may agree to a different cost allocation methodology for any Additional Charge or Additional Service in their MOU.

3. COMPLIANCE WITH MASTER LEASE

3.1 Relationship of Master Lease to Sublease. This Sublease is subject and subordinate to the Master Lease. Subtenant's estate shall in all respects be limited to, and construed in a fashion consistent with, the estate granted to Sublandlord by Master Landlord. The terms and conditions of the Master Lease are incorporated herein by reference as if fully set forth herein, and shall, as

between Sublandlord and Subtenant (as if they were the landlord and tenant, respectively, under the Master Lease), constitute the terms of this Sublease, except to the extent that they are inapplicable to, inconsistent with, or modified by the terms of this Sublease.

3.2 Interpretation of Master Lease. For purposes of incorporation herein, the terms of the Master Lease are to be interpreted as follows:

(a) In all provisions of the Master Lease requiring the approval or consent of Master Landlord, Subtenant shall be required to obtain the approval or consent of Sublandlord and Master Landlord.

(b) In all provisions of the Master Lease requiring the Tenant to submit, supply or provide evidence, certificates, or other items to the Master Landlord, Subtenant shall submit, supply or provide such evidence, certificates or other items to Master Landlord and to Sublandlord.

(c) Sublandlord agrees that Subtenant shall be entitled to receive all services and repairs to be provided by Master Landlord under the Master Lease, and otherwise be the beneficiary of, all of the Master Landlord's obligations under the Master Lease with respect to the Sublease Premises. Sublandlord and Subtenant shall jointly look solely to Master Landlord for all such services, repairs and other obligations to be performed by Master Landlord, and Subtenant shall not make any claim upon Sublandlord for any damages or losses which may arise by reason of Master Landlord's default under the Master Lease. In the event of any such default by Master Landlord, Sublandlord and Subtenant shall cooperate in all enforcement and remedial actions against Master Landlord, and each shall be responsible for their own costs and expenses in connection therewith.

(d) In all instances where Sublandlord's consent is required by this Sublease or where Subtenant seeks rights and benefits under the Master Lease, Sublandlord agrees to treat Subtenant in the same manner as it treats the City department located in the Building.

(e) As between Sublandlord and Subtenant, Sublandlord agrees that this Sublease shall be interpreted as providing Subtenant with the same rights and benefits as those available to the Tenant under the Master Lease, and as providing Subtenant with the same obligations as those required of Tenant under the Master Lease, in so far as they relate to the Sublease Premises, Common Areas, and the Shared Rooms and Facilities.

(g) Subtenant covenants and agrees that all obligations to Master Landlord under the Master Lease shall be done or performed by Subtenant in so far as they relate to or affect the Sublease Premises and the Shared Rooms and Facilities.

3.3 Compliance with Master Lease. Neither Sublandlord nor Subtenant shall do or permit to be done anything which would constitute a violation or a breach of any of the terms, conditions or provisions of the Master Lease or which would cause the Master Lease to be

terminated or forfeited by virtue of any rights of termination reserved by or vested in the Master Landlord.

4. SUBLEASE COMMENCEMENT DATE, TERM AND EXTENSIONS

4.1 Approval of Sublease and Amendments to Sublease.

(a) **Required City Approvals.** Notwithstanding anything to the contrary contained in this Sublease, Subtenant acknowledges and agrees that no officer or employee of City has the authority to commit City to this Sublease or any amendment hereto unless and until the City's Board of Supervisors shall have exercised its absolute discretion and duly adopted a resolution authorizing the City's execution of this Sublease or such amendment to this Sublease; and

(b) **Effective Date.** Any obligations or liabilities of either Party under this Sublease and any amendment to this Sublease are contingent upon adoption of resolutions authorizing the execution of this Sublease or any amendments thereto by the City's Board of Supervisors. The Effective Date of this Sublease shall be the date upon which each of the following has occurred: (i) the City's Board of Supervisors has enacted a resolution approving the Master Lease and this Sublease, and (ii) the Parties have executed this Sublease, with Master Landlord's consent, in the space provided below.

4.2 **Commencement Date.** The term of this Sublease shall commence on the Commencement Date (as defined in the Master Lease) (the "**Commencement Date**"). Accordingly, Subtenant shall have the right to occupy the Sublease Premises and utilize the Shared Rooms and Facilities, at the same time as Sublandlord commences payments of Rent..

4.3 Term and Term Extensions.

(a) **Term.** The term of this Sublease shall begin on the Commencement Date and, except for liabilities and obligations which expressly survive termination of this Sublease, automatically terminate on the earlier of (i) the date the Service Agreement expires or terminates or (ii) June 30, 2017, unless this Sublease is extended pursuant to Section 4.3 (b) below (the "**Term**"). Subtenant acknowledges and agrees that it has reviewed the Master Lease, is aware of the circumstances upon which the Master Lease may be terminated and hereby assumes all risks associated with the automatic termination of this Sublease because of the termination of the Master Lease.

(b) **Extended Term.** At Sublandlord's sole option, Sublandlord may extend the term of this Sublease to coincide with the expiration or sooner termination of City's Adult Probation Department's Service Agreement with Subtenant

5. RENT

5.1 Sublease Rent. The Sublease Rent shall consist of the Base Rent and Additional Charges payable by Subtenant beginning on the Commencement Date and continuing through the Term. Subtenant shall pay to Sublandlord, Base Rent, its proportionate share of the Rent and Additional Charges payable by Sublandlord to Master Landlord under the Master Lease. Sublandlord agrees to provide to Subtenant with any and all invoices of Additional Charges received by Master Landlord. Provided if and only if Subtenant is not in default of the Service Agreement and the Service Agreement has not expired or terminated, Sublease Rent shall be abated through the end of the Term.

5.2 Rent Payments. All Sublease Rent shall be due and payable on or before the dates set forth in the Master Lease, and payments shall be made in the manner required under the Master Lease; provided, Subtenant shall make payments to Sublandlord at the following address: City and County of San Francisco, c/o Real Estate Division, 25 Van Ness Avenue, Suite 400, San Francisco, CA 94102. With regard to any separately invoiced costs, Subtenant shall make payment promptly following Subtenant's receipt of an invoice from Sublandlord. The above notwithstanding but provided Subtenant has vacated the Building, Subtenant shall not be liable for any Rent or Additional Charges including but not limited to Sublandlord's obligation to pay the reconciliation of actual expenses versus paid estimated expenses under the Masterlease, which have not been properly invoiced prior to Subtenant surrender of the Premises.

