

File No. 190920

Committee Item No. A

Board Item No. \_\_\_\_\_

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date October 2, 2019

Board of Supervisors Meeting

Date \_\_\_\_\_

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- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
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- Grant Information Form
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- Form 126 – Ethics Commission
- Award Letter
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- Public Correspondence

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Completed by: Linda Wong Date September 27, 2019

Completed by: Linda Wong Date \_\_\_\_\_

1 [Lease Amendment - Lexington Lion San Francisco, LP - 350 Rhode Island Street-North -  
2 \$2,600,000 Rent Credit]

3 **Resolution authorizing the execution and acceptance of the First Amendment**  
4 **to Lease of that certain lease dated September 28, 2017 (“Lease”), by and**  
5 **between Lexington Lion San Francisco, LP, a Delaware Limited Partnership,**  
6 **and the City and County of San Francisco, for the real property located at 350**  
7 **Rhode Island Street-North, facilitating the provision of a rent credit to the City**  
8 **in the amount of \$2,600,000 in consideration for a waiver of certain real estate**  
9 **expense pass-through protections afforded to the City under the Lease, to**  
10 **commence upon approval by the Board of Supervisors.**

11  
12 WHEREAS, The property at 350 Rhode Island Street-North (the “Property”), is  
13 a multi-user office building of 125,122 square feet, for use by the District Attorney’s  
14 Office, to be delivered in phases upon natural terminations of several privately held  
15 leaseholds; and

16 WHEREAS, The Lessor is interested in selling the Property; and

17 WHEREAS, The Lease affords the City certain protections from increased real  
18 estate expense pass-throughs (property tax increases) should the property be sold  
19 prior to July 24, 2021, and affords the City zero protections from said real estate  
20 expense pass-through increases after July 24, 2021; and

21 WHEREAS, The Lessor could choose to sell the Property at this time at a  
22 lower price (reflecting the impact of the City’s expense pass-through protections), or  
23 choose to sell the Property on or after July 25, 2021, at a higher price, with no  
24 financial protections to the City in such event; and

1           WHEREAS, The Real Estate staff has negotiated an Amendment to Lease  
2 that would facilitate a sale during calendar year 2019 that waives certain real estate  
3 expense pass-through protections in consideration for a rent credit in the amount of  
4 \$2,600,000 payable to the City in installments (as a rental credit) over a 48 month  
5 period of time that best addresses the City's cash flow requirements relative to the  
6 Lease; and

7           WHEREAS, The Real Estate staff have analyzed the fiscal implications to the  
8 City as Tenant in the event of a deferral of this sale to after July 24, 2021, versus  
9 facilitating a sale at this time, and finds the negotiated rent credit is the best financial  
10 option for the City; now, therefore, be it

11           RESOLVED, That in accordance with the recommendation of the Director of  
12 Property, the execution, delivery and performance of the Amendment to Lease is  
13 hereby approved and the Director of Property (or his designee) are hereby authorized  
14 to execute the Amendment to Lease, in substantially the form referenced herein, on  
15 behalf of the City and any such other documents that are necessary or advisable to  
16 complete the transaction contemplated by the Amendment to Lease and effectuate  
17 the purpose and intent of this Resolution; and, be it

18           FURTHER RESOLVED, That the Board of Supervisors authorizes the Director  
19 of Property (or his designee), in consultation with the City Attorney, to enter into any  
20 additions, amendments or other modifications to the Amendment to Lease and any  
21 other documents or instruments necessary in connection therewith, that the Director  
22 of Property determines are in the best interests of the City, do not materially decrease  
23 the benefits to the City with respect to the Property, do not materially increase the  
24 obligations or liabilities of the City, and are necessary or advisable to complete the  
25 transaction contemplated in the Amendment to Lease and that effectuate the purpose

1 and intent of this Resolution, such determination to be conclusively evidenced by the  
2 execution and delivery by the Director of Property (or his designee) of any such  
3 additions, amendments, or other modifications; and, be it

4 FURTHER RESOLVED, That the Director of Property shall provide the Clerk  
5 of the Board of Supervisors a fully executed copy of the Amendment to Lease within  
6 thirty (30) days of signature of same.

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20 RECOMMENDED:

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22 \_\_\_\_\_  
23 Director of Property  
24  
25



<p><b>Item 4</b> <b>File 19-0920</b></p>	<p><b>Department:</b> Real Estate Division</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would authorize the first amendment to the City’s lease with Lexington Lion San Francisco LP (Lexington) for 350 Rhode Island Street, providing a \$2,600,000 rent credit to the City in exchange for removing the City’s protection from increases in rent due to the pass through of increased property taxes from the sale of the property prior to July 2021. All other provisions of the current lease agreement will not change.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• In October 2017, the Board of Supervisors approved a lease between the City as tenant and Lexington, as landlord to relocate the District Attorney’s Office and the Police Investigations Unit from the Hall of Justice to 350 Rhode Island Street (File 17-1109).</li> <li>• The current lease protects the City against the pass-through of property tax increases triggered by a property sale if the sale occurs prior to July 25, 2021.</li> <li>• According to the Real Estate Division, the owner of 350 Rhode Island is planning to sell the property to a new owner, which will trigger a re-assessment of the property and an increase in property taxes. The Real Estate Division agreed to negotiate the \$2,600,000 in rent credits in exchange for giving up the City’s protection from the pass-through of increased property taxes because the Real Estate Division determined that the rent cost to the City, including rent credits, would likely be less under the proposed first amendment than under the existing lease. According to the Real Estate Division, because commercial property sales prices will likely increase between 2019 and June 2021, when the property tax pass-through protection ends, the City could pay significantly higher rent due to the property tax pass-through if the property sells after June 2021.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• According to the Real Estate Division, the City’s determination of the property’s market value is approximately \$134 million. The property’s estimated new assessed value would increase the City’s property tax payable by approximately \$55,302 per month. The proposed \$2,600,000 rent credit is equivalent to approximately 47 months of property tax pass-through protection.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

City Charter Section 9.118(b) requires Board of Supervisors approval of amendments to agreements with a fiscal impact of more than \$500,000, if the original agreement had a term of more than ten years or an amount of \$10 million or more.

**BACKGROUND****350 Rhode Island Lease**

In October 2017, the Board of Supervisors approved a lease between the City as tenant and Lexington Lion San Francisco LP (Lexington), a Delaware limited partnership, as landlord to relocate the District Attorney's Office and the Police Investigations Unit from the Hall of Justice to 350 Rhode Island Street (File 17-1109). The lease term is for 15 years from July 25, 2018 through July 24, 2033, with one five-year option to renew for a total 20 year term through 2038. The District Attorney's Office is moving into 350 Rhode Island Street in phases, as the leases with existing tenants at that location expire. The District Attorney's Office has completed Phase I of the relocation implementation and is currently moving some of its operation into its leased location at 350 Rhode Island with Phase II completion and full relocation to be completed before the end of 2020. Under the lease agreement, the City to date has paid approximately \$5.5 million in rent and operating costs, increasing to \$8.9 million by 2020, when the District Attorney's Office moves into all of the leased space in the building. Over the term of the 15-year lease, the City is projected to incur rent and operating costs of \$149,467,245.

Commercial property owners are able to pass through property tax increases resulting from the sale of the property.<sup>1</sup> The current lease includes a provision that protects the City from increased rent due to the pass through of increased property taxes from the sale of the property if the sale occurs prior to July 2021.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would authorize the first amendment to the City's lease with Lexington for 350 Rhode Island Street, providing a \$2,600,000 rent credit to the City in exchange for removing the City's protection from increases in rent due to the pass through of increased property taxes from the sale of the property prior to July 2021. All other provisions of the current lease agreement will not change.

**Pending Building Sale**

According to Mr. John Updike, Real Estate Division Special Project Manager, the owner of 350 Rhode Island is planning to sell the property to a new owner, which will trigger a re-assessment of the property and an increase in property taxes. Under the existing lease, if the property sells prior to July 25, 2021, the new owner would not be able to pass through the increase in property taxes to the City. Under the proposed first amendment, the new owner could pass-

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<sup>1</sup> Property taxes are levied based on the assessed value of the property. Under Proposition 13, the assessed value of the property is based on the sale price, and can only increase by 2 percent per year or by the Consumer Price Index (CPI), whichever is lower.

through the increase in property taxes to the City in exchange for \$2,600,000 in rent credits. According to Mr. Updike, the City agreed to negotiate the \$2,600,000 in rent credits in exchange for giving up the City’s protection from the pass-through of increased property taxes because the Real Estate Division determined that the rent cost to the City, including rent credits, would likely be less under the proposed first amendment than under the existing lease. According to Mr. Updike, because commercial property sales prices will likely increase between 2019 and June 2021, when the property tax pass-through protection ends, the City could pay significantly higher rent due to the property tax pass-through if the property sells after June 2021.<sup>2</sup>

According to the Real Estate Division, the City only leases a portion of the property located at 350 Rhode Island and the other tenants are private businesses. Therefore, the Real Estate Division would not recommend that the City purchase the 350 Rhode Island property.

**FISCAL IMPACT**

According to the Real Estate Division, the City’s determination of the property’s market value is approximately \$134 million.<sup>3</sup> As shown below in Table 1, the property’s estimated new assessed value would increase the City’s share of property taxes for 350 Rhode Island by approximately \$55,302 per month. The proposed \$2,600,000 rent credit is equivalent to approximately 47 months of property tax pass-through protection.

**Table 1: Calculation of Change in Property Taxes**

	Estimated Assessed Value	Annual Property Tax <sup>4</sup>	City Share <sup>5</sup>	Property Tax Per Month
Current	\$60,000,000	\$697,800	\$538,074	\$44,839
Upon Building Sale <sup>6</sup>	\$134,000,000	\$1,558,420	\$1,201,698	\$100,141
Difference	\$74,000,000	\$860,620	\$663,624	\$55,302
Value of Rent Credit				\$2,600,000
Months of Property Tax Protection <sup>7</sup>				47

Source: Real Estate Division

**RECOMMENDATION**

Approve the proposed resolution.

<sup>2</sup> According to the Budget and Legislative Analyst’s calculations, the net increase in rent to the City under the proposed first amendment is less than the net increase in rent under the existing lease, if the property were to sell after June 2021 for an amount ranging from 10 percent less to 15 percent more than the current estimated sales price.

<sup>3</sup> The estimated transfer taxes to the City in FY 2019-20 from the proposed sale of 350 Rhode Island are \$4 million.

<sup>4</sup> Based on property taxes of 1.163 percent of assessed value.

<sup>5</sup> Based on the City occupying 77.11 percent of the building.

<sup>6</sup> This is Real Estate Division’s estimated market value if the building was to be sold today.

<sup>7</sup> Months of Property Tax Protection is calculated by dividing the \$2.6 million rent credit by the estimated \$55,302 increase in property taxes.

**FIRST AMENDMENT TO LEASE**

THIS FIRST AMENDMENT TO LEASE (this “**First Amendment**”) is made as of September \_\_, 2019, by and between **LEXINGTON LION SAN FRANCISCO L.P.**, a Delaware limited partnership (“**Landlord**”), and the **CITY AND COUNTY OF SAN FRANCISCO**, a municipal corporation (“**City**” or “**Tenant**”).

**RECITALS**

**A.** Landlord and Tenant are now parties to that certain Lease dated as of September 28, 2017 (the “**Lease**”), as supplemented by that certain Notification of Rentable Square Footage of Phase I dated November 30, 2017, executed by CBRE, Inc. as managing agent for Landlord, that certain Notice to Install Rooftop Equipment dated May 23, 2019, and those certain letter agreements between Landlord and Tenant dated April 24, 2018, June 18, 2018, October 10, 2018, and January 15, 2019. Pursuant to the Lease, Tenant leases certain Premises in that certain building located at 350 Rhode Island Street-North, San Francisco, California. The Premises are more particularly described in the Lease. Capitalized terms used herein without definition shall have the meanings defined for such terms in the Lease.

**B.** Landlord and Tenant desire, subject to the terms and conditions set forth below, to amend the Lease to, among others things, (i) provide Tenant with a credit against rent coming due under the Lease in the amount of \$2,600,000 and (ii) amend the definition of Real Estate Taxes to delete any exclusion from increases in Real Estate Taxes attributable to any transfer of any of Landlord’s interest in the Building or the real property on which the Building is located.

**NOW, THEREFORE**, in consideration of the foregoing Recitals, which are incorporated herein by this reference, the mutual promises and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **Rent Credit.** Commencing on the first day of the next calendar month after the effective date of First Amendment, and continuing through May 1, 2023, Tenant shall be entitled to a credit against the Rent due under the Lease in accordance with the schedule below. In no event shall the total credit against Rent provided for in this Section 1 exceed \$2,600,000.

**Schedule of Rent Credits:**

<u>Date of Credit</u>	<u>Amount of Credit</u>
1 <sup>st</sup> day of month following effective date	\$357,357
May 1, 2020	\$357,357
November 1, 2020	\$313,308
May 1, 2021	\$313,308
November 1, 2021	\$319,572
May 1, 2022	\$319,572
November 1, 2022	\$309,763
May 1, 2023	\$309,763

2. **Definitions.** The definition of Real Estate Taxes set forth in Section 4.5 of the Lease is deleted in its entirety and replaced with the following:

“**Real Estate Taxes**” means all taxes, assessments and charges levied upon or with respect to the Property or Landlord’s interest in 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, any tax on or measured by the rent, or imposed against the right to rent or against the business of leasing any portion of the Property (measured as if the receipts from the Property were the only receipts of Landlord), including but not limited to the Homelessness Gross Receipts Tax set forth in San Francisco Business and Revenue Code Article 28, Sections 2801 through 2814 (the “Proposition C Tax”), service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes. Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, capital stock taxes or income taxes measured by the net income of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City’s failure to pay its portion of Real Estate Taxes hereunder and (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Building. Notwithstanding the foregoing, (1) Landlord agrees to use commercially reasonable efforts to obtain an exemption from the Proposition C Tax with respect to the rent paid by Tenant, based on an exemption to the Proposition C Tax for payments made by government agencies (and Tenant shall cooperate with obtaining such exemption), and (2) upon receipt of such exemption, any amount that is actually so exempt shall not be included in “Real Estate Taxes” under this Lease, and any Proposition C Tax payments that Landlord must make with respect to rents received from other tenants in the Building shall be allocated among such other tenants. In addition, for the avoidance of any doubt, nothing contained in this Lease is intended to excuse City from paying its pro rata share of Real Estate Taxes (including, without limitation, as a result of reassessments) resulting from any transfer of any of Landlord’s interest in the Building or the real property on which the Building is located, or any construction and/or improvements made to the Building or the real property upon which it is located.”

3. **No Prop 13 Protection.** The last paragraph of Section 4.7 of the Lease is deleted in its entirety and, as such, City shall not be entitled to the benefit of any Prop 13 Protection Amount or any Prop 13 Purchase Price.

4. **Miscellaneous.**

(a) This First Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral and written

agreements and discussions. This First Amendment may be amended only by an agreement in writing, signed by the parties hereto.

(b) This First Amendment will become effective on the later of: (a) the effective date of a resolution adopted by the City's Board of Supervisors approving this First Amendment, and (b) the date that this First Amendment is duly executed by Landlord and City. This First Amendment is binding upon and shall inure to the benefit of the parties hereto, and their respective successors and assigns.

(c) This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this First Amendment attached thereto.

(d) Except as amended and/or modified by this First Amendment, the Lease is hereby ratified and confirmed and all other terms of the Lease shall remain in full force and effect, unaltered and unchanged by this First Amendment. In the event of any conflict between the provisions of this First Amendment and the provisions of the Lease, the provisions of this First Amendment shall prevail. Whether or not specifically amended by this First Amendment, all of the terms and provisions of the Lease are hereby amended to the extent necessary to give effect to the purpose and intent of this First Amendment.

**[Signatures are on the next page.]**

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the day and year first above written.

**LANDLORD:**

**LEXINGTON LION SAN FRANCISCO L.P.,**

a Delaware limited partnership

By: Lexington Lion San Francisco GP LLC,  
a Delaware limited liability company, its general partner

By: CLPF-LXP/LV, L.P.,  
a Delaware limited partnership, its sole member

By: CLPF-LXP/LV GP, LLC,  
a Delaware limited liability company, its general partner

By: Clarion Lion Properties Fund Holdings, L.P., its sole member

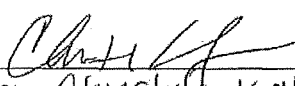
By: CLPF-Holdings, LLC, its general partner

By: Clarion Lion Properties Fund Holdings REIT, LLC,  
its sole member

By: Clarion Lion Properties Fund, LP,  
its managing member

By: Clarion Partners LPF GP, LLC,  
its general partner

By: Clarion Partners, LLC,  
its sole member

By:   
Name: Christine Kang  
Title: Authorized Signatory

**LANDLORD:**

Acknowledged and agreed  
this 19<sup>th</sup> day of September, 2019:

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

Approved as to Form:

By: \_\_\_\_\_  
Name: Andrico Q. Penick  
Title: Director of Property

\_\_\_\_\_  
Charles Sullivan  
Deputy City Attorney

**LEASE**

between

**LEXINGTON LION SAN FRANCISCO L.P.,  
as Landlord**

and

**CITY AND COUNTY OF SAN FRANCISCO,  
as Tenant**

Suites 100, 110, 130, 140, 200, 210, 220, 230, 300, 350, 360 and 400

350 Rhode Island Street-North  
San Francisco, California

September 28, 2017.



# OFFICE LEASE

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## DEFINITIONS

- “ACM” shall have the meaning set forth in Section 23.34.
- “Actual Knowledge” whether or not capitalized, when referring to Landlord, shall have the meaning set forth in Section 21.2.
- “Additional Charges” shall have the meaning set forth in Section 1 and Section 4.4.
- “Additional Services” shall have the meaning set forth in Section 9.7.
- “Affiliate” of a person or entity shall mean a person or entity that directly or indirectly owns or is owned by, controls or is controlled by, or under common ownership control with another party. For purposes of this definition, the term “control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting rights or by contract or otherwise. Without limiting the foregoing, an Affiliate shall include any person that beneficially owns or holds more than thirty five percent (35%) of any voting interest or equity interest in another person or entity.
- “Affiliate Lien” shall have the meaning set forth in Section 15.5.
- “Agents” shall have the meaning set forth in Section 23.5.
- “Allowance” shall have the meaning set forth in Section 1 and Section 22.1(j).
- “Alterations” shall have the meaning set forth in Section 7.1.
- “Award” shall have the meaning set forth in Section 13.1.
- “Banking Use” shall have the meaning set forth in Section 5.1(b).
- “Base Building Improvements” shall have the meaning set forth in Section 2.4.
- “Base Rent” shall have the meaning set forth in Section 1 and Section 4.1.
- “Basic Lease Information” shall have the meaning set forth in Section 1.
- “BORP” shall have the meaning set forth in Section 23.35.
- “Building” shall have the meaning set forth in Section 1 and Section 2.1.
- “Building Rules and Regulations” shall have the meaning set forth in Section 5.2.
- “Building Systems” shall have the meaning set forth in Section 8.1.
- “Casualty” shall have the meaning set forth in Section 12.1.
- “Casualty Notice” shall have the meaning set forth in Section 12.3.
- “CERCLA” shall have the meaning set forth in Section 21.1.
- “City” shall have the meaning set forth in the introductory paragraph.
- “City Program Affiliate” shall have the meaning set forth in Section 14.2.
- “City Requirements” shall have the meaning set forth in Section 23.36.
- “City Service Charges” shall have the meaning set forth in Section 4.4(a).
- “City’s Extension Notice” shall have the meaning set forth in Section 3.3(b).

“City’s Percentage Share” shall have the meaning set forth in Section 1 and Section 4.5.

“City’s Personal Property” shall have the meaning set forth in Section 7.3.

“City’s Representative” shall have the meaning set forth in Section 4.9(b).

“Claims” shall have the meaning set forth in Section 16.1.

“CMD” shall have the meaning set forth in Section 23.25(d).

“Code” shall have the meaning set forth in Section 23.27.

“Commencement Date” shall have the meaning set forth in Section 1 and Section 3.1.

“Common Areas” shall have the meaning set forth in Section 2.2.

“Confidential Information” shall have the meaning set forth in Section 4.11.

“Confidential Trade Secret” shall have the meaning set forth in Section 4.11.

“Construction Administration Fee” shall have the meaning set forth in Section 6.1(d).

“Consultation Period” shall have the meaning set forth in Section 3.4(d).

“Cosmetic Alteration” shall have the meaning set forth in Section 7.1.

“Daily Basis” shall have the meaning set forth in Section 9.1.

“Date of Taking” shall have the meaning set forth in Section 13.1.

“DBI” shall have the meaning set forth in Section 23.35.

“Disabilities Laws” shall have the meaning set forth in Section 10.1.

“Effective Date” shall have the meaning set forth in Section 1 and Section 23.30.

“Encumbrance” shall have the meaning set forth in Section 11.

“Environmental Laws” shall have the meaning set forth in Section 21.1.

“Essential Services” shall have the meaning set forth in Section 4.14.

“Estimated Commencement Date” shall have the meaning set forth in Section 1.

“Event of Default” shall have the meaning set forth in Section 15.1.

“Excess Portion” shall have the meaning set forth in Section 15.5.

“Exercise Notice” shall have the meaning set forth in Section 22.1.

“Expense Shortfall” shall have the meaning set forth in Section 4.6.

“Expense Year” shall have the meaning set forth in Section 4.5.

“Expiration Date” shall have the meaning set forth in Section 1.

“Extended Outside Delivery Date” shall have the meaning set forth in Section 3.3(b).

“Extension Authorizing Resolution” shall have the meaning set forth in Section 3.4 (b).

“Extension Exercise Notice” shall have the meaning set forth in Section 3.4(a).

“Extension Option” shall have the meaning set forth in Section 1 and Section 3.4.

“Extension Term” shall have the meaning set forth in Section 3.4.



“Extraordinary Improvements” shall have the meaning set forth in Section 20.

“Financial Institution” shall have the meaning set forth in Section 5.1.

“Financing Lien” shall have the meaning set forth in Section 15.5.