6. USE

6.1. Subtenant's Permitted Uses. Subtenant may use the Sublease Premises and Shared Rooms and Facilities for the purposes explicitly defined in the Adult Probation Department's Service Agreement with Subtenant and such related incidental uses. Subtenant and Sublandlord each agree that neither Party shall use the Sublease Premises in any manner prohibited by the Master Lease. All of the terms and provisions of Article 5 of the Master Lease are incorporated into this Sublease by this reference and are to be interpreted by replacing the terms "Lease" with "Sublease", "Rent" with "Sublease Rent", "Landlord" or "City" with "Sublandlord", and "Tenant" with "Subtenant". Without limiting the foregoing, Subtenant agrees to comply with the Rules and Regulations and any additional reasonable rules and regulations prescribed by Sublandlord for the sharing of the Building:

6.2. Telecommunications Equipment. . Sublandlord and Subtenant agree to coordinate all telecommunications lines and equipment in an effort to obtain operational and cost efficiencies. Subtenant shall have the right to install additional telecommunications, data and/or computer cabling facilities and equipment to serve the Sublease Premises, at Subtenant's sole cost, with the prior written consent of Sublandlord, which shall not be unreasonably withheld or delayed and any Master Landlord consent that may be required by the Master Lease.

6.3. Alterations. Subtenant shall comply with the procedures and standards of Article 7 of the Master Lease relating to Alterations, fixtures and other property by providing prior notice of any proposed Alteration to Sublandlord, who shall request Master Landlord's permission as required by the Master Lease. Without limiting the foregoing, Subtenant shall not construct or

make any Alterations without Sublandlord's prior written consent, which consent will not be unreasonably withheld or delayed. Unless otherwise agreed in writing by the Parties, Subtenant shall be solely responsible for the cost of any Alterations requested or installed by or on behalf of Subtenant. Except for Subtenant's Personal Property, as defined in Section 6.4, all appurtenances, fixtures, improvements (including but not limited to the initial installation of work stations and furniture), equipment, additions and other property permanently installed in the Sublease Premises as of the Commencement Date or during the Term shall be and remain SubLandlord's property. Subtenant shall not remove such property unless Master Landlord and Sublandlord consent thereto.

6.4. Subtenant's Personal Property. All furniture, furnishings and articles of movable personal property and equipment installed in the Sublease Premises and/or Shared Rooms and Facilities by Subtenant that that can be removed without structural or other damage to the Master Lease Premises or the Building (all of which are herein called "**Subtenant's Personal Property**") shall also be the property of SubLandlord.

6.5. Sublandlord's Alterations of the Building and Building Systems. Sublandlord reserves the right at any time to make alterations, additions, repairs, deletions or improvements to the Common Areas or any other part of the Building or the building systems, provided that Subtenant is given at least thirty (30) days advance notice and that any such alterations or additions shall not materially adversely affect the functional utilization of the Sublease Premises for purposes stated herein.

7. REPAIRS AND MAINTENANCE

7.1. Master Landlord's Repairs. Master Landlord shall be responsible for all the repair and maintenance obligations described in Section 8.1 of the Master Lease.

7.2. Subtenant's Repairs. Subtenant shall comply with all maintenance, repair and lien obligations of City under Master Lease Article 8 with respect to the Sublease Premises. If any portion of the Building is damaged by any activities conducted by Subtenant or Subtenant's Agents or Invitees, Subtenant shall promptly repair such damage to pre-damage conditions at no cost to Sublandlord.

7.3. Utilities. Master Landlord shall provide to Subtenant all utilities and services provided to City under Master Lease Article 9, and Subtenant shall comply with the City's obligations under Master Lease Article 9 with respect to payment of utilities for the Sublease Premises. Accordingly, Subtenant shall pay directly to SubLandlord, the Subtenant's Proportionate Share for (i) utilities and services covered in Master Lease relating to the Sublease Premises and (ii) additional utilities or services not covered in Master Lease Sections 9.1 and 9.2 requested by Subtenant. Subtenant shall be responsible for furnishing at its sole cost or, if provided by Sublandlord, then paying Sublandlord for, any additional utilities or services not supplied by Master Landlord .

7.4. No Right to Repair and Deduct. Subtenant expressly waives the benefit of any Laws that would otherwise permit Subtenant to make repairs or replacements at Sublandlord's expense, or to terminate this Sublease because of the failure to keep the Sublease Premises in good order, condition or repair, or to abate or reduce Subtenant's obligations hereunder on account of the condition of the Sublease Premises. Subtenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 or any similar Laws with respect to any right of Subtenant to terminate this Sublease or any right of Subtenant to make repairs or replacements and deduct the cost thereof from Sublease Rent and to any right to terminate this Sublease due to the Master Landlord's failure to carry out such repair or replacement obligations. The Parties agree to cooperate in all actions against the Master Landlord relating to the condition of the Sublease Premises or the Building, and Subtenant shall have all the same rights and benefits granted to Sublandlord under the Master Lease in the event Master Landlord fails to fulfill its obligations relating to the condition of the Sublease Premises or the Building.

8. LIENS

8.1. Creation of Liens Prohibited. Subtenant shall keep the Sublease Premises and the Building free from any liens arising out of any work performed, material furnished or obligations incurred by or for Subtenant. Subtenant shall provide Master Landlord and Sublandlord with at least ten (10) days prior notice of commencement of any repair or construction by Subtenant on the Sublease Premises to allow Master Landlord and Sublandlord to post a Notices of Non-Responsibility with respect to the Work.

8.2. Sublandlord's Rights. In the event Subtenant does not, within ten (10) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, Sublandlord shall have in addition to all other remedies provided herein and by law or equity the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by Sublandlord and all expenses it incurs in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Sublandlord by Subtenant upon demand.