“Hazardous Material” shall have the meaning set forth in Section 21.1.

“HEPA” shall have the meaning set forth in Section 6.7.

“Indemnify” shall have the meaning set forth in Section 16.1.

“Independent CPA” shall have the meaning set forth in Section 4.9(c).

“Initial Term” shall have the meaning set forth in Section 3.1.

“Invitees” shall have the meaning set forth in Section 23.5.

“Judgment Lien” shall have the meaning set forth in Section 15.5.

“Landlord” shall have the meaning set forth in the introductory paragraph and Section 1.

“Landlord Delay” shall have the meaning set forth in Section 3.1(b).

“Landlord’s Expense Statement” shall have the meaning set forth in Section 4.6.

“Landlord’s Suspension Notice” shall have the meaning set forth in Section 3.3(b).

“Landlord’s Suspension Request” shall have the meaning set forth in Section 3.3(b).

“Landlord’s Tax Statement” shall have the meaning set forth in Section 4.7.

“Laws” shall have the meaning set forth in Section 10.1.

“Lease” shall have the meaning set forth in the introductory paragraph.

“Leasehold Improvement Work” shall have the meaning set forth in Section 6.1(a).

“Leasehold Improvements” shall have the meaning set forth in Section 1 and Section 6.1(a).

“Legislative Approval Deadline” shall have the meaning set forth in Section 22.1(g).

“Life Safety Laws” shall have the meaning set forth in Section 10.1.

“Major Damage or Destruction” shall have the meaning set forth in Section 12.3.

“Market Rent” shall have the meaning set forth in *Exhibit G*.

“Memorandum of Lease” shall have the form set forth in Section 23.26 and *Exhibit K*.

“Operating Costs” shall have the meaning set forth in Section 4.5.

“Option Rent” shall have the meaning set forth in Section 3.4(c).

“Outside Agreement Date” shall have the meaning set forth in Section 3.4(d).

“Outside Delivery Date” shall have the meaning set forth in Section 3.3(b).

“Permitted LTV Ratio” shall have the meaning set forth in Section 15.5.

“Permitted Use” shall have the meaning set forth in Section 5.1.

“Planning Deadline” shall have the meaning set forth in Section 22.1(g).

“Premises” shall have the meaning set forth in Sections 1 and 2.1 and shown in *Exhibit A*.

“Prohibited Use” shall have the meaning set forth in Section 5.1(a).

“Projected Completion Date” shall have the meaning set forth in Section 3.3(b).

“Projected Repair Time” shall have the meaning set forth in Section 12.3.

“Property” shall have the meaning set forth in Section 2.1.

“Proposed Option Rent Notice” shall have the meaning set forth in Section 3.4(d).

“Prorated Abatement Days” shall have the meaning set forth in Section 22.1(i).

“Real Estate Taxes” shall have the meaning set forth in Section 4.5.

“Recapture” shall have the meaning set forth in Section 14.3(b).

“Release” shall have the meaning set forth in Section 21.1.

“Removal Items” shall have the meaning set forth in Section 20.

“Rent” shall have the meaning set forth in Section 4.4.

“Rentable area” shall have the meaning set forth in Section 2.1(b).

“Rentable square feet” shall have the meaning set forth in Section 2.1(b).

“ROM Budget” shall have the meaning set forth in Section 22.1(e).

“Rules and Regulations” shall have the meaning set forth in Section 5.2.

“Seismic Safety Laws” shall have the meaning set forth in Section 10.1.

“Self-insure” shall have the meaning set forth in Section 17.1.

“SNDA” shall have the meaning set forth in Section 11.2.

“Sole Cost” shall have the meaning set forth in Section 4.5(c).

“Sublet Notification” shall have the meaning set forth in Section 14.3(b).

“Sublet Premises” shall have the meaning set forth in Section 14.3(b).

“Substantially Completed” and “Substantial Completion” shall have the meaning set forth in Section 6.2.

“Taking” shall have the meaning set forth in Section 13.1.

“Tax Shortfall” shall have the meaning set forth in Section 4.7.

“Tax Year” shall have the meaning set forth in Section 4.5.

“Tenant” shall have the meaning set forth in the introductory paragraph and Section 1.

“Tenant Delay” shall have the meaning set forth in Section 3.1(c).

“Term” shall have the meaning set forth in Section 1 and Section 3.1(e).

“Termination Notice” shall have the meaning set forth in Section 3.3(b).

“Termination Trigger Date” shall have the meaning set forth in Section 3.3(b).

“Transfer Premium” shall have the meaning set forth in Section 14.3(e).

“Transferee” shall have the meaning set forth in Section 14.3(e).

“Unavoidable Delay” shall have the meaning set forth in Section 3.1(d).

“Unsafe Condition” shall have the meaning set forth in Section 4.14.

“Work Letter” and “Work Letters” shall have the meaning set forth in Section 6.1(a).

**LEASE**

THIS LEASE (this "Lease"), dated for reference purposes only as of September 28, 2017 is by and between LEXINGTON LION SAN FRANCISCO L.P., a Delaware limited partnership ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

**1. BASIC LEASE INFORMATION**

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

Lease Reference Date:	September 28, 2017
Landlord:	LEXINGTON LION SAN FRANCISCO L.P.
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (Section 2.1):	350 Rhode Island Street-North, San Francisco, California
Phase I Premises (Section 2.1):	The Phase I Premises shall consist of certain rentable space on the second, third and fourth floors of the Building; provided, however, the Phase I Premises shall be reduced by any portion of the Phase I Premises that Landlord does not include as part of the Phase I Premises on the Commencement Date (collectively, the " <b>Non-Delivered Phase I Premises</b> ") because, for example, any of the existing subtenants did not agree to early termination of their respective sublease with respect to the Non-Delivered Phase I Premises and/or did not timely surrender their respective portion of the Non-Delivered Phase I Premises. The Phase I Premises are shown outlined and labeled on <i>Exhibit A</i> consisting of Suites 200 and 210 and the entire 3 <sup>rd</sup> and 4 <sup>th</sup> floors of the Building excluding any Non-Delivered Phase I Premises.
Rentable Area of Phase I Premises (Section 2.1):	84,695 rentable square feet; provided, however, the Rentable Area of the Phase I Premises shall be reduced by the amount of the rentable square feet of the Non-Delivered Phase I Premises.

Phase II Premises (Section 2.1):

Subject to the provisions of Section 2.1, the Phase II Premises shall consist of certain rentable space on the first and second floors of the Building and any Non-Delivered Phase I Premises. Subject to the provisions of Section 2.1, the Phase II Premises are shown outlined and labeled on *Exhibit A* consisting of Suites 100, 110, 130, 140, 220 and 230 and any Non-Delivered Phase I Premises.

Rentable Area of Phase II Premises (Section 2.1):

40,427 rentable square feet plus the rentable square feet of any Non-Delivered Phase I Premises; provided, however, that the Phase II Premises may be delivered in phases as provided for in this Lease.

Premises

The Premises shall mean the total area leased by Tenant at any given time. On the Commencement Date, the Premises shall mean the Phase I Premises. Upon Landlord's delivery of the Phase II Premises in accordance with the Lease, the Premises shall include the Phase II Premises.

Parking Rights (Section 2.3):

City has the right during the Term to two (2) parking spaces for every 1,200 rentable square feet of City's then-existing Premises, at the then prevailing market rate plus all applicable taxes as set forth in Section 2.3.

Term (Section 3):

Fifteen (15) years, commencing on the Commencement Date and ending on the Expiration Date, subject to City's Extension Option as set forth in Section 3.4. The Term shall be extended one day for each day of Unavoidable Delay or Landlord's Delay that causes the Commencement Date to occur later than December 31, 2018.

Estimated Commencement Date:

The "Estimated Commencement Date" shall be between July 1, 2018 and December 31, 2018.

Estimated Phase II Commencement Date and Phase II Commencement Date:

The "Estimated Phase II Commencement Date" shall be on or about April 1, 2020; provided, however, that (a) if either or both of Citibank with respect to Suite 140 and Freeman XP with respect to Suites 220 and 230 elect to extend the term of their respective leases with respect to their

respective premises pursuant to existing extension rights, then the Estimated Phase II Commencement Date for those applicable portion(s) of the Phase II Premises so extended shall be approximately six (6) months after the expiration or earlier termination of such respective tenant's lease with respect those applicable portion(s) of the Phase II Premises leased by such tenant, but the Estimated Phase II Commencement Date for Suites 100, 110 and 130 shall continue to be April 1, 2020 (e.g. if only Citibank elects to extend the term of its lease for Suite 140 and Freeman XP does not elect to extend the term of its lease for Suites 220 and 230, then the Estimated Phase II Commencement Date for Freeman XP's Suites 220 and 230 shall be on or about April 1, 2020, and the Estimated Phase II Commencement Date for Citibank's Suite 140 shall be April 1, 2025 or such earlier date as Landlord may designate in writing to City), and each phase so delivered shall have its own Phase II Commencement Date, and (b) if there is any Non-Delivered Phase I Premises, then the Estimated Phase II Commencement Date for the applicable portion(s) of the Non-Delivered Phase I Premises shall be approximately six (6) months after the expiration or earlier termination of the applicable lease with respect to those applicable portion(s) of the Non-Delivered Phase I Premises. The "Phase II Commencement Date" shall be the earlier of (i) the date Substantial Completion of the Leasehold Improvements for the applicable portion of the Phase II Premises occurs and (ii) the date Substantial Completion of the Leasehold Improvements for the applicable portion of the Phase II Premises would have occurred but for Tenant Delay. Tenant acknowledges and agrees that the Phase II Premises may be delivered in phases and that the parties shall promptly execute an acknowledgement of the date(s) of the Phase II Commencement Date with respect to each such phase as when the Phase II Commencement Date for such applicable portion of the Phase II Premises occurs.

Commencement Date:

The "Commencement Date" shall be the earlier of (i) the date of Substantial Completion of the Leasehold Improvements for the Phase I Premises

and of the Base Building Improvements and (ii) the date of Substantial Completion of the Leasehold Improvements for the Phase I Premises would have occurred but for Tenant Delay (but in no event earlier than July 1, 2018).

Landlord shall provide to Tenant not less than 90 days' notice of the Commencement Date and for each Phase II Commencement Date. The parties acknowledge that the Phase II Premises may be delivered in phases.

Expiration Date:

The "Expiration Date" shall be the date immediately preceding the fifteenth (15<sup>th</sup>) anniversary of the Commencement Date, subject to one day of extension for each day of Unavoidable Delay or Landlord Delay that causes the Commencement Date to occur later than December 31, 2018.

Extension Option (Section 3.4):

City shall have the option to extend the Term for one (1) term of five (5) years, as set forth in Section 3.4.

Base Rent for Premises (Section 4.1):

Annual Base Rent per rentable square foot on a triple net basis for the Premises shall be computed in accordance with the following schedule, subject to adjustment as set forth below:

Period of Term	Annual Base Rent Per RSF
Year 1	\$51.00
Year 2	\$52.53
Year 3	\$54.10
Year 4	\$55.72
Year 5	\$57.39
Year 6	\$59.11
Year 7	\$60.88
Year 8	\$62.71
Year 9	\$64.59
Year 10	\$66.53
Year 11	\$68.53
Year 12	\$70.59
Year 13	\$71.59
Year 14	\$72.59
Year 15	\$73.59

Additional Charges (Section 4.4):

Throughout the Term, City shall pay, in addition to Base Rent, City's Percentage Share of Operating Costs and Real Estate Taxes as described in Section 4.4.

City's Percentage Share (Section 4.5):

The percentage of rentable space leased by City at any given time during the Term compared to 127,100 (i.e., the total rentable space in the Building).

Use (Section 5.1):

General office, administrative and incidental uses, as permitted by law (but not for the detention of any persons who are under active criminal investigation) for the San Francisco District Attorney's Office and San Francisco Police Department and, subject to the limitations set forth below, other City departments and other public or nonprofit agencies for the performance of their services under contract with the City and uses incidental thereto, including public programs ancillary to the primary use of the Premises, if required by the City's Charter or Laws, provided that at all times use of the Premises shall be consistent with standards of a first-class office building.

Without limiting other uses that are inconsistent with the standards of a first-class office building, City expressly agrees that the Premises shall not be used for any of the following purposes: (i) drug counseling or treatment; (ii) the detention of criminals; (iii) parole or probation programs, counseling or meetings; (iv) medical clinics, mental health programs or other medical services; (v) general assistance/welfare disbursements or job training/counseling or other programs for the recipients of general assistance/welfare disbursements and/or (vi) detention of any persons who are under active criminal investigation.

In addition, City shall not use or permit the use of the Premises or any portion thereof for Banking Use (as defined in Section 5.1).

Leasehold Improvements (Section 6.1):

Landlord shall provide Leasehold Improvements for both the Phase I Premises and the Phase II Premises, each pursuant to plans agreed to by City



and Landlord, as further set forth in Section 6.1 and in the applicable Work Letter.

Allowance (Section 6.1(a)):

Landlord shall provide an Allowance of (i) \$80.00 per rentable square foot of the Phase I Premises and (ii) \$80.00 per rentable square foot of the Phase II Premises for the construction of the Leasehold Improvements as provided in Section 6.1(a) and in the applicable Work Letter.

Additional Construction Allowance (Section 6.1(b)):

Landlord shall make available an Additional Construction Allowance in the amount of (i) \$20.00 per rentable square foot of the Phase I Premises and (ii) \$20.00 per rentable square foot of the Phase II Premises for the construction of the Leasehold Improvements as provided in Section 6.1(b). City shall repay the Additional Construction Allowance in the manner described in Section 6.1(b).

Utilities and Services (Section 9.1):

Landlord shall furnish the utilities and services set forth in Section 9.1. Landlord shall pay (subject to City's payment of City's Percentage Share of Operating Costs and subject to City's obligation to pay for excess and after-hours usage, when applicable) all utility costs and services, as provided in Section 9.1.

Common Area and Building Services (Section 9.2):

Landlord shall furnish, at Landlord's cost (subject to City's payment of City's Percentage Share of Operating Costs), janitorial services to the Common Areas of the Building and Building security services and graffiti removal, as provided in Section 9.2.

Janitorial Services to Premises (Section 9.4):

Landlord shall furnish, at City's cost, mutually agreed janitorial services within the Premises, as set forth in Section 9.4.

Notice Address of Landlord (Section 23.1): c/o Clarion Partners  
601 S. Figueroa Street, Suite 3600  
Los Angeles, CA 90017  
Attn: Christy Hill, CLPF Portfolio Management

with copy to:

c/o Clarion Partners  
601 S. Figueroa Street, Suite 3600  
Los Angeles, CA 90017  
Attn: Christine Kang, CLPF Asset Manager

Notice Address for Tenant (Section 23.1):

City and County of San Francisco  
Real Estate Division  
25 Van Ness Avenue, Suite 400  
San Francisco, CA 94102  
Attn: Director of Property  
Re: 350 Rhode Island Street - North  
Fax No.: (415) 552-9216

with a copy to:

Office of the City Attorney  
City Hall, Room 234  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4682  
Attn: Real Estate/Finance Team  
Re: 350 Rhode Island Street - North  
Fax No.: (415) 554-4755

Contact for Tenant:

Brian O'Connor, Client Services Manager

Tenant Contact Telephone No.:

415-554-9877 or 415-725-1475 (cell)

Alternate Contact for Tenant:

Marta Bayol, District General Manager

Alternate Contact Telephone No.:

415-554-9865 or 415-699-3569 (cell)

Cleaning Products Requirements  
(Section 22.2):

Landlord shall use commercially reasonable efforts to follow the green cleaning procedures described in Section 22.3 and **Exhibit O**, provided that City shall be responsible for any additional costs incurred by Landlord in order to comply with such procedures.

Bicycle Storage Facilities (Section 23.27):

City shall have non-exclusive access to existing Bicycle Storage Facilities and adjacent shower facilities located in the underground parking garage beneath the Premises, to which City is entitled to use without charge (other than payment of Operating Costs) under Section 2.3 and as provided in Section 23.27.

Brokers (Section 23.8):

CBRE, Inc.

Security Deposit:

None

## 2. PREMISES

### 2.1 Lease Premises

(a) Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "Building") and shown in *Exhibit A*, the Phase I Premises and the Phase II Premises, collectively referred to herein (upon Landlord's delivery of the space in accordance with this Lease) as the "Premises". The Building, the land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

(b) The Premises is located on the floors of the Building, and contain the rentable area, specified in the Basic Lease Information. Landlord and City hereby stipulate that the rentable area of the Premises shall be as set forth in the Basic Lease Information. Landlord and Tenant agree that the usable area of the Premises has been verified by both parties and that Landlord is utilizing a deemed add-on load factor of 24.8% to compute the rentable area of the Premises.

(c) Tenant acknowledges that the Estimated Phase I Commencement Date as contemplated in this Lease is subject to Landlord entering into a lease amendment and termination agreement, in form and content acceptable to Landlord in the exercise of Landlord's sole discretion, with CEC, the current tenant leasing the Phase I Premises (and subject to CEC entering into sublease amendments, in form and content acceptable to CEC in the exercise of its sole discretion, with the current subtenants leasing the applicable portions of the Phase I Premises). If Landlord fails for any reason to enter into such lease amendment and termination agreement (and/or CEC fails for any reason to enter into any such sublease amendments), then Landlord shall have no liability to City in connection with such failure and City shall have no right to terminate this Lease with respect to any portion of the Phase I Premises that is not included in the Phase I Premises as of the Commencement Date (i.e., the Non-Delivered Phase I Premises), but Landlord shall be required to deliver the applicable portion(s) of the Non-Delivered Phase I Premises to City as and when such portion(s) is/are available for lease to City, which shall be approximately six (6) months after the expiration or earlier termination of CEC's lease with respect to the applicable portion(s) of such Non-Delivered Phase I Premises. Accordingly, Landlord and City agree that, notwithstanding anything to the contrary contained in this Lease, the Non-Delivered Phase I Premises (including construction of the Leasehold Improvements within the Non-Delivered Phase I Premises) may be delivered to City in phases.

(d) Tenant acknowledges that the April 1, 2020 Estimated Phase II Commencement Date as contemplated in this Lease is subject to Landlord entering into lease amendments, in form and content acceptable to Landlord in the exercise of its sole discretion, with the current tenants leasing the applicable portions of the Phase II Premises. If Landlord fails for any reason to enter into any of such lease amendments, then Landlord shall have no liability to City in connection with such failure and City shall have no right to terminate this Lease with respect to any portion of the Phase II Premises, but Landlord shall be required to deliver the applicable portion(s) of the Phase II Premises to City as and when such portion(s) is/are available for lease to City, which shall be approximately six (6) months after the expiration or earlier termination of the applicable tenant's lease with respect to the applicable portion(s) of such Phase II Premises.

Accordingly, Landlord and City agree that, notwithstanding anything to the contrary contained in this Lease, the Phase II Premises (including construction of the Leasehold Improvements within the Phase II Premises) may be delivered to City in phases.

## 2.2 Common Areas

City shall have the non-exclusive right to use, together with other tenants and occupants of the Building and subject to the Rules and Regulations, the portions of the Building designated by Landlord from time to time for the common use or benefit of occupants of the Building, including lobbies, corridors, elevators, stairways, and loading and parking areas of the Building and the Property (collectively, the "Common Areas"), and the non-exclusive right, together with other tenants and occupants of the Building and subject to the Rules and Regulations, of access to and from the Premises by the entrances to the Building and the Property. Landlord shall have the right to (i) change the arrangement and/or location of any amenity, installation or improvement in the Common Areas, and (ii) utilize portions of the Common Areas from time to time for entertainment, displays, product shows, leasing of kiosks or such other uses that in Landlord's sole judgment tend to enhance the Building, so long as such changes or uses do not materially interfere with or materially impair City's access to or use or occupancy of the Premises or the parking areas. Subject to the provisions of this Lease, City shall have access to the Premises 24 hours per day and 365 days per year.

City acknowledges having been advised by Landlord that (i) the real property of which the Premises are a portion is part of a separate (3) parcel project, consisting of Assessor's Block 3957, Lot 3 (the "North Parcel"), Assessor's Block 3957, Lot 4 (the "South Parcel"), and Assessor's Block 3957, Lot 2 (the "Garage Parcel"), referred to collectively as the "Parcels", and (ii) the Garage Parcel containing the parking garage for the Building is not owned or managed by Landlord. City has had the opportunity to review the declaration establishing reciprocal easements, covenants and restrictions running with the land (the "Declaration") which governs and facilitates the joint operation, use and enjoyment of the Parcels.

## 2.3 Parking

(a) Subject to the provisions of this Section 2.3, City shall have the right during the Term, at prevailing market rates plus all applicable taxes, to lease from the owner of the parking garage two (2) unreserved self-park parking spaces within the Building's parking garage for every full 1,200 rentable square feet of the Premises then being leased to City. As of the date of this Lease, (i) the hours of operation for access to the on-site parking garage are twenty-four (24) hours per day, seven (7) days per week and (ii) the current monthly rate for parking is \$200 per parking space per month plus all applicable taxes. The hours of operation are subject to change at any time, effective upon posted notice. City acknowledges that City shall be required to contract directly with the owner of the parking garage for the use of the parking spaces provided for herein.

(b) All parking pursuant to this Section 2.3 shall be subject to reasonable and nondiscriminatory rules and regulations adopted by Landlord and/or the parking garage owner from time to time for the orderly operation and use of the parking garage, including the implementation of any sticker or other identification system established by Landlord and/or the

parking garage owner. Such rules and regulations, and reasonable additions or modifications thereto, shall be binding upon City after delivery to City of a copy thereof (and a reasonable implementation period, if reasonably necessary), provided that such rules and regulations shall not reduce City's obligations hereunder, shall not conflict with the provisions of this Lease, shall not materially increase the burdens or obligations upon City or City staff, and shall not impose a charge upon City for services or rights which this Lease contemplates will be provided to City at no charge. City shall abide by, and exercise reasonable efforts to cause City's Agents and Invitees to abide by such rules and regulations. Landlord and/or the parking garage owner may engage a parking operator for the garage in the Building, in which case such parking operator shall have all the rights of control reserved hereunder by Landlord and/or the parking garage owner.