9. COMPLIANCE WITH LAWS

9.1. Compliance with Laws; Indemnity. With respect to the Sublease Premises, Subtenant shall comply with all of the City's obligations under Section 10.2 of the Master Lease. Subtenant shall Indemnify Sublandlord against any and all Claims arising out of Subtenant's failure to comply with applicable Laws, and Sublandlord shall Indemnify Subtenant against any and all Claims arising out of Sublandlord's failure to comply with applicable Laws.

9.2. Compliance with Insurance Requirements. With respect to the Sublease Premises, Subtenant shall comply with all City's obligations under Section 10.3 of the Master Lease. Subtenant shall not do anything, or permit anything to be done, in or about the Sublease Premises or the Building that would create any unusual fire risk, and shall take commercially

reasonable steps to protect Sublandlord and Master Landlord from any potential premises liability. Subtenant shall faithfully observe, at its expense, any and all reasonable requirements of any policies of commercial general, all risk property or other policies of insurance at any time in force with respect to the Sublease Premises or the Building. Sublandlord shall provide to Subtenant all notices relating to insurance requirements that Sublandlord receives from Master Landlord.

10. ENCUMBRANCES

10.1. Encumbrances. Notwithstanding anything to the contrary contained in this Sublease, Subtenant shall not under any circumstances whatsoever create any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance or assignment or pledge of an asset as security (collectively, "**Encumbrances**") in any manner against the Sublease Premises or Sublandlord's or Subtenant's interest under this Sublease. Sublandlord shall not create any Encumbrances against the Sublease Premises or Sublandlord's or Subtenant's interest under this Sublease except in connection with any financing to purchase the Building.

11. DAMAGE OR DESTRUCTION; EMINENT DOMAIN

11.1. Damage or Destruction to the Sublease Premises or the Building. The provisions of Article 12 of the Master Lease are incorporated herein. In the event of any damage or destruction, the Master Landlord shall repair the Building and the Sublease Premises if and to the extent required under Article 12 of the Master Lease. If and to the extent City is required to make any repairs to the Master Lease Premises, then Subtenant shall make the same repairs to the Sublease Premises, as applicable. Upon any Major Damage or Destruction, City shall make its determination of whether to terminate the Master Lease. In the event of any such termination, Subtenant shall be given the same period of time to remove Subtenant's Personal Property as Sublandlord is given under the Master Lease. In the event the Master Lease is not terminated, this Sublease will remain in full force and effect during any period of repair and restoration, and Subtenant's Base Rent shall be abated if and to the extent permitted under the Master Lease. Under no circumstances shall Sublandlord have any obligation to repair, replace or rebuild the Sublease Premises or any Leasehold Improvements therein. However, Sublandlord and Subtenant shall cooperate in any enforcement action against the Master Landlord in order to ensure that the Sublease Premises are repaired following any damage and destruction per the terms of the Master Lease. From and after any City acquisition of the Property, Subtenant shall not have the right to sue the City in order to require the City to repair, replace or rebuild the Sublease Premises; provided, however, if the Sublease Premises are damaged or destroyed and the City does not fulfill the Master Landlord's repair and replacement obligations per the terms of the Master Lease, then Subtenant shall have the right to terminate this Sublease. The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of damage or destruction to the Sublease Premises.

11.2. Eminent Domain. In the event there is a Taking affecting the Master Lease Premises and the Master Lease is not terminated per the terms of the Master Lease, then this Sublease shall continue unless the Taking renders the Sublease Premises unsuitable or untenable for Subtenant's continued use. If there is a partial Taking of the Sublease Premises and this Sublease is not terminated, then Subtenant's Rent shall be reduced in accordance with Master Lease section 13.6. If there is a Taking and the Master Lease is terminated, or the Master Lease is not terminated but this Sublease is terminated (because the Sublease Premises are untenable or unsuitable), then any award to the City shall be allocated between the City and Subtenant based upon their respective interest in the portion of the Building acquired by a Taking, together with any interest thereon from the Taking Date to the date of payment at the rate paid on the Award, and attorneys fees and costs, to the extent awarded. If there is a Temporary Taking as set forth in Master Lease section 13.7, then this Sublease shall remain unaffected thereby, Subtenant shall continue to pay Rent and perform all of its obligations under this Sublease, and Subtenant shall be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Sublease Premises up to the total Rent owing by Subtenant for the period of the Taking.

11.3. Cooperation. The Parties agree to meet, confer and cooperate with regard to all matters relating to any damage or destruction and any Taking affecting the Sublease Premises. Sublandlord and Subtenant shall also cooperate in any enforcement action against the Master Landlord in order to ensure that the Sublease Premises are repaired following any damage and destruction per the terms of the Master Lease.

12. ASSIGNMENT AND SUBLETTING

12.1. Restriction on Assignment and Subletting. Any assignment or subletting shall be subject to the terms and conditions of the Master Lease. In addition, Subtenant 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 Sublease Premises or its subleasehold estate hereunder, permit all or any portion of the Sublease Premises to be occupied in contravention of this Sublease, or sublet all or any portion of the Sublease Premises, without Master Landlord's and Sublandlord's prior written consent in each instance. Sublandlord shall have same rights and time frames as Master Landlord under the Master Lease. The above notwithstanding, Sublandlord may withhold such consent in its sole and absolute discretion and in such event the affected portions of the Sublease Premises (that Subtenant wished to sublet or assign) shall be deleted from the Sublease Premises 180 days following Sublandlord's receipt of Subtenant's request; provided, however, Subtenant may void any such reduction of the Sublease Premises by withdrawing its request within 30 days following Subtenant's receipt of the termination notice.

13. DEFAULT; REMEDIES

13.1. Events of Default by Subtenant. Any of the following shall constitute an event of default ("**Event of Default**") by Subtenant hereunder:

(a) Subtenant's failure to make any timely payment of Rent, as required, and to cure such nonpayment within five (5) business days after receipt of notice thereof from Sublandlord; or

(b) Subtenant's abandonment of the Sublease Premises (within the meaning of California Civil Code Section 1951.3); or

(c) Subtenant's failure to perform any other covenant or obligation of Subtenant 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 Sublandlord, provided that if more than thirty (30) days are reasonably required for such cure, no event of default shall occur if Subtenant commences to cure within such period and diligently prosecutes such cure to completion and Master Landlord does not declare an event of default.

13.2. Landlord's Remedies. Upon the occurrence of an Event of Default by Subtenant that is not cured within the applicable grace period as provided above, Sublandlord 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 Subtenant's right to possession of the Sublease Premises and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Subtenant proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2.

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

13.3. Events of Default by Landlord or Sublandlord. With respect to the Sublease Premises, Subtenant shall have all of the rights and remedies against Master Landlord provided to City under Section 15.3 of the Master Lease in the event that Master Landlord fails to perform any of its obligations under the Master Lease or Sublandlord fails to fulfill any of its obligations under this Sublease.

13.4. Sublandlord's Right to Cure Subtenant's Defaults. If Subtenant defaults in the performance of any of its obligations under this Sublease, then Sublandlord may at any time thereafter with ten (10) days prior notice (except in the event of an emergency as determined by Sublandlord), remedy such Event of Default for Subtenant's account and at Subtenant's expense. Subtenant shall pay to Sublandlord, as Additional Charges, promptly upon demand, all sums reasonably expended by Sublandlord, or other costs, damages, expenses or liabilities incurred by

Sublandlord, including, without limitation, reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Subtenant's obligations under this Section shall survive the termination of this Sublease. Nothing herein shall imply any duty of Sublandlord to do any act that Subtenant is obligated to perform under any provision of this Sublease, and Sublandlord's cure or attempted cure of Subtenant's Event of Default shall not constitute a waiver of Subtenant's Event of Default or any rights or remedies of Sublandlord on account of such Event of Default.

14. INDEMNIFICATION

14.1. Subtenant's Indemnity. Subtenant shall Indemnify Sublandlord 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) Subtenant's use of or activities on the Sublease Premises or the Property, (b) any default by Subtenant in the performance of any of its material obligations under this Sublease, or (c) any negligent acts or omissions of Subtenant or its Agents in, on or about the Sublease Premises or the Property; provided, however, Subtenant shall not be obligated to Indemnify Sublandlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Sublandlord or its Agents. In any action or proceeding brought against Sublandlord or its Agents by reason of any Claim Indemnified by Subtenant hereunder, Subtenant may, at its sole option, elect to defend such Claim by attorneys selected by Subtenant. Subtenant shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Sublandlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Subtenant's obligations under this Section shall survive the termination of the Sublease.

14.2. Sublandlord's Indemnity. Sublandlord shall Indemnify Subtenant and its Agents against any and all Claims incurred as a result of (a) Sublandlord's activities on the Sublease Premises or Property that cause injury or damage to person or property, (b) any default by Sublandlord in the performance of any of its material obligations under this Sublease, or (c) any negligent acts or omissions of Sublandlord or its Agents in, on or about the Sublease Premises or the Property; provided, however, Sublandlord shall not be obligated to Indemnify Subtenant or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Subtenant or its Agents. In any action or proceeding brought against Subtenant or its Agents by reason of any Claim Indemnified by Sublandlord hereunder, Sublandlord may, at its sole option, elect to defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by Sublandlord, or both. Sublandlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Subtenant shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Sublandlord's obligations under this Section shall survive the termination of the Sublease.

15. INSURANCE

15.1. SubLandlord's Self Insurance. Sublandlord shall be permitted to self-insure for all risks under this Sublease. . Subtenant agrees to perform all obligations required of the City under Master Lease Article 17, if and to the extent applicable to the Sublease Premises, including but not limited to the delivery of self-insurance certificates.

15.2. SubTenant's Insurance Requirements. Subtenant shall maintain the insurance coverages contained in Exhibit B

15.3. Waiver of Subrogation. Sublandlord and Subtenant each waive any right of recovery against the other for any loss or damage sustained with respect to the Building or the Sublease Premises or any portion or contents thereof or any operation therein, regardless of fault or negligence, to the extent such loss or damage would have been covered by insurance which each Party would have been required to provide under Master Lease Sections 17.1 – 17.4 if each Party had been required to carry such insurance. If either Party obtains any policy of insurance with respect to the Building or the Sublease Premises or any portion or contents thereof or any operation therein, then such Party agrees to obtain a waiver of subrogation endorsement from each insurance carrier issuing policies relative to the Building or the Sublease Premises, provided the failure to do so shall not affect the above waiver.

16. ACCESS

16.1. Access to Master Lease Premises. Subtenant acknowledges and agrees that Master Landlord shall have all of the rights of access to the Premises described in the Master Lease Section 18. Sublandlord reserves for itself and Sublandlord's Agents the right to enter the Sublease Premises and any portion thereof at all reasonable times upon not less than twenty-four (24) hours notice to Subtenant. In the event of any emergency, Sublandlord may access the Sublease Premises, without liability and without prior notice, and take such actions as may be reasonably required under the circumstances.

17. ESTOPPEL CERTIFICATES

17.1. Estoppel Certificates. If required by Master Landlord, Subtenant shall deliver an estoppel certificate pertaining to this Sublease in the time and the manner and containing the information specified in Section 19 of the Master Lease.

18. SURRENDER

18.1. Surrender. Upon the expiration or sooner termination of this Sublease, Subtenant shall surrender the Sublease Premises to Sublandlord as required under Master Lease Section 20. Subtenant shall remove from the Sublease Premises all of Subtenant's Personal Property, Subtenant's telecommunications, data and computer facilities and any Alterations Subtenant desires or is required to remove from the Sublease Premises, pursuant to the Master Lease. Subtenant shall repair or pay the cost of repairing any damage to the Sublease Premises or the

Building resulting from such removal. Notwithstanding anything to the contrary in this Sublease, Subtenant shall not be required to demolish or remove from the Sublease Premises any of the Leasehold Improvements. Subtenant's obligations under this Section shall survive the expiration or earlier termination of this Sublease.

18.2. Holding Over. In the event Subtenant does not surrender the Sublease Premises upon the expiration or sooner termination of this sublease, Subtenant Two hundred (200%) percent of the Base Rent and Additional Charges as in effect during the last month of the Sublease. Subtenant's obligation hereunder shall survive the termination of this Sublease.