(c) Landlord and/or the parking garage owner specifically reserves the right to change the size, configuration, design, layout and other aspects of the parking garage at any time. City acknowledges and agrees that Landlord and/or the parking garage owner may, without incurring any liability to City and without any abatement of Rent under this Lease, from time to time, temporarily close-off or restrict access to the parking garage for purposes of permitting or facilitating any such construction, alteration or improvements, provided that Landlord and/or the parking garage owner shall (i) provide City with reasonable advance written notice of such disruption, (ii) allocate any parking spaces which remain accessible during such disruption in a nondiscriminatory manner, (iii) diligently attempt to make City's parking spaces available as promptly as possible, and (iv) keep City apprised of Landlord's and/or the parking garage owner's efforts. Landlord and/or the parking garage owner shall not be liable to City, nor shall this Lease be affected, if any parking is impaired by any moratorium, initiative, referendum, law, ordinance, regulation or order passed, issued or made by any governmental or quasi-governmental body.

(d) In no event shall Landlord, the parking garage owner and/or parking operator be liable for any damage of any nature to, or any theft of, vehicles or the contents thereof, in or about the parking garage, and at Landlord's, parking garage owner's and/or parking operator's request, City shall cause persons using its allocated parking spaces to execute a commercially reasonable standard agreement confirming the same.

(e) City's parking rights hereunder may not be assigned or transferred apart from this Lease, provided that the foregoing shall not prohibit use of the parking spaces by City's Program Affiliates or subtenants under an approved sublease. Upon the expiration or earlier termination of this Lease, City's parking rights hereunder shall automatically terminate.

(f) Notwithstanding anything to the contrary contained herein, (i) the use of the parking garage shall be subject to the rules and regulations adopted by the garage owner from time to time for the use of the parking facilities, (ii) parking rentals shall be due and payable to the garage owner or its agent in advance on the first day of each month during which parking spaces are leased hereunder, (iii) City and its parking facility users shall not interfere with the rights of the garage owner or others entitled to similar use of the parking facilities, (iv) the garage owner shall have the right to change, reconfigure, or rearrange the parking facilities, to reconstruct or repair any portion thereof, and to restrict or eliminate the use of any parking facilities and do such other acts in and to such areas as the garage owner deems necessary or

desirable without such actions being deemed an eviction of City or a disturbance of City's use of the Premises and without Landlord being deemed in default hereunder; provided, that Landlord shall cause the garage owner to use commercially reasonable efforts to minimize (to the extent consistent with legal requirements) the extent and duration of any resulting interference with City's parking rights, (v) the garage owner may, in its sole discretion, convert the parking facilities to a reserved and/or controlled parking facility, or operate the parking facilities (or a portion thereof) as a tandem, attendant assisted and/or valet parking facility, and (vi) the garage owner shall have the right at any time to assign parking spaces, and City shall thereafter be responsible to insure that its parking users park in the designated areas.

## **2.4 Base Building Improvements**

Landlord, at no cost to City, shall complete the following improvements to the Building, all as reasonably determined by Landlord (collectively, the "Base Building Improvements"): (i) all restrooms shall comply with applicable Disabilities Laws; (ii) all path of travel in Common Areas and leading to the Premises shall comply with applicable Disabilities Laws; (iii) fire and life safety systems in the Building shall meet the requirements of applicable Laws; (iv) the energy systems in the Building provided by Landlord shall conform to ASHRAE Standard 90.1-2007; (v) the HVAC loop in place; (vi) water sprinklers in place for the shell condition Premises accordance with applicable Laws; and (v) except as may be required in connection with the Leasehold Improvements, the improvements within the Premises shall be demolished and clear and free of debris. City acknowledges that (i) Landlord may complete the Base Building Improvements concurrently with the construction of the Leasehold Improvements and (ii) the Base Building Improvements applicable to any Phase II Premises need only be completed by Landlord at the time of and in connection with the construction of the applicable Leasehold Improvements for such Phase II Premises.

## **3. TERM**

### **3.1 Term of Lease**

(a) The Premises are leased for an initial term (the "Initial Term") commencing on the Commencement Date and expiring on the Expiration Date, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, subject to City's right to extend the Term pursuant to Section 3.4.

(b) Except to the extent resulting from a Tenant Delay or an Unavoidable Delay (as defined below), "Landlord Delay" shall mean any actual delays in the Substantial Completion of any Leasehold Improvements or the Base Building Improvements resulting from (i) the failure by Landlord to deliver space plans, pricing plans, estimated construction costs, working drawings or other construction documents or to otherwise comply with its obligations under the Work Letter by the dates or within the time periods set forth therein, (ii) any Changes requested by Landlord in the Space Plans, Working Drawings or Final Plans, after approval thereof by Landlord and City (except for changes necessary due to unforeseen conditions or to comply with unforeseen interpretations of applicable Laws), and (iii) any delay caused by the Landlord's contractor or the subcontractors including, without limitation, the failure of Landlord's architect to provide or revise plans, drawings or documents in a reasonably expeditious manner or the

failure of Landlord's contractor or the subcontractors to process and execute (or disapprove) any Changes in a reasonably expeditious manner.

(c) Except to the extent resulting from a Landlord Delay or an Unavoidable Delay, "Tenant Delay" shall mean any actual delays in the Substantial Completion of any Leasehold Improvements resulting from (i) a City Change Order (as defined in the applicable Work Letter), (ii) City's failure to comply with any deadline set forth in the applicable Work Letter, (iii) review of plans by the Mayor's Office of Disability failing to occur within thirty (30) days after request by Landlord, (iv) City's seeking to obtain LEED certification for such construction, (v) the performance of any work to be performed by City, including, but not limited to, the installation of City's Connections and any other trade fixtures or specialty equipment, or (vi) any other act or omission of City (acting in its capacity as tenant under this Lease) or any of City's Agents, which materially interferes with or delays construction of the Leasehold Improvements or which is defined as a "Tenant Delay" in the applicable Work Letter. Notwithstanding the foregoing, matters otherwise designated hereunder as Tenant Delays which first occur following Landlord's contractor's establishment of an estimated completion date shall be Tenant Delays only to the extent Substantial Completion of the applicable Leasehold Improvements is delayed beyond the estimated completion date as a result thereof which shall be set forth in the Construction Schedule prepared by the Contractor pursuant to the applicable Work Letter. After Landlord becomes aware of any occurrence that will, or is likely to, result in a Tenant Delay, Landlord shall use reasonable good faith efforts to promptly notify City of such occurrence together with Landlord's then good faith estimate of the probable duration of such Tenant Delay.

(d) As used in this Lease, "Unavoidable Delay" shall mean any delay by reason of fire, acts of God, accidents, breakage, repairs, strikes, lockouts, other labor disputes, inability to obtain labor, materials, fuels or energy after using diligent and timely efforts, inclement weather, enemy action, national emergency, acts of war or terrorism, criminal acts, unforeseen conditions (which shall not include conditions which could reasonably have been foreseen in the exercise of reasonable care), civil commotion, protests, riots, demonstrations, actions or inactions of other tenants or occupants of the Building, or by any other reason without fault and beyond the reasonable control of the party obligated to perform. In the event of the occurrence of any such Unavoidable Delay, the time or times for performance of the obligations of the delayed party will be extended for the period of the delay; provided, however, that as a condition to claiming an Unavoidable Delay, (i) within thirty (30) days after the beginning of any such delay, the delayed party shall have notified the other party in writing of the cause or causes of such delay, which notice shall include the reasonably estimated period of the delay (provided that the estimate contained in such notice shall not be binding, and the delayed party shall be entitled to extend the date for performance by the actual number of days of Unavoidable Delay, notwithstanding the estimate) and (ii) the delayed party cannot, through commercially reasonable and diligent efforts (but without any obligation to pay premiums for overtime labor or to incur any other additional expense), make up for the delay within the time period remaining prior to the applicable performance date. Notwithstanding anything to the contrary in this definition, the lack of credit or financing shall not be considered to be a matter beyond a party's control and therefore shall not be considered an Unavoidable Delay for purposes of this Lease.

(e) The word "Term" as used herein shall refer to the period commencing on the Commencement Date and ending on the Expiration Date, as extended, if applicable. For each

day that the Commencement Date extends beyond December 31, 2018 due to Unavoidable Delay or Landlord Delay, there will be one day added to the Expiration Date. There will be no such extension for Tenant Delay.

### 3.2 Confirmation of Dates

Within thirty (30) days following the Commencement Date, Landlord and City shall execute a notice substantially in the form of *Exhibit B* confirming the actual Commencement Date, but the failure to do so shall not affect the commencement of the Term with respect to such space or the other matters included in such notice.

### 3.3 Delivery of Possession; Delay in Delivery of Possession

(a) Delivery. Landlord shall use commercially reasonable and diligent efforts (without any obligation to pay premiums for overtime labor) to deliver possession of the Phase I Premises with all of the Base Building Improvements and the Leasehold Improvements for the Phase I Premises Substantially Completed on or before the Estimated Phase I Commencement Date, and, subject to the other provisions of this Lease, the Phase II Premises with all of the Leasehold Improvements for the Phase II Premises Substantially Completed on or before the Estimated Phase II Commencement Date.

(b) City Option to Terminate Due to Delay.

(i) Generally. If Landlord is unable to deliver possession of the Base Building Improvements and Phase I Premises in the condition required hereunder by the last day of the Estimated Commencement Date (as extended by the number of days of delay due to Unavoidable Delay or Tenant Delay), then, subject to the provisions of this Section, the validity of this Lease shall not be affected by such inability to deliver. If Landlord is unable to deliver possession of the Base Building Improvements and Phase I Premises to City as required hereunder by the date which is one hundred eighty (180) days after the last day of the Estimated Commencement Date (which date shall be extended by the number of days of delay due to Tenant Delay or Unavoidable Delay) (the "Outside Delivery Date"), then City may, at its option, terminate this Lease upon written notice to Landlord (the "Termination Notice") given prior to delivery of possession of the Phase I Premises to City, and this Lease shall terminate effective on the date which is ten (10) business days after the date of the Termination Notice (the "Termination Date").

(ii) Landlord Suspension Notice; Notice of Projected Completion Date; Automatic Suspension of Termination Date. Notwithstanding the foregoing, if City delivers a Termination Notice, and Landlord's contractor's reasonable, good-faith estimate of the date by which Substantial Completion of the Base Building Improvements and Leasehold Improvements in the Phase I Premises will occur (the "Projected Completion Date") is not later than ninety (90) days after the Outside Delivery Date, Landlord shall have the right to suspend the termination of the Lease until the Projected Completion Date, unless construction has not commenced as of the Outside Delivery Date, in which event this Lease shall terminate on the original Termination Date. In order to suspend the Termination Date pursuant to the foregoing, Landlord must deliver to City, within three (3) business days after receipt of City's Termination Notice, notice of such



suspension ("Landlord's Suspension Notice"), which notice shall include Landlord's contractor's reasonable, good-faith estimate of the Projected Completion Date. If Landlord timely delivers Landlord's Suspension Notice and actually delivers the Base Building Improvements and Phase I Premises to City in the condition required hereunder not later than the Projected Completion Date set forth in Landlord's Suspension Notice (as extended by the number of days of delay following Landlord's Suspension Notice due to Tenant Delay), then the Termination Notice and City's exercise of the right to terminate this Lease shall be null and void and of no force or effect.

(iii) Landlord's Suspension Request; City's Extension Notice and Agreed Suspension of Termination Date. If the Projected Completion Date is more than ninety (90) days after the Outside Delivery Date, and Landlord nevertheless wishes to continue construction of the Leasehold Improvements, Landlord may elect to deliver to City, within three (3) business days after receipt of City's Termination Notice, a written request for a suspension of the Termination Date ("Landlord's Suspension Request"), which request shall include Landlord's contractor's reasonable, good-faith estimate of the Projected Completion Date and shall state Landlord's desired new outside delivery date (the "Extended Outside Delivery Date"). City may agree to the Extended Outside Delivery Date, at its sole election, by written notice to Landlord given within five (5) business days after City's receipt of Landlord's Suspension Request ("City's Extension Notice"). If Landlord timely gives a Landlord's Suspension Request and City timely gives City's Extension Notice, the Termination Date shall be postponed until the Extended Outside Delivery Date (as such date is extended by the number of days of delay following Landlord's Suspension Request due to Tenant Delay), and if Landlord thereafter actually delivers possession of the Phase I Premises to City with the Leasehold Improvements Substantially Completed prior to the Extended Outside Delivery Date, then the Termination Notice and City's exercise of the right to terminate this Lease shall be null and void and of no force or effect.

(iv) If City terminates this Lease pursuant to this Section 3.3(b), neither party shall have any obligations to each other under this Lease, except for obligations that expressly survive the expiration or earlier termination of this Lease. The foregoing restriction shall be inapplicable if Landlord intentionally fails to complete the Leasehold Improvements or deliver the Premises to City by the Outside Delivery Date (as such date may have been extended pursuant to the terms hereof), in which case City shall have the right to pursue a claim for City's costs and expenses for the Leasehold Improvements or other installations in the Building, including any portion of City's Contribution made prior to the termination of this Lease.

### **3.4 Extension Option**

(a) Extension Option; Exercise. Subject to the terms and conditions set forth in this Section 3.4, City shall have the right to extend the Term (the "Extension Option") with respect to the entire Premises only for one (1) additional term of five (5) years (the "Extension Term") commencing upon the expiration of the Initial Term of the Lease. City may exercise the Extension Option, if at all, by giving written notice (the "Extension Exercise Notice") to Landlord no earlier than fifteen (15) months and not later than twelve (12) months prior to expiration of the Initial Term.

(b) Extension Authorizing Resolutions. City's delivery of an Extension Exercise Notice shall be binding upon City, subject only to the condition subsequent of the enactment of a resolution (an "Extension Authorizing Resolution") by City's Board of Supervisors, in its sole and absolute discretion, approving and authorizing the exercise of the Extension Option and lease of the Premises for the Extension Term. Within ten (10) business days following City's delivery of an Extension Exercise Notice and determination of Option Rent in accordance with Section 3.4(d) below, City's Director of Property shall either (i) commence the process required to seek an Extension Authorizing Resolution from City's Board of Supervisors, or (ii) provide Landlord with written notice that City is withdrawing City's Extension Exercise Notice, if City's Director of Property does not reasonably believe the Board of Supervisors or the Mayor will approve of the Option Rent so determined or will not otherwise authorize the exercise of the Extension Option and lease of the Premises for the Extension Term. If the Extension Exercise Notice is withdrawn within such 10-business day period or if the Extension Authorizing Resolution has not been finally adopted and become binding on City within ninety (90) days after the date the Option Rent is determined pursuant to Section 3.4(d) below (subject to any mutually agreed upon extensions, which Landlord may agree to or not in Landlord's sole discretion), then City's Extension Exercise Notice shall become null and void without cost or penalty and the Term shall not be extended and the Extension Option shall terminate.

(c) Terms and Conditions. The Extension Term shall be on all of the terms and conditions contained in this Lease, except that (i) commencing on the first day of the Extension Term, the Base Rent payable for the Premises during the Extension Term (the "Option Rent") shall be adjusted to the Market Rent, as that term is defined in *Exhibit G* attached hereto and determined in accordance with the provisions of Section 3.4(d) below, (ii) City shall take the Premises in their "as is" condition as of the commencement of the Extension Term and Landlord shall have no obligation to remodel, improve or alter the Premises or to provide City with any construction or refurbishment allowance, and (iii) City shall have no further right to extend the Term after expiration of the Extension Term. In addition, Landlord shall have no obligation to pay any brokerage commission to any representative of City in connection with City's exercise of any Extension Option.

(d) Determination of Option Rent.

(i) Initial Designation of Proposed Option Rent. In the event City timely and properly exercises the Extension Option by delivery of an Extension Exercise Notice, Landlord shall provide City with written notice of Landlord's good faith determination of the Option Rent (the "Proposed Option Rent Notice") within thirty (30) days of receipt of City's option exercise.

(ii) City's Right to Dispute. If City disputes the Option Rent set forth in the Proposed Option Rent Notice City shall so notify Landlord in writing within fifteen (15) days of receipt of thereof.

(iii) Failure to Dispute. If City fails to dispute the Option Rent set forth in the Proposed Option Rent Notice within such fifteen (15) day period, the Option Rent proposed in the Proposed Option Rent Notice shall be the Option Rent, and the last day of such fifteen (15) day period shall be deemed to be the date on which Option Rent was established for the purposes of Section 3.4(b) above.

(iv) Consultation Period; Rent Arbitration. If City timely disputes the Option Rent set forth in the Proposed Option Rent Notice, then during the thirty (30) day period following City's written disapproval notice (the "Consultation Period"), Landlord and City shall attempt in good faith to meet no less than two (2) times, at a mutually agreed upon time and place, to attempt to establish the Option Rent. Landlord and City's Director of Property may agree in writing to extend the Consultation Period for a reasonable period to resolve their disagreement, provided that the Consultation Period shall not be extended beyond the date that is one hundred eighty (180) days prior to the expiration of the Initial Term (the "Outside Agreement Date"). If Landlord and City fail to reach agreement on the Option Rent by the Outside Agreement Date, then the Option Rent shall be established in accordance with the procedures set forth in *Exhibit G* attached hereto.

(e) General Provisions. The following general provisions shall apply to the Extension Option:

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

(ii) Notwithstanding anything to the contrary contained herein, if an uncured material Event of Default exists at the time of exercise of the Extension Option, Landlord may reject such exercise by delivering written notice thereof to City within three (3) business days of receipt of the Extension Exercise Notice.

(iii) City's right to exercise the Extension Option is personal to, and may be exercised only by, the City.

(iv) If City shall assign this Lease then immediately upon such assignment, City's right to exercise the Extension Option shall terminate and be of no further force and effect, and if City shall sublet more than twenty-five (25%) percent of the rentable area of the Premises (other than space sharing arrangements pursuant to Section 14.2 below), then immediately upon such subletting, City's right to exercise the Extension Option shall simultaneously terminate and be of no further force or effect. No assignee or subtenant shall have any right to exercise the Extension Option.

(v) After the Base Rent payable during the Extension Term is determined, the Parties shall memorialize the extension of the Term and the amount of the Base Rent payable during the Extension Term in writing in a form reasonably acceptable to both Parties.

(vi) Subject to the provisions of this Section 3.4, after exercise of the Extension Option, all references in this Lease to the Term shall be deemed to refer to the Term as extended, unless the context clearly provides to the contrary.

(vii) If City shall fail to timely exercise the Extension Option, the Extension Option shall terminate and be of no further force and effect, subject to the provisions of Section 23.15. If this Lease shall terminate for any reason, then immediately upon such termination the Extension Option shall simultaneously terminate and become null and void.

## 4. RENT

### 4.1 Base Rent

Beginning on the Commencement Date, City shall pay to Landlord during the Term the annual Base Rent at the applicable rates per rentable square foot of the Premises then being leased by the City as specified in the Basic Lease Information (the "Base Rent"). Commencing on the Phase II Commencement Date for the applicable Phase II Premises, City shall pay Base Rent for the Phase II Premises, as the same may be delivered, at the same rate per rentable square foot payable during the Term for the Phase I Premises. Subject to Section 4.2 below, City shall pay Base Rent to Landlord, in advance, in equal monthly installments, commencing on the Commencement Date, and thereafter on or before the first day of each calendar month during the Term 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 sixty (60) days' advance notice. The Base Rent rates per rentable square foot shall be adjusted from time to time as set forth in the Basic Lease Information. During the Extension Term, if applicable, the new Base Rent rates established for the Extension Term shall be in accordance with Section 3.4 above. Notwithstanding the foregoing, to the extent reasonably possible, City agrees to make Rent payments by electronic transfer. 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 the applicable space for such fractional month shall be prorated based on a 28, 29, 30 or 31 day month as the case may be.

City acknowledges and agrees that this Lease is intended to be a triple net lease such that, notwithstanding anything to the contrary contained in this Lease, except for the items specifically excluded from Operating Costs under this Lease, all costs and expenses incurred or accrued by Landlord in connection with the Property shall be included as part of Operating Costs.

### 4.2 Intentionally Deleted

### 4.3 Intentionally Deleted

### 4.4 Additional Charges

(a) Additional Charges. Except as otherwise expressly set forth in this Lease, Landlord shall pay, at Landlord's cost (subject to applicable reimbursement provisions of this Lease), all Real Estate Taxes, Operating Costs, and all other costs, fees and charges in connection with the management, operation, maintenance and repair of (and all references to repair as part of Operating Costs shall also be deemed to include replacements with respect to) the Building and in fulfilling Landlord's obligations under this Lease, including, but not limited to the cost of any and all improvements and repairs made to the Building whether or not required by applicable Law. City shall reimburse Landlord, on a monthly basis upon receipt of appropriate invoices, for the following: (i) the after-hours or excess services and utilities costs as set forth in Section 9.1(c), (ii) the costs incurred by Landlord for any alterations or other modifications to any part of the Property requested by City, and (iii) any services requested by

City or otherwise as set forth in Section 9.7. The charges payable by City pursuant to the preceding sentence are sometimes referred to as “City Service Charges.” In addition, City shall pay to Landlord as additional Rent, City’s Percentage Share of Real Estate Taxes and Operating Costs as provided in Sections 4.5 through 4.8. All of the reimbursements, payments and charges referred to in this Section 4.4 are collectively referred to in this Lease as the “Additional Charges.” Additional Charges shall be payable to Landlord at the place where the Base Rent is payable, without deduction, offset or abatement, except as expressly set forth in this Lease. Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent, Additional Charges, and all other additional payments due to Landlord by City under this Lease are collectively referred to in this Lease as “Rent.”

(b) Statements; Disputes. If City reasonably believes that the amount of City’s Service Charges or Additional Charges invoiced by Landlord has been incorrectly calculated, City may provide notice of such dispute to Landlord and Landlord shall promptly investigate and either (i) equitably recalculate the amounts invoiced or (ii) if the amount can be justified in good faith, provide a written justification to City, together with back-up calculations and materials, within thirty (30) days of City’s notice. City may withhold the disputed amount, however any disputed amounts shall not affect payment of non-disputed amounts. The parties shall use good faith efforts to promptly resolve any dispute.