19. HAZARDOUS MATERIALS

19.1. Covenants. Neither Subtenant nor its Agents, and neither Sublandlord nor its Agents, shall cause any Hazardous Material to be brought upon, kept, used, stored, generated or disposed of in, on or about the Sublease Premises or the Property, or transported to or from the Sublease Premises or the Property, in violation of any Environmental Laws, provided that each Party may use such substances in such limited amounts as are customarily used in offices so long as such use is in compliance with all applicable Environmental Laws.

19.2. Environmental Indemnity. Without limiting the Indemnities in Article 14 above, if either Party breaches its obligations contained in the preceding Section 19.1, or if either Party or its respective Agents cause the Release of Hazardous Material from, in, on or about the Sublease Premises or the Property, then such Party shall Indemnify the other Party against any and all Claims arising during or after the Term of this Sublease as a result of such Release, except to the extent Master Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation of existing physical conditions.

20. GENERAL PROVISIONS

20.1. Notices. Any notice (other than an emergency notice) that is required or may be otherwise provided hereunder shall be effective only in writing and given by delivering the notice in person, or by sending it first class mail or certified mail with a return receipt requested or reliable commercial overnight courier, return receipt requested, with postage prepaid to the following addresses:

Notice Address of Sublandlord

Director of Property
City and County of San Francisco
25 Van Ness Ave., Suite 400
San Francisco, CA 94102
Fax No.: (415) 552-9216
Telephone: (415) 554-9850

with a copy to:

Attn: Real Estate Team Leader
Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Fax No.: (415) 554-4755
Telephone: (415) 554-4735

with a copy to:

Attn: Chief Probation Officer
Adult Probation Department
850 Bryant St.
San Francisco, CA 94102-
Fax No.: (415) 554-_____
Telephone: (415) 554-_____

Notice Address of Sublandlord

Attn: Linda Connelly
Leaders in Community Alternatives
160 Franklin St #310
Oakland, CA 94607
Telefacsimile: (510) 505-2601
Telephone: (510) 505-2600

with a copy to:

Attn: Facilities Director
Leaders in Community Alternatives, Inc.
564 Sixth Street
San Francisco, CA 94102-3102
Telefacsimile: (415) -_____
Telephone: (415) _____

Any notice address above may be changed by designating a new address for such purpose by notice given to the others 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 certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made (or upon attempted delivery if delivery is refused). For convenience of the Parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth above or such other number as may be provided from time to time; however, neither Party may give official or binding notice by facsimile.

20.2. Non-Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate In the performance of this Sublease, Subtenant agrees not to discriminate against any employee, any City employee working with Subtenant, or

applicant for employment with Subtenant, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes

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

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

(d) CMD Form As a condition to this Sublease, Subtenant shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contract Monitoring Division. Subtenant hereby represents that prior to execution of this Sublease, **(i)** Subtenant executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and **(ii)** 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 Sublease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Subtenant shall comply fully with and be bound by all of the provisions that apply to this Sublease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Subtenant 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 Sublease may be assessed against Subtenant and/or deducted from any payments due Subtenant.

20.3. No Relocation Assistance; Waiver of Claims Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated or expires by its own terms, and Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims against, and covenants not to sue, City, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from City under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Sublease with respect to a Taking.

20.4 Requiring Health Benefits for Covered Employees. Unless exempt, Subtenant agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Sublease as though fully set forth. The text of the HCAO is available on the web at www.dph.sf.ca.us/HCRes/Resolutions/2004Res/HCRes102004.shtml. Capitalized terms used in this Section and not defined in this Sublease shall have the meanings assigned to such terms in Chapter 12Q.

(a) For each Covered Employee, Subtenant shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Subtenant chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(b) Notwithstanding the above, if the Subtenant is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with Subsection (a) above.

(c) Subtenant's failure to comply with the HCAO shall constitute a material breach of this Sublease. City shall notify Subtenant if such a breach has occurred. If, within thirty (30) days after receiving City's notice of a breach of this Sublease for violating the HCAO, Subtenant fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Subtenant fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

(d) Any Subcontract entered into by Subtenant shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Subtenant shall notify City's Purchasing Department when it enters into such a Subcontract and shall certify to the Purchasing Department

that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Subtenant shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Subtenant based on the Subcontractor's failure to comply, provided that City has first provided Subtenant with notice and an opportunity to obtain a cure of the violation.

(e) Subtenant shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Subtenant's compliance or anticipated compliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) Subtenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(g) Subtenant shall keep itself informed of the current requirements of the HCAO.

(h) Subtenant shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and sub-subtenants, as applicable.

(i) Subtenant shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least five (5) business days to respond.

(j) City may conduct random audits of Subtenant to ascertain its compliance with HCAO. Subtenant agrees to cooperate with City when it conducts such audits.

(k) If Subtenant is exempt from the HCAO when this Sublease is executed because its amount is less than Twenty-Five Thousand Dollars (\$25,000) [Fifty Thousand Dollars (\$50,000) for nonprofits], but Subtenant later enters into an agreement or agreements that cause Subtenant's aggregate amount of all agreements with City to reach Seventy-Five Thousand Dollars (\$75,000), all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Subtenant and the Contracting Department to be equal to or greater than Seventy-Five Thousand Dollars (\$75,000) in the fiscal year.

20.5 Consent by Master Landlord. The Master Lease requires Sublandlord to obtain the written consent of Master Landlord to this Sublease. Sublandlord shall promptly solicit such consent. This Sublease shall not become effective unless and until such consent has been obtained.

20.6 Availability of Funds. The terms of this Sublease shall be governed by and subject to the budgetary and fiscal provisions of the City's Charter as to actions that the City may or must take regarding this Sublease. Notwithstanding anything to the contrary contained in this Sublease, there shall be no obligation for the payment or expenditure of money by City unless 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 after the fiscal year in which the Term commences, sufficient funds for the payment of rent and any other payments required under this Sublease are not appropriated, then City may terminate this Sublease, without penalty, as of the last date on which sufficient funds are appropriated.

20.7 Public Transit Information Subtenant shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Subtenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Building and encouraging use of such facilities, all at Subtenant's sole expense.

20.8 Wages and Working Conditions Subtenant agrees that any person performing labor in connection with the Subtenant Improvements or any Alterations at the Premises that is a "public work" as defined under San Francisco Administrative Code Section 6.22(E) or California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds) 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. Subtenant shall include in any contract for such Subtenant Improvements and Alterations 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. Subtenant shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing such labor at the Premises.

20.9 Conflicts of Interest Through its execution of this Lease, Subtenant 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 it does not know of any facts which would constitute a violation of said provisions, and agrees that if Subtenant becomes aware of any such fact during the term of this Sublease Subtenant shall immediately notify the City.

20.10 Charter Provisions This Sublease is governed by and subject to the provisions of the Charter of the City and County of San Francisco.

20.11 Drug-Free Workplace Subtenant acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises. Subtenant agrees that any violation of this prohibition by Subtenant, its Agents or assigns shall be deemed a material breach of this Sublease.

20.12 Prohibition of Tobacco Sales and Advertising Subtenant acknowledges and agrees that no advertising or sale of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product.

20.13 Prohibition of Alcoholic Beverage Advertising. Subtenant acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product.]

20.14 Miscellaneous Provisions. The following provisions of the Master Lease are hereby incorporated by this reference and are to be interpreted by replacing the terms "Lease" with "Sublease", "Rent" with "Sublease Rent", "Landlord" or "City" with "Sublandlord", and "Tenant" with "Subtenant" and as otherwise indicated below:

- 23.2. No Implied Waiver
- 23.3. Amendments (deleting reference to potential MTA approval)
- 23.4. Authority
- 23.5. Parties and Their Agents; Approvals
- 23.6. Interpretation of Lease
- 23.7. Successors and Assigns
- 23.8. Brokers
- 23.9. Severability
- 23.10. Governing Law
- 23.11. Entire Agreement
- 23.12. Attorneys' Fees
- 23.13. Holding Over
- 23.14. Cumulative Remedies
- 23.15. Time of Essence
- 23.16. Survival of Indemnities
- 23.17. Signs (requiring Master Landlord's and Sublandlord's approval)
- 23.18. Quiet Enjoyment and Title
- 23.19. Bankruptcy

- 23.20. Transfer of Landlord's Interest
- 23.21. Non-Liability of City Officials, Employees and Agents (adding the same nonliability provision for the benefit of Subtenant)
- 23.22. MacBride Principles - Northern Ireland
- 23.23. Controller's Certification of Funds (adding the same provision for the benefit of City as Sublandlord)
- 23.24. Prevailing Wages for Construction Work
- 23.26. Tropical Hardwood and Virgin Redwood Ban
- 23.27. Bicycle Storage Facilities
- 23.28. Resource Efficient City Buildings and Pilot Projects
- 23.29. Counterparts

Signatures on the next page

Wherefore, Sublandlord and Subtenant execute this Sublease, by and through their authorized representatives, as follows:

SUBTENANT:

LEADERS IN COMMUNITY ALTERNATIVES,
INC., a California corporation

By _____
Executive Director

SUBLANDLORD:

CITY AND COUNTY OF SAN FRANCISCO, a
municipal corporation

By: _____
Director of Property

Approved as to Form:

DENNIS J. HERRERA, City Attorney

Carolyn Johnson Stein
Deputy City Attorney

Recommended:
Adult Probation Department

Chief Probation Officer

EXHIBIT A

Master Lease

EXHIBIT B

Subtenant's Insurance Requirements

(a) Subtenant, at no cost to the City, shall procure and keep in effect at all times during the Term insurance as follows:

(i) Commercial general liability insurance with limits not less than Two Million Dollars (\$2,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations.

(ii) Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident.

(iii) Business automobile liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, as applicable, if Subtenant uses automobiles in connection with its use of the Premises.

(iv) Business Interruption Insurance insuring that the Rent will be paid to City for a period of at least one (1) year if Subtenant is unable to operate its business at the Premises. Such insurance shall also cover business interruptions due to failures or interruptions in telecommunications services, strikes, employee lockouts, riots, or other civil commotion.

(v) Such other insurance as is generally required by commercial owners of buildings similar in size, character, age and location as the Building, as may change from time to time.

(b) Should any of the required insurance be provided under a claims-made form, Subtenant shall maintain such coverage continuously throughout the Term and, without lapse, for a period of three (3) years beyond the expiration or termination of this Sublease, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Sublease, such claims shall be covered by such claims-made policies.

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

(d) All liability insurance policies shall be endorsed to provide the following:

(i) Name as additional insured the City and County of San Francisco, its officers, agents and employees.

(ii) That such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Sublease, and that insurance applies separately to each insured against whom claim is made or suit is brought.

(e) Each insurance policy required shall be issued by an insurance company licensed in the State of California and with a general policyholders' rating of "A-" or better and a financial size ranking of "Class VIII" or higher in the most recent edition of Best's Insurance Guide.

(f) All insurance policies required to be maintained by Subtenant hereunder shall be endorsed to provide thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to both Subtenant and City. Notice to City shall be mailed to the address(es) for City set forth in the Basic Sublease Information.

(g) Subtenant shall deliver to City certificates of insurance and additional insured policy endorsements from insurers in a form satisfactory to City, evidencing the coverage required hereunder, on or before the Commencement Date, together with complete copies of the policies promptly upon City's request, and Subtenant shall provide City with certificates or policies thereafter at least thirty (30) days before the expiration dates of expiring policies. In the event Subtenant shall fail to procure such insurance, or to deliver such policies or certificates, City may procure, at its option, without waiving any rights or remedies which City may have for Subtenant's default hereunder, the same for the account of Subtenant, and the cost thereof shall be paid to City within five (5) days after delivery to Subtenant of bills therefor.

(h) Upon City's request, Subtenant and City shall periodically review the limits and types of insurance carried pursuant to this Section. If the general commercial practice in the City and County of San Francisco is to carry liability insurance in an amount or coverage materially greater than the amount or coverage then being carried by Subtenant for risks comparable to those associated with the Premises, then Subtenant shall, at City's request, increase the amounts or coverage carried by Subtenant to conform to such general commercial practice.