#### 4.5 Definitions

(a) Generally. For purposes hereof, the following terms shall have the meanings hereinafter set forth:

“City’s Percentage Share” means the percentage of rentable space leased by City from time to time compared to the total rentable space in the Building.

“Expense Year” means the Commencement Date to December 31 of that calendar year, and each calendar year commencing January 1st thereafter during the Term.

“Operating Costs” means the total costs and expenses actually paid or incurred by Landlord, subject to imputed insurance costs as set forth below and “gross-up” provisions set forth in Section 4.5(b), in connection with the management, operation, maintenance and repair of (and all references to repair as part of Operating Costs shall also be deemed to include replacements with respect to) the Property, including, but not limited to: (1) the cost of air conditioning, electricity, steam, water, heating, mechanical, telephone, ventilating, escalator and elevator systems and all other utilities, (2) the cost of repairs and all labor and material costs related thereto, and the cost of general maintenance, janitorial, cleaning and service contracts and the cost of all supplies, tools and equipment required in connection therewith, (3) the cost incurred by Landlord for insurance (including an imputed premium and deductible if Landlord self-insures all or a portion of the insurance for the Property, provided that such imputed premium and deductible shall not exceed the amount of the insurance premium and deductible that would have been incurred if Landlord obtained third-party insurance for such self-insured risks comparable to that obtained by other institutional owners of Class A office buildings in the South of Market area); (4) wages, salaries, payroll taxes and other labor costs and employee

benefits relating to employees of Landlord or its Agents engaged in the operating, repair, or maintenance of the Building, allocated in proportion to the percentage of such person's working time actually spent working in connection with the Building, (5) management fees, subject to the limitation set forth in *Exhibit C*, (6) accounting and legal expenses, (7) depreciation on personal property, including, without limitation, carpeting in public corridor and Common Areas and window coverings provided by Landlord, (8) to the extent not directly reimbursed by City, the cost of capital expenditures incurred after the Commencement Date, to the extent allowed under Item 1 of *Exhibit C*, (9) all costs and expenses for which Landlord is responsible for paying under the Declaration including, without limitation, any amounts billed by any association or similar entity established in connection with the Declaration, and (10) all other expenses incurred in connection with the management, operation, maintenance or repair of the Building (other than Real Estate Taxes and any services for which Landlord is separately and directly reimbursed by City or other tenants in the Building) which would generally be considered an operating expense. With respect to the costs of items included in Operating Costs under clause (8) above, such costs shall be amortized over the useful life thereof as reasonably determined taking into account relevant factors, together with interest on the unamortized balance at an interest rate specified in Item 1 of *Exhibit C*. Notwithstanding the foregoing, "Operating Costs" shall exclude the items described on the attached *Exhibit C*.

"Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the Property, or Landlord's interest in the Property. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, any tax on or measured by the rent, or imposed against right to rent or against the business of leasing any portion of the Property (measured as if the receipts from the Property were the only receipts of Landlord), service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes. Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, or capital stock taxes or income taxes measured by the net income of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes hereunder, (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Building, or (4) any increase in Real Estate Taxes during the Initial Term due to any reassessment pursuant to the terms of Proposition 13 ("Reassessment") based solely upon a transfer of any of Landlord's interest in the Building or Landlord's interest in the real property on which the Building is located which occurs during the first three (3) years of the Initial Term ("Tax Increase") (for purposes of clarity, Landlord and City acknowledge and agree that any and all increases in Real Estate Taxes due to any such Reassessment based solely upon a transfer of any of Landlord's interest in the Building or Landlord's interest in the real property on which the Building is located occurring after the first three (3) years of the Initial Term shall be included within the calculation of Real Estate Taxes). For the avoidance of doubt, "Tax Increase" shall mean that portion of the Real Estate Taxes, as

calculated immediately following the Reassessment, which is attributable solely to the Reassessment. Accordingly, the term "Tax Increase" shall not include (and City shall be required to pay for) any portion of the Real Estate Taxes, as calculated immediately following the Reassessment, which is attributable to (i) the initial assessment of the value of the Property, the base, shell and core of the Buildings, or the tenant improvements located in the Building, (ii) assessments which were pending prior to the Reassessment or which would otherwise have occurred unrelated to the change in ownership, or (iii) the annual inflationary increase of Real Estate Taxes. In addition, nothing contained in this Lease is intended to excuse City from paying the full amount of any Real Estate Taxes (including, without limitation, as a result of reassessments) resulting from any construction and/or improvements made to the Building or the land upon which it is located by Landlord or City or any other party at time.

"Tax Year" means each calendar year during the Term; provided that Landlord, upon notice to City, may change the Tax Year from time to time to any other twelve (12) consecutive month period and, in the event of any such change, City's Percentage Share of Real Estate Taxes shall be equitably adjusted for the Tax Year involved in any such change.

(b) Adjustment for Occupancy Factor. City and Landlord intend that Operating Costs which vary by occupancy (or density of occupancy) be equitably adjusted to reflect a 100% occupied and fully functioning Building. To accomplish the foregoing, all variable components (i.e. costs that vary based on occupancy and density) of Operating Costs for each calendar year shall be adjusted to the amount such variable components would have been if all space in the Building had been fully occupied at densities typical for the Building's office and other uses during the entire calendar year, and the adjusted amount of the variable components shall be used in determining Operating Costs for the calendar year. In the event that the Building is less than one hundred percent (100%) occupied (with densities typical and customary for office and other existing uses), Landlord shall appropriately and equitably adjust the Operating Costs for the Expense Year, in accordance with industry custom, to reflect such one hundred percent (100%) occupancy level.

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

Landlord and City acknowledge that there are many variables to determining the appropriate expenses for a 100% occupied building when the building is not 100% occupied at typical densities, and that, without malice, errors may be made benefitting either party in establishing the Expense Year Operating Costs.

If City's Percentage Share of Operating Costs in any year are not typical of comparable buildings' costs, and City reasonably believes that one or more of the adjustments required by this Section has been incorrectly calculated, City may provide notice of such dispute to Landlord and Landlord shall promptly investigate and determine the reason why the challenged amount does not follow the typical unit cost amount and either (i) equitably recalculate the adjustment(s) or (ii) if the expense can be justified in good faith for other legitimate and allowed reasons, provide a written justification to City, together with back-up calculations and materials, within thirty (30) days of City's notice.

During the next forty five (45) days Landlord and City shall meet at least twice and use good faith efforts to attempt to equitably resolve the matter.

If City and Landlord continue to disagree after the expiration of such period, City may give notice to Landlord of City's election to arbitrate the matter, in which case the following procedure shall be followed.

Each party shall select (within thirty (30) days of City's notice) a Certified Public Accountant experienced in San Francisco high rise property operating expenses, and occupancy adjustments. The representatives so selected shall in good faith investigate, meet and confer and try to equitably resolve the matter within sixty (60) days of the last representative's appointment. In the event the two representatives do not agree by the expiration of such period, the representatives shall select a mutually agreeable third qualified representative, and Landlord shall engage such third representative within forty five (45) days of the expiration of the 60-day period given for the representatives to resolve the dispute. Within thirty (30) days after Landlord engages such third party representative, the two initial representatives shall each submit a written analysis and justification for its position. If necessary, the third representative shall also meet with both representatives. The third representative shall then select one or the others position as equitable. The party whose position was not selected shall pay the actual and reasonable costs of all representatives engaged to resolve the dispute.

(c) Clarification Regarding "Sole Cost". The parties agree that statements in this Lease to the effect that Landlord is to perform certain of its obligations hereunder at its own cost or sole cost and expense shall not be interpreted as excluding any cost from Operating Cost or Real Estate Taxes if such cost is an Operating Cost or Real Estate Tax pursuant to the terms of this Lease (except where such cost is specifically excluded from Operating Costs or Real Estate Taxes).

#### **4.6 Payment of Percentage Share of Operating Costs**

City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of the Operating Costs. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City by November of the previous year (e.g., by November 2017 for the calendar year 2018 payments). Landlord may revise such estimates of Operating Costs during an Expense Year if done in a writing delivered to City prior to May 1<sup>st</sup>, and City shall thereafter make payments on the basis of such revised estimates, commencing on the first day of the calendar month which is thirty days after City's receipt of the revised estimate. With reasonable promptness not to exceed one hundred eighty days (180) days after the expiration of each Expense Year, Landlord shall furnish City with a statement (herein called "Landlord's Expense Statement"), setting forth in reasonable detail the Operating Costs for such Expense Year and City's Percentage Share of the Operating Costs for such Expense Year. Landlord shall also furnish City with Landlord's reasonable estimate of the Landlord's Expense Statement not later than seventy five (75) days after the expiration of each Expense Year, provided that such estimate shall not be binding on Landlord. If City's Percentage Share of the actual Operating Costs for such Expense Year exceeds the total amount paid by City for such Expense Year pursuant to this Section 4.6, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the total amount of



estimated Operating Costs paid by City and City's Percentage Share of the actual Operating Costs for such Expense Year (the "Expense Shortfall") as follows: the amount of the Expense Shortfall up to five percent (5%) of the total amount of estimated Operating Costs paid by City for such Expense Year shall be payable within thirty (30) days after Landlord's delivery of Landlord's Expense Statement to City, and the balance of the Expense Shortfall, if any, shall be paid at the beginning of City's next fiscal year. If the total amount of estimated Operating Costs paid by City for any Expense Year exceeds City's Percentage Share of the actual Operating Costs for such Expense Year, such excess shall be credited against the next installments of Rent due from City to Landlord hereunder, or, if this Lease has terminated, then refunded to City within thirty (30) days after Landlord's delivery of Landlord's Expense Statement to City.

Notwithstanding the foregoing, any failure or delay in the delivery of Landlord's Expense Statement or Landlord estimate of City's Percentage Share of Operating Costs for the succeeding calendar year shall not operate as a waiver of Landlord's right to collect City's Percentage Share of Operating Costs owing to Landlord, and in such event City shall make estimated payments for such Expense Year based on the estimate for the prior Expense Year.

#### **4.7 Payment of Percentage Share of Real Estate Taxes**

City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share of Real Estate Taxes for that Tax Year. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City by January of the previous Tax Year (e.g., by January 31, 2018 for the Tax Year 2018-2019 payments). With reasonable promptness not to exceed sixty (60) days after Landlord has received the tax bills for any Tax Year, Landlord shall furnish City with a statement ("Landlord's Tax Statement") setting forth the amount of Real Property Taxes for such Tax Year and City's Percentage Share of the Real Estate for such Tax Year. If City's Percentage Share of the actual Real Estate Tax for such Tax Year exceeds the total amount paid by City for such Tax Year pursuant to this Section 4.7, then within sixty (60) days, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the total amount of estimated Real Estate Tax paid by City and City's Percentage Share of the actual Real Estate Tax for such Tax Year (the "Tax Shortfall") as follows: the amount of the Tax Shortfall up to five percent (5%) of the total amount of estimated Real Estate Tax paid by City for such Tax Year shall be payable within thirty (30) days after Landlord's delivery of Landlord's Tax Statement to City, and the balance of the Tax Shortfall, if any, shall be paid at the beginning of City's next fiscal year. If the total amount of estimated Real Estate Tax paid by City for any Tax Year exceeds City's Percentage Share of the actual Tax Expense for such Tax Year, such excess shall be credited against the next installments of Rent due from City to Landlord hereunder, or, if this Lease has terminated, then refunded to City within thirty (30) days after Landlord's delivery of Landlord's Tax Statement to City.

Notwithstanding the foregoing, any failure or delay in the delivery of Landlord's Tax Statement or Landlord's estimate of City's Percentage Share of Real Estate Taxes for the succeeding calendar year shall not operate as a waiver of Landlord's right to collect City's Percentage Share of Real Estate Tax owing to Landlord, and in such event City shall make estimated payments for such Tax Year based on the estimate for the prior Tax Year.

The amount of Real Estate Taxes which City is not obligated to pay or will not be obligated to pay in connection with a Reassessment as provided for in clause (4) in the definition of Real Estate Taxes shall be sometimes referred to hereafter as the "Prop 13 Protection Amount." If the occurrence of a Reassessment is reasonably foreseeable by Landlord and the Prop 13 Protection Amount attributable to such Reassessment can be reasonably quantified or estimated for each Tax Year commencing with the Tax Year in which such Reassessment will occur, the terms of this paragraph shall apply to such Reassessment. Upon not less than sixty (60) days prior notice to City, Landlord shall have the right to purchase the Prop 13 Protection Amount relating to the applicable Reassessment by paying to City an amount equal to the Prop 13 Purchase Price (defined below). As used herein, "Prop 13 Purchase Price" shall mean the present value of the Prop 13 Protection Amount remaining during the Initial Term as of the date of payment of the Prop 13 Purchase Price by Landlord. Such present value shall be calculated (i) by using the portion of the Prop 13 Protection Amount attributable to each remaining Tax Year (as though the portion of such Prop 13 Protection Amount benefited City at the end of each Tax Year) as the amounts to be discounted, and (ii) by using discount rates for the amount to be discounted equal to the average rates of yield for United States Treasury Obligations with maturity dates as close as reasonably possible to the end of each Tax Year during which the portions of the Proposition 13 Protection Amount would have benefited City, which rates shall be those in effect as of Landlord's exercise of its right to purchase as set forth in this paragraph. Upon such payment of the Prop 13 Purchase Price, the provisions of clause (4) in the definition of Real Estate Taxes shall be deemed deleted in their entirety and shall no longer have any force or effect. Since Landlord is estimating the Prop 13 Purchase Price because the applicable Reassessment has not yet occurred, if Landlord has underestimated the Prop 13 Purchase Price when such Reassessment occurs, then upon notice by Landlord to City, City's Rent next due shall be credited with the amount of such underestimation, and if Landlord has overestimated the Prop 13 Purchase Price, then upon notice by Landlord to City, City's Rent next due shall be increased by the amount of the overestimation.

#### **4.8 Proration**

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

#### **4.9 Review and Audits**

(a) City shall have the right, by written notice to Landlord given within one hundred eighty (180) days after City's receipt of the annual statement, to request reasonable back-up documentation for specific Operating Costs and Real Estate Taxes shown on such annual statement, or specific categories thereof, and Landlord shall provide City with (or make available to City at Landlord's offices in San Francisco) reasonable supporting documentation for any expenses or category of expenses questioned by City in such notice. Promptly after the receipt of such written request from City, Landlord and City shall endeavor in good faith to resolve City's questions or dispute.

(b) Further, City shall have the right, not more frequently than once during any calendar year and upon not less than thirty (30) days' written notice to Landlord, to audit the books and records of the Building related to Operating Costs and Real Estate Taxes for any or all of the prior three (3) Expense Years and Tax Years. Such audit may be conducted by the City Controller or his or her designee or by an independent accounting firm selected by City ("City's Representative") and may be made in connection with City's review of back-up documentation described above or independent of such review. Upon completion of the audit, City shall deliver a copy of the audit report to Landlord. Within thirty (30) days of Landlord's receipt of City's audit report, Landlord shall notify City as to whether Landlord agrees or disagrees with the conclusions reached in City's auditor's report. Disclosure of materials provided by Landlord in connection with the audit shall be subject to the terms of Section 4.11 below. In no event may City audit the same Expense Year or Tax Year more than once.

(c) Thirty (30) days after receipt of the City's audit report, the parties shall meet and endeavor in good faith to resolve the dispute. If the parties fail to reach agreement within ninety (90) days after City's receipt of Landlord's objection, Landlord shall provide to City, within thirty (30) days after expiration of such ninety (90) day period, a list of three (3) independent certified public accounting firms that are not currently providing, and have not within the five (5) previous years provided, services to Landlord or City's Controller or Department of Real Estate. Each of the firms shall be nationally or regionally recognized firms with experience in accounting related to commercial office buildings. In order to accommodate the foregoing, City shall provide to Landlord, within ten (10) business days after request, a complete list of all certified public accounting firms that are currently providing, or have within the five (5) previous years provided, services to City's Controller or Department of Real Estate. Within thirty (30) days after receipt of the list of accounting firms from Landlord, City shall select one of the three (3) firms by written notice to Landlord, which firm is referred to herein as the "Independent CPA". The Independent CPA shall be engaged by Landlord on a non-contingency basis and must sign a confidentiality agreement in a form reasonably acceptable to Landlord. The Independent CPA shall examine and inspect the records of Landlord concerning the disputed components of Operating Costs and/or Real Estate Taxes for the Expense Year or Tax Year in question and make a determination regarding the accuracy of City's audit. The Independent CPA shall begin such examination and inspection within sixty (60) days after selection and shall diligently pursue such audit to completion as quickly as reasonably possible.

(d) If the Independent CPA (or, if Landlord does not engage the Independent CPA as provided above, then City's audit following the resolution, if any, of any dispute between Landlord and City as provided in the first sentence of Section 4.9(c) above) determines that Landlord's Expense Statements or Tax Statements were in error, and the correction of such errors would reduce City's Percentage Share of Operating Costs or Real Estate Taxes for any of the past four (4) Expense Years or Tax Years, then Landlord shall refund to City the amount of any overpayment by City within thirty (30) days following City's demand or permit City to credit such amount against the Rent as it next becomes due and owing. City shall pay the cost of City's audit and shall reimburse Landlord for one-half (1/2) of the cost of the examination and inspection by the Independent CPA, provided that if the Independent CPA review (or, if Landlord does not engage the Independent CPA as provided above, then City's audit following the resolution, if any, of any dispute between Landlord and City as provided in the first sentence of Section 4.9(c) above) discloses any errors that result in a reduction in the amount of City's

Percentage Share of Operating Costs or Real Estate Taxes of five percent (5%) or more for any Expense Year or Tax Year, then Landlord shall pay the costs reasonably incurred for such audit and review for such Expense Year or Tax Year. In no event shall City be permitted to make a claim against Landlord for any errors or omissions in an Expense Statement or in Landlord's Tax Statement that was delivered to City more than three (3) years prior to the date of the claim, or, if City exercises its right to audit Landlord's books and records, more than three (3) years prior to the date such audit was commenced.

#### **4.10 Records**

Landlord shall maintain in a commercially reasonable manner all material records pertaining to Operating Costs, Real Estate Taxes, and any other charges paid by City pursuant hereto, for the greater of five (5) years following the year to which the record pertains or the resolution of any dispute between Landlord and City regarding the Operating Costs, Real Estate taxes, and any other charges for the applicable year (or such longer period that Landlord, in its sole discretion determines appropriate). City acknowledges that it is commercially reasonable to retain the records in electronic format, provided that such format allows for delivery to City of reasonable back up documentation, such as invoices and contracts (which may be retained and delivered in an electronic format such as pdf). All such books and records shall be available for inspection, copying and audit by City and its representatives, at City's expense, subject to the provisions of Section 4.9 (Audits) above. Landlord shall not charge for electronic delivery of documents.

#### **4.11 Disclosures; Confidentiality**

The California Public Records Act (Government Code Section 6250 *et seq.*) is the State law governing public access to the records of State and local agencies. The San Francisco Sunshine Ordinance (Administrative Code Chapter 67) imposes additional requirements affecting the public's access to records. The premise of both the Public Records Act and the Sunshine Ordinance is that records in the possession of government generally are public property. Absent some specific and limited exceptions, City agencies must make those records available for the public to inspect and copy.

Landlord anticipates that in connection with the audit rights contemplated by this Lease, Landlord may share with certain representatives of the City certain confidential information that is exempt from discovery under the California Public Records Act and the San Francisco Sunshine Ordinance. As used in this Section, "Confidential Information" means certain technical and non-technical proprietary information that constitutes the trade secrets of Landlord.

If Landlord believes in good faith that any information required to be reported or disclosed by this Section contains Confidential Information, Landlord shall provide the information to the City Representative requiring such information, conspicuously marked with a "Confidential Trade Secret" legend, and shall notify the City in writing of that belief, detailing the basis of the belief as to each specific item of information the person claims is Confidential Information and identifying the specific statute or judicial authority under which the claim is made.

City agrees that to use reasonable care to safeguard the Confidential Information from disclosure to any third party other than employees and contractors of City departments who have a need to have access to and knowledge of the Confidential Information for the purpose of conducting the audit authorized above. Notwithstanding the foregoing, if and to the extent any Confidential Information may be subject to disclosure by City pursuant to federal, state, or local law, including the California Public Records Act or the San Francisco Sunshine Ordinance, or a court order, City may disclose such Confidential Information to the extent required thereby, and such disclosure shall not be deemed a violation of this Lease. City shall use reasonable efforts to notify Landlord of a disclosure request not less than 48 hours prior to any disclosure by City, provided that City's failure to notify Landlord shall not result in any liability to City. If City receives a request for disclosure of information identified by Landlord as Confidential Information, City shall inform Landlord either that the City will refuse to disclose the purported Confidential Information or, that City has determined that there is no proper basis for such refusal and that City intends to disclose the information unless ordered otherwise by a court. Upon receipt of notice from City of a disclosure request, Landlord may at its election provide City with any information Landlord believes is relevant to the determination of whether such information is exempt from discovery under the California Public Records Act and the San Francisco Sunshine Ordinance, or seek injunctive relief against such disclosure. Landlord shall not seek to prevent or limit the disclosure of any information subject to a disclosure request or an order by a court or governmental agency unless Landlord has a reasonable, good faith belief that the information is privileged or otherwise exempt from disclosure.

Notwithstanding the foregoing, City shall have no obligation with respect to Confidential Information that (i) was rightfully in possession of or known to City without any obligation of confidentiality prior to receiving it from Landlord; (ii) is, or subsequently becomes, legally and publicly available without breach of this Lease; (iii) is rightfully obtained by City from a source other than Landlord without any obligation of confidentiality; or (iv) is developed by or for the City without use of the Confidential Information.

#### **4.12 Rent Abatement and Termination Rights for Unsafe Condition or Interruption in Essential Services**

If City's ability to carry on its business in the Premises is materially impaired as a result of (i) Landlord's inability to supply any of the Building's sanitary, electrical, heating, air conditioning, water, or elevators serving the Premises ("Essential Services") or (ii) the Premises or the Common Areas or any portion thereof being rendered unsafe for human occupancy (an "Unsafe Condition"), and such disruption in Essential Services or Unsafe Condition continues for three (3) or more consecutive business days after notice to Landlord of the disruption in Essential Services or Unsafe Condition, then commencing on the third (3<sup>rd</sup>) business day Rent payable hereunder shall be abated based on the extent such disruption in Essential Service or an Unsafe Condition materially impairs City's ability to carry on its business at the Premises. The provisions of the preceding sentence shall only apply to the extent that Landlord collects rent loss insurance proceeds during the abatement period. Such abatement shall continue until the Essential Services have been restored or the Unsafe Condition has been remedied so that such matter no longer materially impairs City's ability to carry on its business in the Premises. In addition, if City's use of the Premises is materially impaired as a result of a disruption in Essential Services or an Unsafe Condition that is (i) within Landlord's reasonable control and

continues for ninety (90) or more consecutive days after City's written notice thereof to Landlord, or (ii) outside of Landlord's reasonable control (provided that such interruption, failure or inability did not arise from any act, negligence or willful misconduct of City or any other City Parties) and continues for three hundred sixty five (365) or more consecutive days after City's written notice thereof to Landlord, then City shall have the right to terminate this Lease upon thirty (30) days written notice to Landlord given during the period of such failure, without limiting any of its other rights or remedies hereunder or at law or in equity; provided, however, that if during such thirty (30) day period City's use of the Premises is no longer materially impaired or the Unsafe Condition is remedied, then City's termination notice shall be deemed rescinded. Notwithstanding the foregoing, (i) nothing in this Section shall limit or expand the parties' rights and responsibilities with respect to any disruption due to casualty pursuant to Article 12 (Damage and Destruction) or Article 10 (Compliance with Laws), and (ii) nothing in this Section shall create additional maintenance or repair obligations that Landlord does not otherwise have under the terms of this Lease. Notwithstanding the foregoing, City shall not be entitled to any abatement of Base Rent or City's Percentage Share of Operating Costs and Real Estate Taxes or right to terminate if the Unsafe Condition or Landlord's inability to supply Essential Services to City is due to the acts, omissions or negligence of City, its Agents or Invitees. To the extent the disruption of Essential Services or Unsafe Condition results from damage or destruction to the Building, the Rent abatement and termination provisions of Article 12 shall control.

## 5. USE

### 5.1 Permitted Use and Zoning Matters

(a) City may use the Premises for such uses as may be specified in the Basic Lease Information (the "Permitted Use"), and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed. City shall not use the Premises or Common Areas or permit anything to be done by City or City's Agents or Invitees in or about the Premises or the Common Areas, or any other portion of the Building or Property, which would unreasonably interfere with or unreasonably disturb the rights of Landlord or other occupants of the Building, or cause, maintain or permit by City or City's Agents or Invitees any nuisance or waste in, on or about the Premises, or Common Areas or any other portion of the Building or Property. City acknowledges that the operation of Property is subject to the Declaration and City shall be required to comply with requirements of the Declaration. Without limiting the generality of the foregoing, City expressly agrees that City shall not use the Premises for any of the following purposes: (i) drug counseling or treatment; (ii) the detention of criminals; (iii) parole or probation programs, counseling or meetings; (iv) medical clinics, mental health programs or other medical services; (v) general assistance/welfare disbursements or job training/counseling or other programs for the recipients of general assistance/welfare disbursements; and/or (vi) the detention of any persons who are under active criminal investigations (each, a "Prohibited Use"), without Landlord's prior written consent, which Landlord may not delay but may withhold in its sole absolute discretion.

(b) In addition, City shall have no right to use the Premises for any Banking Use, without Landlord's prior written consent, which consent may be withheld in Landlord's sole and absolute discretion. For purposes of this Lease, "Banking Use" means retail or wholesale

banking operations, including, without limitation, receiving deposits, offering checking accounts, making loans (including, without limitation, home mortgage loans and automobile loans), issuing credit or debit cards, providing automated teller machines, or selling securities (e.g., stocks and mutual funds) or giving investment advice to the general public, whether done by a Financial Institution or other entity or individual and whether accomplished by means of full service, express service, automated teller machines or other self-service banking devices or otherwise. "Financial Institution" means any state bank, national bank, savings and loan association, savings bank, credit union, investment or stock brokerage firm, or other similar entity. The foregoing shall not be deemed to prohibit City from the collection of taxes or fees.

(c) City acknowledges and agrees that, except as expressly provided for in Section 21.2, neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of all or any portion of the Premises or the Building, and/or the suitability of the Premises or the Building for the Permitted Use, and City waives any implied warranty that the Premises or the Project are suitable for the Permitted Use. City shall obtain all required governmental approvals to conduct the Permitted Use at the Premises.

## 5.2 Observance of Rules and Regulations

City acknowledges and agrees to observe the current Building rules and regulations attached hereto as *Exhibit D* (the "Building Rules and Regulations" and/or the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period upon Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Landlord's obligations hereunder nor unreasonably interfere with City's business otherwise permitted to be conducted in the Premises in accordance with this Lease, and such additions or modifications must be applicable to the other Building tenants, not conflict with the provisions of this Lease, not materially increase the burdens or obligations upon City, not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and not materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building tenants to comply with them.

## 6. LEASEHOLD IMPROVEMENTS

### 6.1 Leasehold Improvements.

(a) Leasehold Improvements. Landlord, through its general contractor approved by City, shall demise the Premises, perform the work and make the installations in the Premises and the Common Areas pursuant to the Construction Documents approved by City, and in accordance with the provisions of the Work Letter attached as *Exhibit E* hereto (the "Work Letter"). The term "Leasehold Improvement Work" shall mean all of the work of designing, constructing and installing the Leasehold Improvements. The term "Leasehold Improvements" with respect to the Premises shall have the respective meanings given to them in the Work Letter. The Work Letter for the Phase II Premises shall be the same as for the Phase I Premises, with such site specific adjustments as needed to reflect the Leasehold Improvement Work to be

performed in the Phase II Premises. For the avoidance of any doubt, the form of Work Letter attached hereto as *Exhibit E* is not the final Work Letter for each phase of the Premises but rather the agreed upon template that will be used as the basis for the Work Letter for such phase, but in no event may the Work Letter utilized for each phase contain terms and conditions which are inconsistent with the terms and conditions contained in the template Work Letter attached hereto as *Exhibit E* unless mutually agreed to by the parties. The cost of the design and construction of the Leasehold Improvements and all costs and expenses in connection therewith shall be paid by City, subject to the Allowance provided by Landlord, as described in the Basic Lease Information and the Work Letter. Without limiting Landlord's obligation under Section 10.1 regarding compliance with applicable Laws, Landlord shall not be required to make any structural improvements, modifications or alterations as part of any Leasehold Improvement Work or Leasehold Improvements.

The Leasehold Improvements shall be constructed pursuant to construction plans and specifications prepared by Landlord's architect and mutually agreed to by City and Landlord. With respect to the Phase I Premises, City shall be required to have agreed with Landlord regarding the construction plan and specifications for the Phase I Premises by December 15, 2017 ; provided, however, that such date shall be extended on a day for day basis for each day, if any, between the date that is seven (7) days after the Effective Date and the date that Landlord provides the Section 23.30 Notification. With respect to each portion of the Phase II Premises, City shall be required to have agreed with Landlord regarding the construction plan and specifications for each portion of the Phase II Premises within thirty (30) days after Landlord notifies City of then scheduled expiration or earlier termination date of the existing lease with respect to such portion of the Phase II Premises.

Since the timing of the lease of the Phase II Premises is subject to Landlord entering into agreements with existing tenants as elsewhere provided in this Lease, no portion of the Allowance for the Phase II Premises shall be made available for use by City unless and until Landlord confirms in writing to City the size of the Phase II Premises and the timing of the delivery of the Phase II Premises, which may be in phases, that will be leased by City so that the amount of the Allowance for the applicable Phase II Premises may be calculated.

(b) Additional Construction Allowance. At City's request, in addition to the amount of any construction allowance provided by Landlord pursuant to the Work Letter, Landlord shall provide an additional allowance for construction of improvements to the Premises (the "Additional Construction Allowance") in the Basic Lease Information. Commencing on the Commencement Date with respect to the Phase I Premises, and on the applicable Phase II Commencement Date with respect to the applicable Phase II Premises, and continuing until such sum is repaid in full, City shall pay Landlord on a monthly basis, as additional Rent, the sum required to amortize the Additional Construction Allowance on a straight-line basis with interest on unpaid sums at eight percent (8%) per annum over the period commencing on the Commencement Date for the Phase I Premises and commencing on the applicable Phase II Commencement Date for the applicable Phase II Premises and ending on the Expiration Date (without regard to Extension Options) (each such monthly payment, an "Additional Construction Allowance Amortization Payment"). The interest provided for above shall commence to accrue from the applicable dates of disbursement of the Additional Construction Allowance. For the each of the Phase I Premises and the Phase II Premises, Landlord and City shall confirm in



writing the amounts for such Additional Construction Allowance in an Amortization Schedule. City may prepay part or all of the Additional Construction Allowance at any time without prepayment penalty.

Since the timing of the lease of the Phase II Premises is subject to Landlord entering into termination agreements with existing tenants as elsewhere provided in this Lease, no portion of the Additional Construction Allowance for the Phase II Premises shall be made available for use by City unless and until Landlord confirms in writing to City the size of the Phase II Premises and the timing of the delivery of the Phase II Premises, which may be in phases, that will be leased by City so that the amount of the Additional Construction Allowance for the applicable Phase II Premises may be calculated.

(c) Construction Administration Fee. Landlord shall be entitled to a construction administration fee (the "Construction Administration Fee") equal to two percent (2%) of the cost of the design and construction of the Leasehold Improvement Work. The Construction Administration Fee shall be deducted from and be payable out of the Allowance.

## **6.2 Substantial Completion**

The terms "Substantially Completed" and "Substantial Completion" for purposes of this Lease shall mean (i) the applicable improvements or other work shall have been completed substantially in accordance with the approved Construction Documents and the terms of the Work Letter or other plans or specifications or standards set forth in this Lease, as certified by the architect of record for the Construction Documents by delivery of AIA Document G704, Certificate of Substantial Completion, so that City can occupy the Premises and conduct business therein, (ii) Landlord has procured a temporary or final certificate of occupancy or final inspection and sign-off on the job card for the applicable improvements or other work and all necessary inspections required for occupancy of the applicable improvements or other work have been completed and signed off as approved by the appropriate governmental agencies, and has delivered evidence thereof to City, (iii) Landlord has completed a three (3) day running "burn off" of any HVAC system serving the applicable improvements or other work following completion of all floor installations and painting to dissipate fumes and dust, (iv) Landlord has delivered an air balance report showing any HVAC system serving the applicable improvements or other work is operative as designed, (v) Landlord and City have completed a joint walk-through of the space with Landlord's architect, which shall be scheduled within three (3) days of Landlord's written notice to City that the applicable Leasehold Improvements are ready for walk-through inspection, and during which Landlord's architect and City shall compile a written punchlist of items that have not yet been completed in accordance with the Construction Documents, and (vi) Landlord shall have delivered to City keys or access cards for the applicable space. Obtaining LEED Gold certification shall not be a requirement of Substantial Completion, which is City's responsibility. The date of Substantial Completion shall, upon request by either party, be memorialized in a writing signed by both Landlord and City. The applicable improvements or other work shall be deemed Substantially Completed even though there may remain minor details that would not materially interfere with City's use. Landlord shall diligently pursue to final completion all such details. Notwithstanding the foregoing, City shall have the right to present to Landlord, within thirty (30) days after City's acceptance of the Premises, a supplemental written punch list consisting of any incomplete or defective items that

have not been finished in accordance with the Construction Documents and the terms of the Work Letter, provided that such incomplete or defective items were not reasonably observable on the earlier walkthrough inspection of the Premises and are not the result of damage caused by City during or after its move-in. Landlord shall use commercially reasonable efforts to complete all defective or incomplete items identified in such punchlist within thirty (30) days after the delivery of such list, or as soon thereafter as reasonably practicable. City's failure to include any item on such list shall not constitute any waiver of any latent defects but the same shall be subject to and governed by any construction warranty period provided for in the construction contract with the general contractor for the Leasehold Improvements.

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

### **6.3 Installation of Telecommunications and Other Equipment**

Landlord and City acknowledge that the Leasehold Improvement Work will be completed by Landlord exclusive of the installation of telecommunications, data and computer cabling facilities and equipment. City shall be responsible for installing such telecommunications, data and computer cabling facilities and equipment at its sole cost, provided that Landlord shall furnish reasonable access to City and its consultants and contractors to the main telephone service serving the floor(s) on which the Premises are located and all other parts of the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring. Landlord and City shall cooperate in determining the horizontal and vertical locations of the risers and other areas of the Building (if any) through which City's telephone and data cables will be installed, in order to satisfy City's reasonable requirements, without interfering with the operation of Building Systems or other tenants' or occupants' systems and without interfering with Landlord's ability to provide services and utilities to other tenants or occupants. In addition, City acknowledges that its cabling will connect to a MPOE used by other tenants of the Building. Subject to the provisions of the Building Rules and Regulations, and Landlord's approval of any tradesmen in Landlord's sole discretion, City shall have the right to enter the Premises and such other portions of the Building at reasonable times during the course of construction of the Leasehold Improvements in order to install City's facilities and equipment. City shall have the right to enter the Phase I Premises 21 days before the Commencement Date, and the Phase II Premises 21 days before the Phase II Commencement Date, to install wiring, cable, furniture, equipment and fixtures. City and Landlord shall use their good faith efforts to coordinate any such activities to allow the Leasehold Improvements and the installation of such facilities and equipment to be completed in a timely and cost-effective manner, without interference with Landlord's construction activities. City shall not be charged for freight elevators, security, access to loading docks, utilities and HVAC during City's move into the Building, and shall not pay Base Rent or Operating Costs for the applicable space during the early access periods.

#### **6.4 Intentionally Deleted.**

#### **6.5 Graphics; Building Directory.**

(a) Building Directory. To the extent not already existing, prior to the Commencement Date, Landlord shall install or construct a Building directory in the lobby of the Building containing a listing of City's name and such other information as City shall reasonably require (including, at City's option, the names of all of City's businesses, related entities, assignees and sublessees and the suite numbers occupied), provided that City's listing on the directory shall be in a size and manner that is representative of City's proportionate share of space in the Building. Landlord, at City's expense, shall pay the cost of constructing the directory in the lobby and the cost of maintaining (but not constructing) the directory shall be an Operating Cost.

(b) City Signage. All City graphics visible in or from elevator lobbies, public corridors or the exterior of the Premises shall be subject to Landlord's prior written approval. City shall not display any signs or graphics of City visible from the exterior of the Building without Landlord's prior written approval, which Landlord with withhold in its sole discretion.

#### **6.6 Intentionally Deleted**

#### **6.7 Good Construction Practices**

All construction with respect to the Leasehold Improvements shall be accomplished expeditiously, diligently and in accordance with good construction and engineering practices and applicable Laws. City acknowledges that all construction shall be performed in accordance with the Building Rules and Regulations, and subject to Landlord's prior written approval of any tradesmen, in Landlord's sole discretion. The following provisions shall apply with respect to construction of Leasehold Improvements in connection with the Phase II Premises: (i) Landlord shall undertake commercially reasonable measures to minimize damage, disruption or inconvenience caused by such work and make adequate provision for the safety and convenience of all persons affected by such work, (ii) dust, noise and other effects of such work shall be controlled using commercially reasonable methods customarily used to control deleterious effects associated with similar office construction projects (i.e., after-hours core drilling), and (iii) Landlord, while performing any construction, shall undertake commercially reasonable measures in accordance with good construction practices to minimize the risk of injury or damage to adjoining offices, or the risk of injury to members of the public, caused by or resulting from the performance of such construction.

#### **6.8 Construction Improvements that Disturb or Remove Exterior Paint**

If applicable, Landlord shall comply with all requirements of the San Francisco Building Code Section 3407 and all other applicable Laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior lead-based or "presumed" lead-based paint (as defined below). Landlord or its Agents shall give to City three (3) business days prior written notice of any disturbance or removal of exterior or interior lead-based or presumed lead-based paint. Further, Landlord and its Agents, when disturbing or removing exterior or

interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter (“HEPA”) local vacuum exhaust tool; (c) hydro blasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) heat guns operating above 1,100 degrees Fahrenheit. Paint on the exterior of buildings built before December 31, 1978 is presumed to be lead-based paint unless lead-based paint testing, as defined in Section 3407 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the exterior surfaces of such buildings. Under this Section, lead-based paint is “disturbed or removed” if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on an exterior surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface. Notice to City under this Lease shall not constitute notice to the City’s Department of Building Inspection required under Section 3407 of the San Francisco Building Code.

#### **6.9 LEED Certification**

Landlord shall reasonably cooperate (at no additional cost and without liability to Landlord) with City’s efforts to seek a minimum of LEED Gold certification, as outlined by the U.S. Green Building Council, with respect to the Leasehold Improvements. Landlord shall engage LEED professional(s) to consult with Landlord in connection with the design and construction of the Leasehold Improvements, provided that City shall pay all fees and costs of such LEED professionals and all costs incurred in connection with LEED documentation and the filing of all LEED applications. Landlord shall provide to City, for City’s approval or disapproval, a budget or other satisfactory estimate of the fees of such professionals prior to engaging them. The foregoing LEED costs may be paid out of the Allowance and the costs for improvements related to LEED certification shall be treated as part of the Leasehold Improvement Work, and shall be paid out of the Allowance, regardless of the location of the improvement in the Building (including, but not limited to, improvements to the Common Areas or Building Systems). Further, the above notwithstanding, Landlord shall not be obligated to make improvements or changes to Building Systems or operations which directly and adversely impact the Building’s system operations or other facilities. Any delay in Substantial Completion resulting from City’s election to seek LEED certification shall constitute a Tenant Delay, except to the extent such delay results from a Landlord Delay. After Landlord becomes aware of any factor that will, or is likely to, result in a Tenant Delay due to City’s election to seek LEED certification, Landlord shall use reasonable good faith efforts to promptly notify City of such occurrence, together with Landlord’s then good faith estimate of the probable duration of such Tenant Delay, but failure to provide such notice shall not constitute a waiver of such Tenant Delay. Landlord shall cooperate with City to minimize, to the extent reasonably possible, the Tenant Delay resulting from City’s election to seek LEED certification. Failure to obtain LEED certification shall not impose any liability on Landlord or diminish City’s obligations under this Lease.

## 7. ALTERATIONS AND PERSONAL PROPERTY

### 7.1 Alterations by City

(a) City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, City shall have the right, without Landlord's consent but following prior written notice to Landlord as provided below, to make any Alteration that meets all of the following criteria (a "Cosmetic Alteration"): (a) the Alteration is decorative in nature (such as paint, carpet or other wall or floor finishes, movable partitions or other such work) and will not produce noxious fumes from VOC's or other chemicals; (b) at least ten (10) business days' prior to commencement of work with respect to such Alteration, City provides Landlord with reasonably detailed plans with respect thereto or, if the Alteration is of such a nature that formal plans will not be prepared for the work, City provides Landlord with a reasonably specific written description of the work; (c) such Alteration does not require any alteration in, or adversely affect, the Building Systems or any structural components of the Building or any part of the Building outside the Premises, and if after review of City's plans or description of the proposed work, Landlord, in Landlord's sole discretion, exercised in good faith, determines that the proposed work may affect any one or more of the Building Systems or any structural components of the Building or any part of the Building outside the Premises, then such proposed work shall not be deemed a Cosmetic Alteration, and must be performed in accordance with all of the requirements of this Article 7; (d) the work uses only new materials comparable in quality to those being replaced and is performed in a workmanlike manner and in accordance with all Laws; and (e) such Alteration does not, in the aggregate, cost more than One Hundred Thousand Dollars (\$100,000.00), considering the project as an integral whole. Cosmetic Alterations shall comply with all of the other provisions of this Article 7, excluding only the requirement to obtain Landlord's prior written consent thereto. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws and in accordance with reasonable procedures as then established by Landlord and the provisions of this Article 7. Landlord shall use commercially reasonable efforts to cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations; provided, however, Landlord shall not be required to expend any funds in connection therewith. In connection with all Alterations, Landlord shall be entitled to a fee equal to the greater of (i) two and one-half percent (2.5%) of the hard and soft costs of the Alterations or (ii) the out-of-pocket costs reasonably incurred by Landlord in reviewing the plans and specifications for City's proposed Alterations. City acknowledges that City must comply with the Building Rules and Regulations, and with Landlord's approval of any tradesmen, in its sole discretion. In no event shall any Alterations by City produce noxious fumes from VOC's or other chemicals.

(b) City shall be solely responsible for compliance with all applicable Laws in connection with all Alterations. Without limiting the generality of the foregoing, City shall be responsible for the cost of any additional alterations required by applicable Laws to any portion of the Building as a result of Alterations, including work in the Common Areas or elsewhere outside the Premises. Notwithstanding the foregoing, Landlord may elect to perform all such work outside the Premises, in which event City shall reimburse Landlord for the reasonable and actual cost thereof within thirty (30) days after written request accompanied by an invoice or

other reasonable supporting documentation. Further, if Landlord estimates that the cost of the work to be performed outside the Premises will exceed Five Thousand Dollars (\$5,000.00), Landlord may require City to deposit the estimated cost of such work with Landlord prior to the commencement thereof. Within thirty (30) days after the actual cost of such work is determined, Landlord shall refund any overpayment to City or City shall pay any shortfall to Landlord, as the case may be. City shall complete or cause completion of all Alterations with due diligence after commencement in order to cause the least disruption to Building operations and occupants.