(i) Subtenant's compliance with the provisions of this Section shall in no way relieve or decrease Subtenant's liability under Section 18.2 (Subtenant's Indemnity), or any of Subtenant's other obligations under this Sublease.

(j) Notwithstanding anything to the contrary in this Sublease, if any of the required insurance coverage lapses, this Sublease shall terminate upon three (3) days' notice to Subtenant, unless Subtenant renews the insurance coverage within notice period.

Subtenant's Personal Property

Subtenant shall be responsible, at no cost to the City, for separately insuring Subtenant's Personal Property.

EXHIBIT C

Diagram of the Sublease Premises

EXHIBIT D

Diagram of the Shared Rooms and Facilities



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SAN FRANCISCO

2016 MAR 22 PM 12:47

BY ELB

*Protecting the Community, Serving Justice and
Changing Lives*

Karen L. Fletcher
Chief Adult Probation Officer

March 11, 2016

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

Re: Lease – 564 6th Street 5th Amendment to CASC Contract

Dear Board Members:

Attached for your consideration are two Resolutions:

1. Resolution authorizing ADP to increase a professional services contract with Leaders in Community Alternatives (LCA), the reentry services provider at the San Francisco Adult Probation Department's (ADP) Community Assessment and Services Center (CASC) to \$11,490,153 thru June 30, 2017; and
2. Resolution authorizing a Lease agreement with PBV II, LLC at 564 6th Street for ten years beginning July 1, 2016, and a Sublease agreement for a portion of the space with Leaders in Community Alternatives thru June 30, 2017 to assure the continuation of ADP's, Community Assessment and Services Center (CASC) beyond June 30, 2017.

BACKGROUND

In 2011, California Criminal Justice Realignment was implemented. AB109, along with sister legislation SB678 created new pathways for addressing over-incarceration, underscored best criminal justice practices, and provided new funding for community supervision and corollary reentry services. In line with best practices, ADP upgraded its validated risk and needs assessment, required ADP staff to complete extensive training on strength based client engagement strategies, and launched an array of reentry services to aptly respond to identified needs.

ADP's Community Assessment and Services Center (CASC), located at 564 6th Street is the department's flagship client reentry, one-stop services center. The CASC co-locates ADP Deputy Probation Officers and Reentry staff, along with staff of the San Francisco Department of Public Health,

Human Services Agency and Department of Child Support Services who respectively provide behavioral health services, healthcare and income benefits enrollment, and child support services in close coordination with ADP staff and CASC reentry services partners. Other essential services include individualized case management, mental health and cognitive behavioral interventions, recovery and relapse prevention groups, a 5 Keys Charter High School, employment readiness and job placement, and housing placement assistance.

Initially CASC services were exclusively offered to clients under ADP probation supervision. In line with the evolution of a true, comprehensive, one-stop reentry services facility, and an expanded citywide vision to further reduce recidivism, and protect public safety, ADP will strengthen its partnership with the Sheriff's Department, Collaborative Courts, State Parole, Federal Probation, and other entities that directly serve criminal justice involved populations, and expand CASC eligibility to any San Francisco resident who is currently involved in the criminal justice system or who has a criminal history.

The CASC plays a pivotal role in citywide public safety objectives. The CASC offers justice involved people the opportunity to address and mitigate key drivers of crime; substance dependency, mental health, employment and income benefits, housing, and education, and to permanently exit the criminal justice system. As more people exit and are deterred from the criminal justice system, crime, recidivism rates, and criminal justice system costs are reduced, public safety is protected, and families and communities are strengthened. It is important to ensure a continuation of CASC services, and to preserve the CASC building at 564 6th Street beyond the current June 30, 2017 expiration date.

KEY POINTS

A. Professional Service Contract Overview and CASC vendor procurement

In February 2012, the Civil Service Commission approved Personal Services Contract (PSC) No 4077-11/12 for an amount of \$6,142,957. Through a competitive RFP, Leaders in Community Alternatives, Inc. (LCA) was selected to operate the CASC. Accordingly, LCA was awarded a contract with a not to exceed amount of \$6,142,957 for the term of May 1, 2012 – June 30, 2017. The original contract amount was not commensurate to meet the array of start-up CASC expenses. PSC No 4077-11/12 was modified to increase its total amount to \$9,213,957 and was administratively approved by the Department of Human Resources. Following, the Office of Contract Administration approved an amendment to the LCA contract, increasing it to the allowable \$9,213,957.

The initial PSC not to exceed amount represented ADP's best facility and reentry services estimate at the time. Through the RFP process ADP identified a qualified vendor who could deliver services at a reasonable price. ADP and LCA reviewed and vetted five possible CASC facilities before identifying

564 6th Street, which ended up being the most ideal location of all given the site's close proximity to the downtown jail, and criminal courts. The contract overages are the result of actual start up, tenant improvement and market rate SOMA lease costs that were not known at the time of PSC creation.

In accordance with the June 30, 2017 expiration of the current CASC service agreement, and CCSF procurement guidelines, a second RFP to identify an operator of the CASC for the period after July 1, 2017 will be conducted in the fall of 2016 with an anticipated award decision of around April 2017. The next CASC professional service contract will include reentry services costs exclusively.

B. Overview of 564 6th Street Lease and CASC Facility

LCA entered into a lease agreement with Presidio Bay Ventures (PBV), the owner of 564 6th Street. The initial lease was for a term of September 7, 2012 – June 30, 2017 at a cost of \$67,315.99 per month.

564 6th Street is 17,500 square feet divided into the following space plan:

- 5326 sq ft – ADP dedicated space for 31 ADP and 4 DPH staff
- 2085 sq ft – LCA dedicated space for 25 LCA and formal CASC partner staff.
- 10,089 sq ft - Shared program space (training rooms, counseling stations, etc)

Through the initial CASC contract, ADP made facility infrastructure investments inclusive of computer networks, a dedicated ADP network that is connected via fiber between the City's equipment in the building and the tower to the City's fiber network in the street, and separate network for CASC partners, multi-line phones, computers and related IT items, office and break room furnishings, new e-locks, heating, ventilation and fire safety improvements, and a full building alarm system and camera monitoring.