(c) If required by Landlord in writing at the time Landlord provides consent to an Alteration (provided that at the time City (or any applicable assignee or sublessee) submits its plans and specifications to Landlord for approval, City (or any applicable assignee or sublessee) requests in bold typeface or all capital letters, that Landlord identify Alterations to be removed), City shall, prior to the expiration of the Term or earlier termination of this Lease, remove such Alteration at City's cost and expense and restore the Premises to the condition existing prior to the installation of such Alteration. If City fails so to do, then after written notice to City Landlord may remove such Alteration and perform such restoration and City shall, within thirty (30) days, reimburse Landlord for the cost and expense reasonably incurred by Landlord to perform such removal and restoration (which obligation of City shall survive the expiration or earlier termination of this Lease). City shall repair at its cost and expense all damage to the Premises or the Building caused by the removal of such Alteration. Notwithstanding the foregoing, in no event shall Landlord require the removal of Alterations which are not Extraordinary Improvements, as defined in Article 20. Subject to the foregoing provisions regarding removal, all Alterations remaining at the Premises at the expiration or earlier termination of this Lease shall be Landlord's property from and after the expiration or earlier termination of this Lease, without compensation to City.

## **7.2 Title to Improvements**

Subject to the provisions of Section 7.1 and Article 20, except for City's Personal Property, 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; Removal; Equipment Waiver**

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 from such removal. 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), to the extent required thereunder. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing or otherwise be subject to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver a waiver, in a form reasonably approved by Landlord, of certain rights

Landlord may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees to terms and conditions reasonably requested by Landlord. Landlord shall recognize the rights of a 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 a reasonable time thereafter, subject to such terms, conditions and restrictions as Landlord reasonably and customarily imposes, and provided that City shall reimburse Landlord for any attorneys' fees or other costs reasonably and actually incurred by Landlord in negotiating an agreement with such supplier, lessor or lender within thirty (30) days after written request accompanied by an invoice or other reasonable supporting documentation.

#### **7.4 Alteration by Landlord**

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

### **8. REPAIRS AND MAINTENANCE**

#### **8.1 Landlord's Repairs**

(a) Landlord shall repair and maintain, in good condition, in a manner consistent with maintenance standards for privately-owned, Class A Buildings in the Potrero Hills area of the South of Market area (subject to ordinary wear and tear consistent with such standard and Landlord's obligations following damage and destruction as set forth in Article 12), at Landlord's cost (but as part of Operating Costs subject to any express exclusions from Operating Costs expressly provided for in this Lease), all portions of the Building including without limitation, the roof and roof decks, foundation, bearing and exterior walls and subflooring, elevators, current Building systems including lighting, heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, back-up power, back-up water, security and control systems, and other current mechanical, electrical and communications systems of the Building (collectively, the "Building Systems") and the Common Areas, other than (i) the Premises (except as otherwise provided in this Lease), (ii) the premises of other tenants or occupants of the Building, and (iii) non-Building standard systems installed by or at the request of City or any other tenant of the Building (unless City or such other tenant directly reimburses Landlord for the entire amount of such costs). Without limiting the foregoing, Landlord shall maintain the Building and the Building Systems in a manner generally consistent with comparable tiered facilities (subject to ordinary wear and tear consistent with such comparable facilities and Landlord's obligations following a Casualty). City acknowledges that, without relieving Landlord of its obligations hereunder, Landlord shall be entitled to delegate its repair and maintenance responsibilities to a qualified third party selected by Landlord in Landlord's reasonable discretion. Landlord shall use commercially reasonable efforts not to permit any other tenants or occupants 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 anything that is illegal, is dangerous to persons or property or constitutes a nuisance.

## 8.2 City's Repairs

Subject to any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements and Landlord's repair and maintenance obligations hereunder, City shall keep the interior of the Premises and non-Building standard systems installed by or at the request of City in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by Casualty. City shall make any required repairs and replacements (i) at City's cost, (ii) by City employees or 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 and, to the extent applicable, the provisions of Article 7 of this Lease. At all times during the Term, Landlord shall, subject to terms and conditions that Landlord may reasonably impose, 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 (other than those which are to be maintained by Landlord pursuant to this Lease). Similarly, at all times during the Term, City shall afford Landlord access to those portions of the Premises which are necessary to install, maintain, repair or replace cabling and facilities serving Landlord or tenants or occupants of the Building, provided that Landlord shall give City reasonable advance notice of the proposed work and shall take all reasonable steps to cause all such work to be done in such a manner as to cause as little interference to City as possible. Except as explicitly set forth to the contrary in this Lease, City hereby waives all rights, including those provided in California Civil Code Section 1941 or any successor statute, to make repairs which are Landlord's obligation under this Lease at the expense of Landlord or to receive any setoff or abatement of Rent or in lieu thereof to vacate the Premises or terminate this Lease.

## 8.3 Liens

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



## 9. UTILITIES AND SERVICES

### 9.1 Landlord's Provision of Utilities and Services for the Entire Premises

(a) **General.** Subject to limitations, if any, imposed by applicable Laws, Landlord shall, at Landlord's cost (as an Operating Cost, to the extent applicable), furnish the following utilities and services to the office portion Premises): (i) heating, air conditioning and ventilation in amounts required for City's comfortable use and occupancy of the Premises, from 8:00 AM (so long as the Building temperature is stabilized by 8:00 AM, which in most cases will require system activation prior to 8:00 AM) to 6:00 PM Monday through Friday ("Daily Basis"); (ii) passenger elevator service Monday-Sunday; (iii) water from the municipal water distribution system for lavatory, kitchen and drinking purposes Monday-Sunday; (iv) janitorial services on a Daily Basis in accordance with the requirements of Section 9.4 and Section 22.3; (v) HVAC service 24 hours per day, seven days per week to IDF/Computer room servicing City's Premises; and (vi) freight elevator service upon City's reasonable request, in each case subject to Section 9.1(c) below and Landlord's scheduling rules and the rights of other tenants to use the freight elevator. During the Term, City shall have access to the Premises at all times Monday-Sunday, subject to City's compliance with Landlord's reasonable access procedures and Landlord's right to prevent access in the case of an emergency. For purposes of item (i) above, Landlord shall be conclusively deemed to have provided heating, air conditioning and ventilation in amounts required for City's comfortable use and occupancy if Landlord operates the heating, air conditioning and ventilation system in a manner consistent with the applicable ASHRAE standards.

(b) **Electrical Service.** Landlord shall also provide (or arrange with the appropriate utility to provide), electric current in amounts required for the intended operation of the equipment in the Premises, including computers, air conditioning units, electrified furniture, personal computers, servers and other normal office machines and equipment, along with emergency back-up power sufficient for critical building system operations subject to available generator capacity, provided that City's electrical loads must not exceed a five (5) watts per rentable square foot on an annualized connected load basis. Electrical service to the Premises shall be provided at Landlord's cost (as an Operating Cost, to the extent applicable). Upon City's request and at City's cost, Landlord shall, where feasible, install separate meters within the Premises to measure the amount of electricity consumed in the Premises. City shall be charged based on actual usage, without markup. Notwithstanding the foregoing, (i) Landlord shall have the right to require City to contract directly with PG&E or SFPUC with respect to any of the meters at the Property in which case City shall pay the applicable utility bills directly, and (ii) City acknowledges that HVAC power for the Building and the other improvements on the Parcels comes through one meter and cannot be sub-metered.

(c) **After-Hours HVAC and Excess Services.** In the event that City requests HVAC, janitorial, security or other services in addition to the services provided by Landlord pursuant to Sections 9.1 (a), 9.2, 9.4, or 9.7, or if City's use requires additional security services, then City shall pay to Landlord the Landlord's standard fees (as charged to other tenants requesting such additional services, if applicable) for providing such janitorial, security or other services. As of the Commencement Date, after hours HVAC services shall be charged at a rate of \$250.00 per hour, or for only fan ventilation use after hours, a rate of \$100.00 per hour, with

24 hours advanced notice whenever reasonably possible; provided, however, that the foregoing rates shall be subject to reasonable annual increases by Landlord during the Term. City shall keep Landlord informed in advance of any public meetings in the Building, through use of a monthly calendar or otherwise, that are scheduled outside of the period of 8:00 a.m. to 6:00 p.m., Monday through Friday), or are scheduled on New Year's Day, Martin Luther King Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day all of which holiday days are considered after hours, so that Landlord and City can agree upon the potential need for additional services. Notwithstanding the foregoing, if Landlord reasonably determines that additional services not previously agreed upon are required at any time, it shall notify City of such fact as soon as possible, and City shall either discontinue the meetings, change the time of the meetings, or agree to pay for the additional services.

## **9.2 Services for the Common Areas and Building**

(a) **Common Area Janitorial Service.** Landlord shall provide at its cost (as an Operating Cost, to the extent applicable) janitorial service to the Common Areas in accordance with the specifications set forth in *Exhibit H* attached hereto. Landlord reserves the right to reasonably revise the janitorial services from time to time during the Term, provided that such revised service is sufficient to maintain the Common Areas in a clean and orderly condition, is consistent with the janitorial service provided from time to time in comparable Class A office buildings.

(b) **Building Security Service.** Landlord shall provide at its cost (as an Operating Cost, to the extent applicable) security for the Building. City acknowledges that security currently consists of one security officer that patrols the Parcels. Landlord reserves the right to reasonably revise the security services from time to time during the Term, consistent with security provided from time to time in comparable Class A office buildings, and in no event for fewer than twenty-four (24) hours per day, seven days per week. Subject to Landlord's prior approval, which approval shall not be unreasonably withheld, conditioned or delayed, City may install and operate its own access control to the Premises, provided that City's access control system shall not interfere with Landlord's access control system of the Building. City shall be responsible for all security necessitated by City's use of the Property. City acknowledges and agrees that Landlord shall at all times have access to the Premises in the event of an emergency and as reasonably necessary to provide the services to be furnished by Landlord under this Lease.

(c) **Building Graffiti Removal.** Landlord, during normal business hours, shall promptly remove graffiti (as an Operating Cost, to the extent applicable) from Building surfaces outside the Premises.

## **9.3 Intentionally Deleted**

## **9.4 Janitorial Services**

Landlord shall provide, at City's cost, janitorial services to the Premises (including, without limitation, all restrooms on the floors being leased in their entirety by City) in accordance with the specifications contained in *Exhibit H* attached hereto and in accordance

with the requirements of Section 22.3 below. City may, at City's discretion, use City employee forces to perform janitorial services within the Premises in accordance with the specifications contained in *Exhibit H* attached hereto; provided, however, that City shall cooperate with Landlord and Landlord's janitorial vendor, as necessary, so that operations at the Building are in compliance with Laws. If City elects to use its own employees as permitted pursuant to the preceding sentence, City (and not Landlord) shall be responsible for managing such employees.

City reserves the right, with Landlord's reasonable approval, to revise the janitorial services to be provided to the Premises from time to time during the Term, provided that such revised service is not unduly onerous or unreasonable and is sufficient to maintain the Premises in a clean and orderly condition and is consistent with the janitorial service provided from time to time in comparable first-class office buildings; provided, however, in the event any such revisions or changes to the janitorial services result in additional or incremental costs to Landlord, City shall be responsible for such costs as additional City Service Charges under Section 4.4 above. Janitorial service providers shall be required pursuant to their contract or bid to do work at the Premises to comply with California Labor Code sections 1420, et al., ("Property Service Workers Protection), and a State and FBI fingerprint-based criminal offender record check shall be conducted on all building and service personnel who have access to the District Attorney's Offices and Criminal Justice Information including record storage areas containing documents with such information, including without limitation, custodial staff and engineering staff (Cal. Reg. Code, Title 1, Div. 1, Chap. 7, Art. 1, subsections 703(d) and 707(b)) and such persons shall attend Security Awareness Training provided by the City and the San Francisco Police Department (Criminal Justice Information Services, Security Policy section 5.2.1 (California Law Enforcement Telecommunications System ("CLETS") PPPs)). Landlord shall not have any liability for any breach of the foregoing requirements by any janitorial service providers, except as otherwise provided by Code.

#### **9.5 Conservation**

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

#### **9.6 Disruption in Essential Utilities or Services**

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall use reasonable efforts to restore service as promptly as possible and shall keep City apprised of its efforts.

#### **9.7 Additional Services**

City reserves the right to request that the Landlord, at City's cost, perform minor Lease related services or incur additional expenses not covered under this Lease that the City may require from time to time as reasonably requested by the City and approved by the Real Estate Division, acting through the Director of Property or his or her designee ("Additional Services"), provided that if Landlord, in its sole and absolute discretion, agrees to perform such services or incur such additional expenses, City shall reimburse Landlord for the pre-approved cost for such

expenses as additional Rent within thirty (30) days after receipt of Landlord's invoice therefor, which cost shall be at the rates customarily charged by Landlord to other tenants or occupants of the Building (if applicable). Landlord shall provide City with invoices for all Additional Services in a format reasonably approved by City, which format shall in all events include a reference to the suite or City department to which such Additional Services were provided.

## **10. COMPLIANCE WITH LAWS; PREMISES CONDITION**

### **10.1 Compliance with Laws; Covenants of Landlord**

Landlord shall make, at its cost (as an Operating Cost, and at Landlord's sole cost to the extent the applicable cost is expressly excluded in this Lease from being included as part of Operating Costs), any and all modifications to the Premises, the Building or the Building Systems as may be required by applicable Laws for use for use of the Premises for general office purposes. Landlord shall (as an Operating Cost, and at Landlord's sole cost to the extent the applicable cost is expressly excluded in this Lease from being included as part of Operating Costs) at all times during the Term cause the Property, the Building, the Common Areas and the Building Systems serving the Premises to be in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and other governmental requirements, the requirements of any board of fire underwriters or other similar body, any directive or occupancy certificate issued pursuant to any law by any public officer or officers acting in their regulatory capacity (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws. Notwithstanding the foregoing, if and to the extent (a) City's status as a governmental entity or (b) City's proposed or actual use of the Premises for other than general office use, requires changes or upgrades to the Building or special services in the Building in order to comply with applicable Law, (i) Landlord shall provide City with prior written notice of the required additional changes, upgrades or services and Landlord's good faith estimate of the cost thereof, (ii) City shall be responsible for the cost of the additional changes, upgrades or services that result from City's status as a governmental entity or City's proposed or actual use of the Premises for other than general office use, and (iii) City shall reimburse Landlord, promptly upon demand accompanied by an invoice and supporting documentation, as additional Rent, for any costs or expenses that Landlord reasonably incurs arising from such additional changes, upgrades or services, provided that prior to incurring such costs or expenses Landlord shall provide City, for City's reasonable approval or disapproval, with written notice of the required Building changes or upgrades and a budget or other satisfactory estimate of the costs and expenses to be incurred in connection therewith. If Landlord is required to make Building changes or upgrades due to a use by City which is not a general office use, City shall have the option of terminating such use and instead using the space as general office space, provided that such termination shall not reduce or eliminate the City's obligations with respect to any additional changes, upgrades or services that arose prior to such termination becoming effective. Nothing contained herein shall prevent Landlord from contesting any alleged violation of Laws in good faith, including, but not limited to, the right to apply for and obtain a waiver or deferment of compliance, the right to assert any and all defenses allowed by applicable Laws, and the right to appeal any decisions, judgments or rulings to the fullest extent permitted by applicable Laws.

## **10.2 City's Compliance with Laws**

City shall use the Premises during the Term in compliance with applicable Laws, the provisions of all recorded documents affecting any portion of the Building and all life safety programs, procedures and rules implemented or promulgated by Landlord, and shall not do or permit to be done, or bring or keep or permit to be brought or kept, in or about the Premises, or any other portion of the Building, anything that is prohibited by or will in any way conflict with any Law, the provisions of any recorded documents affecting any portion of the Building and all life safety programs, procedures and rules implemented or promulgated by Landlord; provided, however, that City shall not be required to physically make any alterations, additions or other modifications to the Premises or the Building in order to comply therewith, including, without limitation, structural alterations, except to the extent that such modifications are necessary because of: (a) any Alterations to the Premises made by City pursuant to Section 7.1 (Alterations by City); or (b) City's use of the Premises for other than general office purposes; or (c) City's status as a government entity (by way of example, but not limitation, modifications that would not be necessary if the Premises were leased exclusively to private general office users instead of City). Without limiting the generality of the foregoing, City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of City's furniture or other City Personal Property and the operation of any programs in the Premises, other than any requirement relating to the path of travel to the Premises, which is Landlord's obligation to the extent provided in Section 10.1 (Landlord's Compliance with Laws) and City's obligation to the extent provided in Section 7.1. Without limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided in this Section 10.2.

## **10.3 City's Compliance with Insurance Requirements**

City shall not conduct or permit any activity or any use in or about the Premises, and shall not conduct or permit any activity or use in any other portion of the Building by City or City's Agents (and shall use commercially reasonable efforts to prevent any such activity or use by any City Invitee) 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 cancellation of any existing policy or insurance or 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 activity being conducted or permitted by City or any employee, officer, Agent, board, commission or invitee of any of them in the Premises; provided, however, Landlord shall use commercially reasonable efforts to provide City with reasonable prior written notice of any applicable insurance requirements.

## 11. SUBORDINATION

### 11.1 Existing Encumbrances

Landlord represents and warrants to City that as of the Effective Date, the Property is not subject to any Encumbrance other than an existing Encumbrance in favor of Bank of America recorded in the Official Records of the County of San Francisco. As used in this Lease, the term "Encumbrance" shall mean: (i) any ground leases or other underlying leases affecting Landlord's interest in the Property, or any portion thereof, (ii) the lien of any mortgage or deed of trust in any amount for which any part of the Property owned by Landlord, any ground leases or underlying leases, or Landlord's interest or estate therein, is specified as security, and (iii) any other interest in the Property that could, upon foreclosure or other exercise of rights by the holder of such interest, terminate this Lease. Concurrently with the mutual execution and delivery of this Lease, Landlord shall obtain from Existing Lender, a subordination, nondisturbance and attornment agreement ("SNDA") substantially in the form of *Exhibit F* attached hereto or in such other commercially reasonable form as may be reasonably acceptable to the City and Existing Lender.

### 11.2 Subordination to Future Encumbrances

In the event Landlord desires to make this Lease subject and subordinate to a future Encumbrance, then as a condition of City's willingness to subordinate its Lease to such Encumbrance, Landlord shall obtain for City from the holder of the Encumbrance a SNDA substantially in the form of *Exhibit F* attached hereto or in such other commercially reasonable form as may be reasonably acceptable to the City, such holder, and Landlord, provided that nothing in such document shall deprive City of any material rights or entitlements specifically provided in this Lease. Landlord shall not require any subordination of this Lease that violates the terms of any existing SNDA. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, City shall pay subsequent Rent and attorn to and become the tenant of such successor Landlord provided that City has received proper written notice of such succession and the name and address of the successor landlord. From and after the date of written notice from Landlord providing the identity and address of the holder of an Encumbrance, City shall give the holder of the Encumbrance a copy of any notice of default under this Lease served upon Landlord at the same time as such notice is given to Landlord.

## 12. DAMAGE AND DESTRUCTION

### 12.1 Waiver of Civil Code Sections

Landlord and City intend that this Lease fully govern all of their rights and obligations in the event any fire, earthquake or other casualty (collectively, a "Casualty") damages or destroys the Premises or the Building. Accordingly, Landlord and City each hereby waives the provisions of Sections 1932(2) and 1933(4) of the California Civil Code, and the provisions of any similar law, statute or ordinance now or hereafter in effect, as such sections may from time to time be amended, replaced, or restated, to the extent such rights are inconsistent with the provisions hereof.

## 12.2 Landlord Repair Obligations

If the Premises, the Leasehold Improvements or Alterations in the Premises, portions of the Building necessary for access to or use of the Premises or any Building Systems serving the Premises are damaged by a Casualty, subject to the provisions of this Article 12, Landlord shall repair the same with commercially reasonable diligence so as to make the Building or Building Systems at least equal in condition to the condition existing immediately prior to the occurrence of the Casualty and as similar to it in character as is practicable and reasonable (i) but only the extent possible with the available insurance proceeds (so long as Landlord has maintained the insurance described in Section 17(a) of this Lease, and provided that the amount of Landlord's deductible shall be deemed included in the available insurance proceeds), and (ii) in accordance with then-applicable Laws (including, but not limited to, any required code upgrades necessary for the Building to be used for the Permitted Use and for general office uses and subject to any then-existing zoning requirements). Notwithstanding the foregoing, City shall pay the costs of repairing any Leasehold Improvements and any Alterations. City may also replace or repair, at City's cost and expense, City's Personal Property.

## 12.3 Landlord's and City's Termination Rights

Upon the occurrence of a Casualty affecting the Premises or portions of the Building or Building Systems impacting City's access to or use of the Premises, Landlord shall notify City ("Casualty Notice") as soon as practical, but in no event later than forty-five (45) days following the Casualty, of Landlord's contractor's reasonable estimate of (i) the hard and soft costs to repair or restore the damage or destruction and (ii) the time required to repair or restore the damage or destruction (when such repairs or restoration are made without the payment of overtime or other premiums) measured from the date of such damage (the "Projected Repair Time"). As used in this Lease, the term "Major Damage or Destruction" shall mean that (A) the Building is damaged by a peril covered by Landlord's property insurance (or which would have been covered if Landlord had maintained the property insurance coverage described in Section 17(a) of this Lease) and the hard costs and soft costs to repair or restore the damage or destruction are reasonably estimated by Landlord's contractor to exceed ten percent (10%) of the cost of replacing the Building in its entirety (whether or not the Premises are affected), or (B) the Building is damaged by an uninsured peril, and the hard costs and soft costs to repair or restore the damage or destruction are reasonably estimated by Landlord's architect and contractor to exceed two percent (2%) of the cost of replacing the Building in its entirety (whether or not the Premises are affected), or (C) the Projected Repair Time reasonably estimated by Landlord's architect and contractor to exceed eighteen (18) months measured from the date of such damage. In the event of Major Damage or Destruction, Landlord may elect, by written notice to City delivered within twenty-one (21) days after delivery of the Casualty Notice to City, to terminate this Lease. In the event the Projected Repair Time exceeds eighteen (18) months, City may elect, by written notice to Landlord delivered within twenty-one (21) days after delivery of the Casualty Notice to City, to terminate this Lease. If neither party terminates this Lease as provided above, this Lease shall remain in full force and effect, and Landlord shall use commercially reasonable diligence to repair and restore the damage or destruction to the Premises and/or portions of the Building or Building Systems impacting City's access to and use of the Premises, subject to Unavoidable Delays.

#### **12.4 Removal of City's Personal Property and Rent Abatement Rights**

In the event of any Lease termination, City shall be given a reasonable period of time to remove all of City's Personal Property from the Premises, and Rent shall be abated for such part of the Premises rendered unusable by City in the conduct of its business during the time prior to termination that such part is so unusable.

#### **12.5 Abatement of Rent During Repairs or Restoration**

During any repair or restoration, this Lease shall remain in full force and effect, except that to the extent such damage or destruction did not result from the negligence or willful act or omission of City or City's subtenants or any of their respective Agents or licensees, Base Rent and City's obligation to pay City's Percentage Share of Operating Costs and Real Estate Taxes shall abate for such part of the Premises rendered unusable by City in the conduct of its business during the time such part is so unusable, in the proportion that the rentable area contained in the unusable part of the Premises bears to the total rentable area of the Premises.

#### **12.6 Lender's Claim to Insurance Proceeds**

Notwithstanding anything to the contrary contained in this Article 12, Landlord shall have no obligation to repair or restore the damage or destruction, and Landlord may instead elect to terminate this Lease, in the event the hard costs and soft costs to repair or restore the damage or destruction are reasonably estimated by Landlord's contractor to exceed the insurance proceeds available for the repair by two percent (2%) of the cost of replacing the Building in its entirety due to the exercise of its rights by any holder of a mortgage or deed of trust, provided that (i) such holder is not an Affiliate of Landlord (or if such holder is an Affiliate of Landlord, the retention of insurance proceeds by such party is then common practice in the State of California for similar losses and such party consistently retains insurance proceeds in connection with similar losses), and (ii) Landlord has used reasonable good faith efforts to obtain the insurance proceeds.

#### **12.7 Damage Near End of Term**

Notwithstanding anything to the contrary contained in this Article 12 and in addition to Landlord's right to terminate this Lease in accordance with the provisions of Section 12.3 or Section 12.6 above, if all or any material portion of the Premises or portions of the Building that impact City's access to or use of the Premises are damaged or destroyed by a Casualty during the last eighteen (18) months of the applicable Term, then Landlord shall have the right, in its sole discretion, to terminate this Lease by notice to City if Landlord cannot reasonably expect to complete the repair or restoration within ninety (90) days after the date of the Casualty. Such termination shall be effective on the date specified in Landlord's notice to City, but in no event sooner than ninety (90) days after Landlord's delivery of the termination notice. Notwithstanding the foregoing provisions of this Section 12.7, if City has an unexpired Extension Option with respect to the Premises, and within ninety (90) days following City's receipt of the termination notice, City completes all steps necessary to exercise such Extension Option and to cause the Extension Exercise Notice to become binding and enforceable against the City, then Landlord's notice of termination under this Section 12.7 shall be deemed cancelled



and rights and obligations of the parties shall be determined in accordance with Section 12.3 and Section 12.6 above.

### **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 City 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: (A) 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 general office uses or otherwise materially adversely affect City’s normal general office operations in the Premises, (B) 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 (C) City elects to terminate.

(b) In the case of a partial Taking of a substantial portion of the Building, and if subsection (a) above does not apply, City and Landlord shall each have the right to terminate this Lease by written notice to the other within thirty (30) days after the Date of Taking, provided that, (i) as a condition to City’s right to terminate, the portion of the Building taken shall, in

City's reasonable judgment, render the remaining Premises unsuitable for continued use by City for general office purposes or otherwise materially adversely affect City's normal operations in the remaining Premises, and (ii) as a condition to Landlord's right to terminate, the portion taken must include a portion of the Premises and City must be unwilling to decrease the size of the Premises to eliminate the portions taken.

(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 (30<sup>th</sup>) day after such written notice is given or the Date of Taking.

### **13.5 Rent; Award**

Upon termination of this Lease pursuant to Section 13.3 (Total Taking; Automatic Termination) or an election under Section 13.4 (Partial Taking; Election to Terminate), then: (i) 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 (Partial Taking; Continuation of Lease) for any period during which this Lease continues in effect after the Date of Taking, and (ii) any Award made in connection with the Taking shall be allocated (subject to the rights of any holder of any Encumbrance) as follows:

(a) first, to either Landlord or City, as applicable, for reimbursement of the actual and reasonable costs of collecting the Award;

(b) second, if this Lease is not terminated as a result of such Taking, to the costs of any repair or restoration to the Building or Premises as a direct result of the Taking; and

(c) third, Landlord (subject to the rights of any holder of any Encumbrance) and City shall each be allocated the value of their respective interests in the Building and the Premises (to the extent Taken), together with 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. The values of Landlord's and City's respective interests in the Building and the Premises shall be established by the same court of law that establishes the amount of the Award. Factors to be considered in determining the value of City's interest shall include, but not be limited to (a) the remaining Lease Term including the Extension Options, (b) the value of City's leasehold interest in the Premises, and (c) the then-unamortized cost of Leasehold Improvements paid by Landlord which would have been recovered by Landlord as a component of the Base Rent payable under this Lease.

### **13.6 Partial Taking; Continuation of Lease**

If there is a partial Taking of the Premises under circumstances where this Lease is not terminated in its entirety under Section 13.4 (Partial Taking; Election to Terminate), 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 pro rata based upon the lost rentable square footage of the Premises (by comparing the area of the Premises taken to the area of the Premises prior to the Date of Taking with the same per rentable square foot rent amount), and (b) Landlord shall be entitled to the

entire Award in connection therewith, provided that City shall receive any separate 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 ninety (90) consecutive days, this Lease shall remain unaffected thereby, and City shall continue to pay Rent and to perform all of the terms, conditions and covenants of this Lease. In the event of such temporary Taking, City shall be entitled to receive that portion of any Award representing compensation for the use or occupancy of the Premises during the Term up to the total Rent owing by City for the period of the Taking.

## **14. ASSIGNMENT AND SUBLETTING**

### **14.1 Use by Other City Departments**

Since Landlord agreed to enter into this Lease based on the critical City functions being undertaken at the Premises (which Landlord understands may reduce the potential for the City to elect to terminate this Lease pursuant to Section 23.23), City shall not have the right, without the prior written consent of Landlord, which may not be unreasonably withheld, to allow employees of City departments other than the Police Department or District Attorney's Office to use all or any part of the Premises. Any use consented to by Landlord shall be solely for the Permitted Use and not for any Prohibited Use or Banking Use. Any request made to Landlord shall identify the applicable City department(s) and provide a description of the portion of the Premises to be utilized by such employees. City's rights under this Section 14.1 shall apply only to City and shall not inure to the benefit of any assignee, sublessee or other transferee of City's interest in this Lease.

### **14.2 Space Sharing with Agencies, City Vendors, Contractors and/or Nonprofit Businesses**

Since Landlord agreed to enter into this Lease based on the critical City functions being undertaken at the Premises (which Landlord understands may reduce the potential for the City to elect to terminate this Lease pursuant to Section 23.23), City shall not have the right, without the prior written consent of Landlord which may be granted or withheld in Landlord's sole and absolute discretion, to permit the use and occupancy of all or any of the Premises by (a) any vendor or contractor of City as part of a contract with and in connection with services to be provided to City, or (b) any nonprofit agency, public service organization, governmental agency, or joint power board with whom City is working on particular projects or with whom City has strategic alliances or as part of a contract with and in connection with services to be provided by or to City (each of (a) and (b), a "City Program Affiliate"). If consented to by Landlord, such use shall not be deemed to be a sublease pursuant to the terms of this Lease for any purpose (including the determination of the percentage of the Premises subject to sublease) provided that (i) such City Program Affiliate shall use the Premises solely for the Permitted Use and not a Prohibited Use or Banking Use, and (ii) City does realize a profit with respect to the space so

used by any non-governmental City Program Affiliate (and at Landlord's request, City shall represent and warrant to Landlord that City is not realizing a profit with respect to the occupancy of such space by such party). City must request Landlord's consent to any such space sharing arrangement at least thirty (30) days before the intended effective date of such agreement, which request must specify in reasonable detail the specific identity of such City Program Affiliate and such City Program Affiliate's specific business use of the Premises. If Landlord's consent is granted, City shall cause each City Program Affiliate to comply with all of the terms and conditions of this Lease, including, without limitation, the insurance provisions set forth in Article 17 and Exhibit L of this Lease (provided that with respect to City Program Affiliates the required limits of liability for contractual liability coverage shall be One Million Dollars (\$1,000,000) per occurrence and in the aggregate, and provided further that any governmental entity shall be entitled to self insure). If Landlord's consent is granted, City shall supply Landlord with a certificate of insurance evidencing such compliance no later than five (5) business days prior to the occupancy of any such City Program Affiliate. Notwithstanding use of the Premises by any City Program Affiliate, City shall remain liable for the performance of City as Tenant under this Lease, City's insurance obligations set forth in Article 17 and Exhibit L of this Lease shall be applicable and unmodified by such use, and City shall be responsible for the acts or omissions of any Agents or Invitees of any City Program Affiliate as if they were the acts or omissions of City's Agents or Invitees. City's rights under this Section 14.2 shall apply only to City and shall not inure to the benefit of any assignee, sublessee or other transferee of City's interest in this Lease.

#### **14.3 Assignment and Subletting to For Profit Businesses; Landlord's Right of First Refusal**

(a) Except as provided in Sections 14.1 and 14.2 above, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder, permit all or any portion of the Premises to be occupied, or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld or delayed. Without limiting other circumstances in which it is reasonable for Landlord to refuse consent, it shall be deemed reasonable for Landlord to refuse to consent to any sublet or assignment to (i) any transferee who will use all or any part of the Premises for a Prohibited Use or Banking Use, (ii) any transferee whose use or identity would create a materially increased security risk to the occupants of the Building, (iii) any transferee whose use would place a materially greater burden on Building Systems or services provided under this Lease, (iv) any transferee whose use or identity would materially decrease the marketability, financeability, leasability or value of the Building, (v) any transferee where Landlord determines, in its sole and absolute discretion, that there is a greater risk of the City exercising its termination right under Section 23.23 than would exist in the absence of such assignment or subletting, or (vi) any existing tenant in the Building or in any other building owned and controlled by Landlord in San Francisco or any prospective tenant that Landlord has shown comparable space to in the Building during the preceding six (6) months, provided that in each case described in this item (v), (A) Landlord has been actively and continuously negotiating with such party regarding space in the Building since a date prior to the date City offered such space to Landlord pursuant to Section 14.3(b), and (B) Landlord has or will have available space in the Building that is comparable to the Premises or the portion thereof subject to such subletting, as applicable, or that

otherwise meets such tenant's or prospective tenant's needs. No sublease or assignment by City under this Lease shall relieve City of any obligations under this Lease. Whether or not Landlord shall grant consent, City shall pay, within thirty (30) days after written request by Landlord accompanied by an invoice or other reasonable supporting documentation, all reasonable legal fees incurred by Landlord in connection with any proposed Transfer, not to exceed \$2,500.

(b) In the event City should decide to sublet or assign all or part of the Premises to an unaffiliated third party not permitted under Section 14.2 above, City shall first offer the part of the Premises that City intends to sublet or assign (the "Sublet Premises") to Landlord at the rent and on the terms that the Sublet Premises will be offered to the real estate market. The rent and other terms shall be contained in a written notice ("Sublet Notification") from City to Landlord. Landlord shall have thirty (30) days following delivery of the Sublet Notification date to: (i) offer to take back the Sublet Premises permanently and remove the Sublet Premises from this Lease for all purposes hereunder (a "Recapture"); or (ii) offer to sublet or assume the Sublet Premises on the terms set forth in the Sublet Notification.

(c) If Landlord offers to Recapture the Sublet Premises, the parties shall memorialize the Recapture in writing. The Recapture shall permanently remove the Sublet Premises from the Premises for all purposes hereunder, and City and Landlord shall be relieved of all of their respective rights and obligations hereunder with respect to the Sublet Premises, except to the extent the same would, by their express terms or by their nature, survive the expiration or termination of this Lease. The document memorializing the Recapture shall not include any additional terms other than the deletion of the Sublet Premises from the Premises and the corresponding reduction in Base Rent and City's Percentage Share and other appropriate modifications resulting from such deletion of the Sublet Premises.

(d) If Landlord offers to sublet or assume the Sublet Premises on the terms set forth in the Sublet Notification, the parties shall negotiate in good faith to reach agreement on a sublease or an assignment and assumption on such terms. If the parties fail to agree upon the form of the sublease or assignment within sixty (60) days after City's receipt of Landlord's offer to sublet or assume the applicable Sublet Premises, subject to such extensions as may be agreed to by the parties, then Landlord's offer to sublet or assume the Sublet Premises on the terms set forth in the applicable Sublet Notification shall be null and void. Any such sublease or assignment and assumption shall be subject to the approval of the City's Board of Supervisors by resolution, and the approval of Landlord, each in their sole discretion, and the sublease or assignment shall not be effective until such approval have been obtained. If such approvals shall not have been obtained within ninety (90) days following the parties agreement on the form of the sublease or assignment, subject to such extensions as may be agreed to by the parties, then Landlord's offer to sublet or assume the Sublet Premises on the terms set forth in the applicable Sublet Notification shall be null and void, and the applicable Sublet Premises shall remain part of the Premises.

(e) If Landlord does not elect a Recapture, or if the parties are not able to agree on the terms of the sublease or assignment or to obtain approval of the sublease or assignment within the time periods specified above, then City shall have the right to enter into the sublet or assignment on the terms set forth in the Sublet Notification (as modified during any negotiations with Landlord) or on terms more favorable to City than those set forth in the Sublet Notification,

subject to Landlord's prior written approval of the proposed assignee or subtenant (the "Transferee") and the form of the sublease or assignment documentation, which approval shall not be unreasonably withheld or delayed. City shall furnish Landlord with financial statements of the proposed Transferee for the two (2) fiscal years immediately preceding the date of the Transfer Notification, if available, which financial statements shall be certified by an officer, partner or owner thereof, and any other information reasonably requested by Landlord to evaluate the proposed Transferee. A "Transfer Premium" equal to fifty percent (50%) of any net subleasing or assignment "profits" realized by City under any such assignment or sublease in excess of the Base Rent and Additional Charges (including any costs relating to the Leasehold Improvements payable by City under this Lease) payable hereunder with respect to the Sublet Premises shall be paid to Landlord, 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). City shall promptly provide Landlord with such information regarding the assignment or sublease costs as Landlord may reasonably request. If City shall enter into multiple transfers, the Transfer Premium payable to Landlord shall be calculated independently with respect to each transfer. The Transfer Premium due Landlord hereunder shall be paid within forty-five (45) days after City receives any Transfer Premium from the Transferee. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books and records of City relating to any transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any transfer shall be found to be understated, City shall pay the deficiency within thirty (30) days after demand.

(f) In the event City is not able to sublet or assign the Sublet Premises on the terms set forth in the Sublet Notification (as modified during any negotiations with Landlord) or terms more favorable to City, then City shall give another Sublet Notification with a reduced rent or such other terms as City is then willing to offer to the real estate market, and Landlord's right to a Recapture and Landlord's first right of refusal as set forth above shall be repeated with respect to the revised terms.

(g) Notwithstanding the foregoing, if any Event of Default by City is outstanding hereunder at the time of City's Sublet Notification, then Landlord may elect by notice to City to refuse to consent to City's proposed sublet or assignment and, following any required cure period under this Lease, pursue any of its right or remedies under this Lease.

(h) Notwithstanding anything to the contrary in this Lease, in the event City at any time sublets or assigns more than twenty five percent (25%) of the rentable area of the Premises (as the same may be expanded from time to time) to an unaffiliated third party (not including any use under Sections 14.1 or 14.2 above), then City's remaining Extension Option under Section 3.4 (if any) shall all automatically terminate, and upon request by Landlord, City shall promptly execute and deliver an addendum to this Lease, memorializing the termination of such rights.

(i) Any Transfer made without complying with this Article 14 shall, at Landlord's option, be null, void and of no effect, or shall, following written notice and an opportunity to cure, constitute an Event of Default under this Lease. Landlord's consent to a transfer shall not be deemed consent to any further transfer by either City or the Transferee. City shall deliver to Landlord promptly after execution, an original executed copy of all documentation pertaining to a transfer in form reasonably acceptable to Landlord. If this Lease shall be terminated during the term of any sublease, Landlord shall have the right to: (i) treat such sublease as cancelled and repossess the Sublet Premises by any lawful means, or (ii) require that the subtenant attorn to and recognize Landlord as its landlord under any such sublease.

#### **14.4 Certain Transfers**

For purposes of this Lease, a "transfer" shall include: (a) if Tenant is a partnership, the withdrawal or change, voluntary, involuntary or by operation of law, of a general partner or a majority of the partners, or a transfer of a majority of partnership interests, or the dissolution of the partnership; (b) if Tenant is a limited liability company, the withdrawal or change, voluntary, involuntary, or by operation of law, of a majority of members, or a transfer of a majority of the membership interests, or the dissolution of the limited liability company; and (c) if Tenant is a corporation, the dissolution, merger, consolidation or other reorganization of Tenant, or the sale or other transfer of more than an aggregate of fifty percent (50%) of the voting shares of Tenant (other than (i) sales on a public stock exchange or (ii) transfers to immediate family members by reason of gift or death), or the sale, mortgage, hypothecation or pledge of more than an aggregate of fifty percent (50%) of Tenant's net assets. Upon request by Landlord from time to time, Tenant shall deliver to Landlord a list of all of its shareholders (if Tenant's stock is not publicly traded), members, or partners, as the case may be.

### **15. DEFAULT; REMEDIES**

#### **15.1 Events of Default by City**

Any of the following shall constitute an event of default ("Event of Default") by City hereunder (following the applicable notice and grace period provided):

(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 payment of Rent at the beginning of the Term and for the monthly payment of Rent after the beginning of each new fiscal year for City, City shall have thirty (30) 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 to 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 (i) the worth at the time of award of any unpaid Rent which has been earned at the time of such termination plus (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that City proves could have been reasonably avoided plus (iii) 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 have been 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.

(c) City waives redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other present or future law, if City is evicted or Landlord takes possession of the Premises by reason of any default of City hereunder.

(d) During the continuance of any Event of Default, Landlord may, at its option, after written notice to City, take any reasonable action to cure the Event of Default, without waiving its rights and remedies against City or releasing City from any of its obligations hereunder. All reasonable out-of-pocket costs actually paid by Landlord in performing City's obligations as set forth in this Section 15.2(d) shall be deemed additional Rent hereunder.

(e) Landlord may, without waiving or releasing any of City's obligations under this Lease, make any payment required to have been made by City or perform any act required to have been performed by City. All sums so paid or costs so incurred by Landlord shall be payable to Landlord as Additional Charges. Nothing herein shall be construed to create or impose a duty on Landlord to mitigate any damages resulting from any City default under this Lease.

(f) Late payment by City to Landlord of Rent and/or other sums payable to Landlord will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impractical to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges that may be imposed on Landlord under any mortgage covering the Property. Therefore, if City fails to pay Landlord any amounts owed to Landlord with ten (10) business days after Landlord's notice specifying such failure, City shall pay to Landlord interest on the amount of such past due amounts from the date due until paid at



an annual rate equal to twelve percent (12%) per annum or the highest rate permitted by law (the "Default Rate"), whichever is less. City shall be permitted one late payment per calendar year, if said payment is received by Landlord not more than thirty (30) days after due date, without penalty or additional fee.

### **15.3 Landlord's Default**

City agrees that Landlord shall not be liable for damages for failure to furnish or delay in furnishing any service, or for any diminution in the quality or quantity thereof except to the extent such failure or diminution is caused by Landlord or its Agents, and, subject to City's rights under Section 4.14, such failures or delays or diminution shall never be deemed to constitute an eviction of City's use and possession of the Premises. Furthermore, in no event shall Landlord be liable for a loss of, or injury to, or interference with, City's business, including, without limitation, loss of profits, resulting from a failure to furnish any services or utilities. Landlord shall, however, not be in default under this Lease unless Landlord fails to perform any of its obligations hereunder within thirty (30) days after written notice from City specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). Upon any default by Landlord, City shall give notice by registered or certified mail to any holder of an Encumbrance covering the Premises and City shall offer such holder a reasonable opportunity to cure the default, including time to obtain possession of the Building by power of sale or a judicial action if such should prove necessary to effect a cure; provided, Landlord shall have furnished to City in writing the names and addresses of all such persons who are to receive such notices.

### **15.4 Limitation on Representations and Warranties**

Notwithstanding anything to the contrary in this Lease, (i) all representations and warranties by Landlord shall survive the expiration or termination of this Lease for a period of one (1) year following the date the Effective Date, and (ii) in the event of a breach of a representation or warranty in this Lease, the Landlord's liability to City for all such breaches, in the aggregate, shall not exceed One Million Dollars (\$1,000,000).

### **15.5 Non-Recourse**

City shall look solely to Landlord's interest in the Property for recovery of any damages for breach of this Lease by Landlord or execution on any judgment in connection therewith, except to the extent provided in the next sentence. City in seeking recovery of any damages for breach of this Lease by Landlord or execution on any judgment in connection therewith, shall be entitled to look to Landlord's assets in addition to Landlord's interest in the Property, up to the amount, if any, that the Financing Liens exceed the Permitted LTV Ratio, as determined at the time that the Financing Lien was recorded. As used in this Section 15.5, the term "Financing Lien" shall mean any monetary lien encumbering the Property that was created by recordation with Landlord's permission, of a mortgage, deed of trust, financing statement or similar documentary encumbrance to secure repayment by Landlord of a loan, and the "Permitted LTV Ratio" shall be eighty percent (80%) of the appraised value of the Building, as determined by the beneficiary of the Financing Lien in its sole discretion (so long as the beneficiary is not an

Affiliate of Landlord). None of the persons or entities comprising or representing Landlord (whether partners, shareholders, officers, directors, trustees, employees, beneficiaries, Agents or otherwise) shall ever be personally liable under this Lease or liable for any such damages or judgment and City shall have no right to effect any levy of execution against any assets of such persons or entities on account of any such liability or judgment. Any lien obtained by City to enforce any such judgment ("Judgment Lien"), and any levy of execution thereon, shall be subject and subordinate to any Financing Liens (except to the extent such Financing Liens exceed the Permitted LTV Ratio if the limitation on Permitted LTV Ratio described in the second sentence of this Section 15.5 is applicable at such time) now or hereafter affecting or encumbering the Property or any part thereof or interest therein that was recorded before the recordation of the Judgment Lien, and to any and all advances made on the security thereof or Landlord's interest therein, and to all renewals, modifications, consolidations and extensions thereof, provided such Judgment Lien shall not be subject or subordinate to the Excess Portion (as defined below) of any monetary lien encumbering the Property that was created by recordation with Landlord's permission after recordation of the Judgment Lien by the City. As used herein, "Excess Portion" means the amount by which such monetary lien exceeds the amount secured by any monetary lien as of the date that the Judgment Lien was recorded against the Property.