The proposed 564 6th Street Lease Resolution authorizes a Lease between the City and County of San Francisco (CCSF), as Tenant, and PBV II, LLC, as Landlord, of office space located at 564 6th Street, consisting of approximately 17,500 square feet from July 1, 2016 through June 30, 2026 for use by the Adult Probation Department at \$70,682.50 monthly; for \$848,190.00 rent in the initial year with annual three (3%) percent increases and four (4) five-year option to extend.

The proposed Resolution includes authorization for a Sublease agreement for the sharing of space between the City and LCA for the period of July 1, 2016 thru June 30, 2017, the continuation of which is subject to the outcome of a second RFP for CASC services. The proposed Lease and Sublease ensure a continuity of CASC services whether or not LCA or another services vendor is selected through the second RFP process.

ADP seeks to retain 564 6th Street as the dedicated CASC facility for a variety of reasons. The CASC provides a one stop service center for effective reentry services for people in the criminal justice system in a welcoming and therapeutic environment. From 564 6th Street, ADP, DPH, Human Services Agency, Child Support Services, LCA and other Community Based Organizations provide individualized and seamless comprehensive services to our clients. At 564 6th St. clients receive classroom training in computer literacy, GED Education and Credits, Parenting Skills, Nutrition, Anger Management, Cognitive Behavioral Training, AA Group support, and housing workshops on how to navigate through the system. Services include one on one job readiness and placement, links to housing and self- sufficiency services, mental health and medical counseling. The CASC is one block from ADP's main offices at the Hall of Justice allowing ADP to better monitor client activities and services. And practically, ADP seeks to take full advantage of initial facility and infrastructure investments, and avoid unnecessary and expensive transactional costs associated with locating and moving to a new building at the end of the LCA lease June 30, 2017

PROPOSED ACTIONS

1. The proposed Resolution authorizes ADP to increase the contract to a not to exceed amount of \$11,490,153, an amount that is needed to operate the CASC thru to the contract termination date of June 30, 2017.
2. The second proposed Resolution authorizes a new Lease agreement with PBV II, LLC at 564 6th Street. The proposed lease considers the expiration of the current lease between LCA and PBV II on June 30, 2017, the expiration of ADP's service agreement with LCA on June 30, 2017, a forthcoming second RFP to identify a CASC operator beyond June 30, 2017, and the possibilities that LCA or a new vendor may be selected through the competitive bid process.

RECOMMENDATION

ADP allocated substantial AB109 resources to launch the CASC services and 564 6th street, and seeks a seamless continuation of both CASC services and the 564 6th Street lease through these proposed resolutions. Attachment # 1 shows the current versus proposed lease terms and conditions. ADP recommends dual approval of the Resolutions approving the 5th Amendment to the CASC as well as the Lease between the City and County of San Francisco, as Tenant, and PBV II, LLC as Landlord and the Sublease with LCA, as subtenant.

If you have any questions regarding this matter, please contact me at (415) 553- 1687 or for questions regarding the Lease agreements, Charlie Dunn of the City's Real Estate Division at 554-9861.

Respectfully,



Karen L. Fletcher
Chief Adult Probation Officer
San Francisco Adult Probation Department

cc

Attachment #1
564 6th Street, San Francisco, CA

	Current	Proposed
Premises	17,500 sq. ft. total 5326 sq ft – ADP dedicated space 2085 sq ft – CASC operator dedicated space 10,089 sq ft - Shared program space	17,500 sq. ft. total 5326 sq ft – ADP dedicated space 2085 sq ft – CASC operator dedicated space 10,089 sq ft - Shared program space
Base Rent	\$67,315.99 per month (approximately \$46.16 per sq. ft. per year)	\$70,682.50 per month (approximately \$48.47 per sq. ft. per year)
Lease Administration Fees	\$10,097.40	\$0.00
Total City Rent Cost	\$77,413.39 per month (approximately \$53.08 per sq. ft. per year)	\$70,682.50 per month (approximately \$48.47 per sq. ft. per year)
Base Rent Paid By	LCA paid to Landlord and fully reimbursed by ADP through existing Service Agreement	ADP paid directly to Landlord
Base Year for Property Operating Expenses	2012	2016
Additional Tenant Paid Expenses	Utilities, janitorial, security, interior maintenance, and refuse removal (estimated to cost \$8,864.59 per month)	Utilities, janitorial, security, interior maintenance, and refuse removal (estimated to cost \$8,864.59 per month)
Lease Expiration	June 30, 2017	June 30, 2026

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): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors

Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Leaders in Community Alternatives, Inc.	
<i>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.</i>	
(1) Ordan Trabelsi (sole board member) (2) Linda Connelly (CEO), Kent Borowick (CFO/COO) (3) SuperCom Ltd (NASDAQ: SPCB) owns 100% of LCA stock (4) Anders and Anders Foundation, Bayview Hunters Point Multipurpose Senior Services, Center for Juvenile and Criminal Justice, Microbiz Security Company, Lowercase Productions, Rivera Consulting Group, America Works, Community Works, JWM Janitorial Services (5) None	
Contractor address: 160 Franklin Street, Suite 310 Oakland, CA 94607	
Date that contract was approved:	Amount of contract: \$11,490,153
Describe the nature of the contract that was approved: Operation of the Community Assessment and Services Center, a one stop reentry services facility, for San Francisco Adult Probation.	
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	Contact telephone number: 415-554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94608	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

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: PBV II, LLC, a California limited liability company	
<i>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.</i>	
(1) Casacata Partners is the managing member of PBV II, LLC, (2) None, (3) Guardian Investment Capital, LLC (51.793%) and Guardian Commercial Real Estate LP (25.0%) (4) None (5) PBV II, LLC, does not sponsor or control any political committee	
Contractor address: 3334 E. Coast Highway, Suite 588, Corona del Mar, CA 92625	
Date that contract was approved:	Amount of contract: \$9,723,547.79 over 120 months
Describe the nature of the contract that was approved: Lease at 564 6 th Street for Adult Probation Department	
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	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