## **16. INDEMNITIES**

### **16.1 City's Indemnity**

City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, cause of action, obligation, liability, costs and expenses, including, without limitation, reasonable attorneys' fees, (collectively, "Claims"), incurred as a result of (a) City's use of or activities in or on the Premises or Property, (b) any default by City in the performance of any of its material obligations under this Lease or any breach of any representations or warranties made by City under this Lease, or (c) any negligent acts or omissions of City, City's Program Affiliates, or City's Agents or Invitees, or 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 this Lease.

### **16.2 Landlord's Indemnity**

Landlord shall Indemnify City and its Agents against any and all Claims incurred as a result of (a) Landlord's activities on the Premises or Property that cause injury or damage to person or property, (b) any default by Landlord in the performance of any of its material obligations under this Lease or any breach of any representations or warranties made by Landlord under this Lease, or (c) any negligent acts or omissions or willful misconduct 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, City's Program Affiliates or City's Agents or Invitees. 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.

### **16.3 Duty to Defend**

Each party hereto specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim which actually or potentially falls within the indemnity provision, even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the indemnitor by the indemnitee and continues at all times thereafter.

### **16.4 Waiver**

City agrees that neither Landlord nor its Agents shall be liable to City or City's Program Affiliates, or City's Agents or Invitees, and City waives all claims against Landlord and its Agents, for any injury to or death of any person or for loss of use of or damage to or destruction of property in or about the Premises, the Building or the Property by or from any cause whatsoever, including but not limited to, earthquake or earth movement, explosion, gas, fire, oil, electricity or water leakage from the roof, walls, basement or other portion of the Premises, the Building or the Property, and including any such injury, death or damage caused by any active or passive act, omission or neglect of Landlord or its Agents, except to the extent such injury, death or damage is caused by the gross negligence or willful misconduct of Landlord or its Agents and except acts or omissions for which strict liability may be imposed or to the extent such limitation on liability is prohibited by law.

## **17. INSURANCE**

### **17.1 City's Self-Insurance**

(a) Landlord acknowledges that City maintains a program of self-insurance and agrees that City shall not be required to carry any third-party insurance with respect to this Lease. At all times during the Term (and periods prior to or after the Term that City has access to or occupies the Premises), City's self-insurance shall include such coverage as would have been covered by (a) a standard Commercial General Liability Insurance with respect to the Premises with limits of liability not less than Ten Million Dollars (\$10,000,000) per occurrence and in the aggregate, and (b) causes of loss – special form "All Risk" Property Insurance for City's Personal Property, the Leasehold Improvements and Alterations. For purposes of the waiver of subrogation provision in Section 17.5 below, the amount of any deductible shall be deemed included in the proceeds City receives. City's self-insurance shall also equal the

coverage per the attached *Exhibit L*. If City assigns this Lease or sublets some or all of the Premises to a third party, Landlord may require as a condition to Landlord's consent to any such assignment or sublease (or if Landlord consent is not required, the City shall require in the applicable sublease) an amendment to be executed to this Lease requiring the assignee to carry such insurance as is consistent with Landlord's insurance requirements for other comparable tenants in the Building and otherwise as Landlord deems necessary, as determined by Landlord in Landlord's reasonable discretion. The Director of Property shall be authorized to sign any such amendment without the need for commission or other governmental approvals.

(b) For the purposes of this Section 17.1, "self-insure" shall mean that City is itself acting as though it were the insurance company providing the insurance required under the provisions hereof and City shall pay amounts due in lieu of insurance proceeds because of self-insurance, which amounts shall be treated as insurance proceeds for all purposes under this Lease. City's program of self-insurance shall provide Landlord with the same rights and privileges to which Landlord is otherwise entitled under the terms of this Lease when there is a third-party insurer.

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

### **17.2 Certificate of Self-Insurance**

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

### **17.3 Landlord's Insurance**

(a) At all times during the Term, Landlord shall keep the Building (excluding the land upon which it is located and foundations, footings and other underground improvements, the Leasehold Improvements and Alterations) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under a causes of loss-special form property insurance policy in an amount equal to one hundred percent of the full insurance replacement value (replacement cost new, including, debris removal and demolition and code upgrades) thereof, provided that Landlord may carry a deductible of not more than the greater of \$1,000,000 or the amount then being carried by other institutional owners of Class A office building in the South of Market Area for the property insurance coverage required above under this Section 17.3(a). Landlord shall, upon request by City, provide to City a certificate of insurance issued by the insurance carrier, evidencing the insurance required above. In addition to the insurance required to be maintained by Landlord under this Lease, Landlord may elect to maintain such additional insurance (with coverages and limits as determined by Landlord) as Landlord may determine necessary.

(b) In addition, Landlord shall procure and keep in effect at all times during the Term minimum 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, and explosion, collapse and underground (XCU); and (ii) Worker's Compensation Insurance as required by applicable Laws and Employer's Liability with a limit not less than \$1,000,000 each accident with respect to employees engaged on-site in connection with the operation or management of the Building and (iii) Excess Coverage with respect to Commercial General Liability and Employer's Liability with a per occurrence limit of Ten Million Dollars (\$10,000,000).

(c) Notwithstanding the foregoing, so long as Clarion Partners, Landlord or a successor Landlord has a net worth of at least Five Hundred Million Dollars (\$500,000,000), Landlord shall be entitled to self-insure for any or all of the foregoing coverage, provided that (i) the self-insurance program, in the reasonable judgment of City, City's Risk Manager and the City Attorney, provides adequate, enforceable, sufficiently funded and long-term coverage for the risks to be insured against, (ii) Landlord warrants and represents it is adequately self-insured, which warranty and representation shall be a continuing one throughout the Term hereof, for all purposes under this Lease for the particular risk, and (iii) such program of self-insurance shall provide City with the same rights and privileges to which City is otherwise entitled under the terms of this Lease when there is a third-party insurer. At City's written request, Landlord shall provide to City's Risk Manager all documents that City requests that are necessary to permit a complete review and analysis of the self-insurance program. If, as a supplement to Landlord's self-insurance program, Landlord obtains an insurance policy or policies from an insurance company, the provisions of Section 17.3 shall apply in full to such insurance policy or policies and if Landlord ceases to self-insure Landlord shall give notice thereof to City and shall immediately comply with the provisions of this Section 17.3 relating to the policy of insurance required. This right to self insure is personal to Clarion Partners, Landlord or a successor Landlord having a net worth of at least Five Hundred Million Dollars (\$500,000,000), and shall not otherwise inure to the benefit of any successor or assign of Landlord.

#### **17.4 Self-Insurance Claim Process**

In the event that either party elects to self-insure and an event or claim occurs for which a defense and/or coverage would have been available from the insurance company, such party shall:

(a) undertake the defense of any such claim, including a defense of the other party if applicable, at the self-insuring party's sole cost and expense, and

(b) use its own funds to pay any claim or replace any property or otherwise provide the funding which would have been paid by the insurer under the circumstances had such party purchased the insurance required under this Article 17 instead of electing to self-insure.

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

### **18. ACCESS BY LANDLORD**

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice) or to provide routine janitorial services, after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (i) inspecting the Premises, (ii) supplying any service to be provided by Landlord hereunder, (iii) showing the Premises to any prospective purchasers, mortgagees, or investors, or (iv) showing the Premises to prospective tenants during the last nine (9) months of the Term, (v) posting notices of non-responsibility, and (vi) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be interfered with. Landlord shall exercise its rights under this Article 18 in a manner which is designed to minimize interference to City's operations in the Premises, and

Landlord shall comply with City's reasonable security regulations of which Landlord has been advised in writing and which do not unreasonably interfere with Landlord's rights hereunder.

#### 19. ESTOPPEL CERTIFICATES

City, from time to time during the Term, within thirty (30) days after written request from Landlord, shall execute, acknowledge and deliver to Landlord, or such persons or entities reasonably designated by Landlord, a certificate substantially in the form of *Exhibit N* attached hereto. Similarly, from time to time during the Term, within thirty (30) days after written request by City, Landlord shall execute, acknowledge and deliver to City, or such other persons or entities reasonably designated by City, a certificate substantially in the form of *Exhibit N* attached hereto, reasonably modified to reflect the fact that Landlord (and not City) is making the certification.

#### 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, and City shall remove from the Premises and the Building all of City's Personal Property, City's telecommunications, data and computer cabling and facilities, and any Alterations City desires or is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City) or Section 7.3 (City's Personal Property; Removal; Equipment Waiver), above (collectively, the "Removal Items"). City shall repair and restore in a good and workmanlike manner, to the condition existing prior to the installation of the Removal Items, any damage to the Premises or the Building resulting from the removal of the Removal Items, provided that, at Landlord's election, City may pay to Landlord the actual, reasonable cost of performing such repair and restoration in lieu of performing such work provided that City has first approved written estimates for such work and provided further that Landlord provides invoices or other satisfactory documentation of the cost of such work. Without limiting the generality of the foregoing, City shall demolish cabling and related equipment back to its source (e.g., back to the network room or MPOE). Notwithstanding anything to the contrary in this Lease, the parties agree that, at Landlord's election made by written notice to City delivered at least sixty (60) days prior to the expiration of the Term, City shall not remove its server racks and reusable telecommunication, data and computer cabling. Further, City shall not be required to remove any Leasehold Improvements from the Premises unless Landlord notifies City in writing of such removal requirement at the time Landlord approves of the plans for such Leasehold Improvements or Alterations, as the case may be, and such Leasehold Improvements or Alterations, as the case may be, are specialized and have no useful purpose for general office use as reasonably determined by Landlord (e.g., an internal stairway, a cafeteria, concrete vaults, safes, or dumb waiters, but not service counters, kitchens or coffee rooms, bathroom facilities, partitions or modular walls) (such improvements, collectively "Extraordinary Improvements"). If City fails to remove any Leasehold Improvements that it is required to remove, then after providing written notice to City of the required work together with a budget or other satisfactory estimate of the costs and expenses to be incurred in connection therewith, Landlord may remove such Leasehold Improvements and perform such restoration and upon receipt of an invoice and supporting documentation for such work City shall, within thirty (30) days, reimburse Landlord for Landlord's cost and expense reasonably incurred to perform such removal and restoration.

City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

## 21. HAZARDOUS MATERIALS

### 21.1 Definitions

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

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

(b) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Sections 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 spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside the Building, or in, on, or under the Property.

### 21.2 Landlord's Representations And Covenants

Landlord represents and warrants to City that the following statements are true and correct and will be true and correct as of the date hereof:

(a) To Landlord's actual knowledge, that there is no Hazardous Materials contamination at the Premises requiring investigation or remediation by any governmental authorities. As used in this Section 21.2(a), the term "actual knowledge" (whether or not capitalized) of Landlord or terms of similar meaning means the actual knowledge, without duty of investigation, of Christine Kang. City acknowledges and agrees that Christine Kang, in her role as Landlord's asset manager, shall have no personal liability under this Lease and City shall have no right to bring any claim(s) against Christine Kang in connection with this Lease, and in the event of any breach by Landlord of the representations and warranties set forth in this Lease, City may pursue any claims that City may have against Landlord (and not Christine Kang).

(b) Subject to City's obligations under this Section below, Landlord shall maintain the Property throughout the Term in compliance with all Environmental Laws applicable to the health, safety and welfare of City's employees or City's use, occupancy or enjoyment of the



Premises for general office uses. Landlord shall have the right to contest any alleged violation of Environmental Laws in good faith, including, without limitation, the right to apply for and obtain a waiver or deferment of compliance, the right to assert any and all defenses allowed by Laws, and the right to appeal any decisions, judgments or rulings to the fullest extent permitted by Laws.

### **21.3 Landlord's Environmental Indemnity**

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), 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 21.2, or (b) in connection with any presence or Release of Hazardous Material in the Building or on, or under the Property which was caused by Landlord or its Agent's, except to the extent City, City's Program Affiliates, or City's Agents or Invitees caused or contributed to such Release.

### **21.4 City's Covenants**

Neither City nor its Program Affiliates, Agents or Invitees 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 and manufacturer recommendations.

### **21.5 City's Environmental Indemnity**

Without limiting City's Indemnity in Section 16.1 (City's Indemnity), if City breaches its obligations contained in the preceding Section 21.4 (City's Covenants), or if City, City's Program Affiliates, or City's Agents or Invitees cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims arising during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents caused or contributed to such Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, City's Program Affiliates, or City's 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 Intentionally Deleted**

### **22.2 Cleaning Products Requirements**

Without limiting the provisions of Section 9.4 above, Landlord agrees that it shall use commercially reasonable efforts to follow the green cleaning procedures set forth on *Exhibit O*.

### **22.3 Pest Management Procedures**

Without limiting the provisions of Section 9.4 above, Landlord agrees that it shall use commercially reasonable efforts to follow the pest management practices set forth on *Exhibit O*.

### **22.4 Submetering of Electricity and Other Utilities**

Landlord agrees that City may, at City's sole cost and expense, install submeters within the Premises to measure the amount of electricity, chilled water and other utilities consumed in the Premises solely for the purposes of facilitating City's efforts to achieve LEED certification and to facilitate City's sustainability initiatives; provided, however, City's election to install such submeters shall have no impact whatsoever on City's obligations under this Lease, including, without limitation, City's obligation to pay Base Rent, City's Percentage Share of Real Estate Taxes and Operating Costs, Additional Charges and all other amounts due and payable under this Lease. City specifically acknowledges that the readings taken from any such submeters installed by City shall be irrelevant to the manner in which City pays for the applicable utility service which is being measured and that City shall pay for such service in accordance with Sections 4 and 9 of this Lease, as applicable.

### **22.5 Rooftop Rights**

Landlord shall provide to City, at no additional cost, locations on the roof for installation of a satellite dish and microwave antenna and related equipment shelter, as well as vertical access to such locations through the Building for City's own use related to the Permitted Use. City shall pay, at City's sole cost, for the installation, maintenance, removal and restoration of any such satellite dish or microwave antenna installed by City. Any such installation shall be in accordance with plans and specifications approved by Landlord, which approval will not be unreasonably withheld or delayed.

## **23. GENERAL PROVISIONS**

### **23.1 Notices**

Except as otherwise specifically provided in this Lease, any notices, requests, approvals or consents given under this Lease shall be in writing and given by delivering the notice, request, approval or consent 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 City's address(es) set forth in the Basic Lease Information; or (b) Landlord at Landlord's address(es) set forth in the Basic Lease Information; or (c) such other address(es) as either Landlord or City may designate as its new address for such purpose by notice given to the other party in accordance with this Section. Any notice hereunder shall be deemed effective on the date it is personally delivered or, in all other cases, on the date upon which delivery is actually made at the party's address for notices (or attempted if such delivery is refused or rejected). 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 telefacsimile.

### **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 this 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 City's Charter. 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 (i) changing the legal description of the Premises, (ii) increasing the Term, (iii) increasing the Rent, and (iv) 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 as required under applicable Law.

### **23.4 Authority**

Landlord represents and warrants to City that the execution and delivery of this Lease by Landlord has been duly authorized and, to Landlord's actual knowledge, does not violate any provision of any agreement to which Landlord or the Property is subject as of the Effective Date.

### **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, members, officers and contractors of such party, and when used with respect to the City shall include City Program Affiliates and City's subtenants and assignees and each of their respective agents, employees, members, officers and contractors.

The term "Invitees" when used with respect to City shall include the clients, customers, invitees, guests and licensees of City, its assignees, and subtenants and City Program Affiliates. 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 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 be restrictive, and lists following such words shall not be interpreted to be exhaustive or limited to items of the same type as those enumerated, whether or not language of non-limitation, such as "without limitation" or similar words, are used. Use of the words "shall," "will," or "agrees" are mandatory, and "may" is permissive.

### **23.7 Successors and Assigns**

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

### **23.8 Brokers**

Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein, except for the brokers 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 and Landlord shall indemnify City for any claims by such brokers against City. 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. Landlord acknowledges and agrees that City shall have no liability for, and Landlord shall indemnify City for, any commissions, fees or claims made by any brokers claiming to have represented Landlord's predecessor-in-interest in the Building in connection with this Lease. 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 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 party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees. For purposes of this Lease, reasonable fees of attorneys of City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. Similarly, for purposes of this Lease, reasonable fees of attorneys of Landlord's in-house shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which Landlord's in-house attorneys' services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by Landlord's Legal Department.

### **23.13 Holding Over**

Should City hold over in possession of the Premises after the expiration or earlier termination 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 such rent 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, City's continued occupancy shall be on all of the terms and conditions contained herein, except that (i) during the first thirty (30) days (or any portion thereof) of such holdover, the Base Rent payable by City shall be one hundred twenty-five percent (125%) of the Base Rent in effect during the last month of the Term and (ii) the Base Rent payable by City thereafter shall be one hundred fifty percent (150%) of the Base Rent in effect during the last month of the Term. Nothing contained in this Section 23.13 shall be construed as consent by Landlord to any holding over by City.

### **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. Notwithstanding anything to the contrary set forth in this Lease; (i) in the event that City fails to exercise the Extension Option before the applicable expiration date, Landlord shall provide City notice of such failure and City shall have a period of twenty (20) days following such notice in which to exercise the Extension Option, and (ii) in the event City has submitted an item for Board of Supervisor approval under this Lease and continues to seek such approval in good faith but has not yet received such approval within ninety (90) days as contemplated by this Lease, then City shall have a period of an additional thirty (30) days in which to obtain such Board of Supervisor approval.

### **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 effect any provision of this Lease that expressly states it shall survive termination hereof.

### **23.17 Signs**

City may erect or post signs inside 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, as of the Effective Date, it has fee title to the Property, with the full right, power and authority to grant the leasehold estate hereunder, and covenants that, subject to the provisions of Article 11, City, upon paying the Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full Term as against all persons or entities claiming by and through Landlord. 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, as of the Effective Date, Landlord has neither filed nor been the subject of any filing of a petition under the federal bankruptcy law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors, and, to the Landlord's actual 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, City shall have the right to (i) contract directly with any third-party provider of such services, facilities or amenities to obtain the same, and (ii) 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 to any other person or entity; provided Landlord simultaneously assigns, and such transferee assumes, all of Landlord's obligations under this Lease arising after the date of such transfer. In the event of any such transfer and assumption, 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 assumption.

### **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 City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq.

The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Landlord acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

### **23.23 Controller's Certification of Funds**

The terms of this Lease shall be governed by and subject to the budgetary and fiscal provisions of the City's Charter. Notwithstanding anything to the contrary contained in this Lease, there shall be no obligation for the payment or expenditure of money by City under this Lease unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the City's Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the Term commences, sufficient funds for the payment of Rent under this Lease (including Base Rent and any other payments required hereunder) are not appropriated, then City may terminate this Lease in its entirety only (and City shall not have the right to exercise any partial termination of this Lease), without penalty, liability or expense of any kind to City, as of the last date on which sufficient funds are appropriated. City's Real Estate Division Staff shall use reasonable efforts to give Landlord at least nine (9) months advance notice of any such projected termination. In no event shall City give less than sixty (60) days advance notice of any such actual termination. City's Real Estate Division Staff shall, as part of City's budgetary process, seek to obtain the necessary appropriation of funds from City's Board of Supervisors and certification of the availability of funds from the Controller. If City terminates this Lease due to lack of appropriated funds under this Section 23.23, then City shall not appropriate funds in the fiscal year that such termination occurs, or the subsequent fiscal year, for the purpose of purchasing a building, or renting new or additional space in any other privately-owned building, to operate any of the City programs that were located in the Premises in the fiscal year that this Lease terminated.

### **23.24 Prevailing Wages and Working Conditions**

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

Landlord shall include, and require its Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City



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

### **23.25 Non Discrimination in City Contracts and Benefits Ordinance**

#### **(a) Covenant Not to Discriminate**

In the performance of this Lease, Landlord agrees not to discriminate against any employee of, any City employee working with Landlord, or applicant for employment with Landlord, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

#### **(b) Subcontracts**

Landlord shall include in all subcontracts of Contractors contracting directly with Landlord relating to the Premises a nondiscrimination 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. Notwithstanding the foregoing, Landlord and City acknowledge and agree that the provisions of this paragraph shall not apply to any existing subcontracts relating to the Building or the Premises existing as of the Commencement Date.

#### **(c) Non-Discrimination in Benefits**

Landlord does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for the City 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

Except for any waiver that may be granted by City, 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 City's Contracts Monitoring Division ("CMD"). Except for any waiver that may be granted by City, Landlord hereby represents that prior to execution of this 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 Environmental 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 hardwoods, 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 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 Environmental Code, Landlord shall be liable for liquidated damages for each violation in any 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 155.1, of the San Francisco Planning Code ("Code") requires the provision of bicycle storage at City leased buildings at no cost to Landlord and if funds are available. In the event public or private donations, grants or other funds become available, at any time during the Term including any extension thereof, City may, by giving sixty (60) days advance written notice to Landlord and the parking garage owner and its parking operator and subject to Landlord's approval and the approval of the parking garage owner and its parking operator, at City's sole cost, convert some or all of the parking spaces to which City is entitled to use under Section 2.3 to a caged bicycle storage facility in a location to be reasonably designated by Landlord or the garage owner. City shall be charged monthly rent for any parking spaces used for such bicycle parking. Landlord, the garage owner and/or the parking operator shall have the right to reasonably relocate any such bicycle storage area at City's sole cost in the event the same interferes with the efficient operation of the Building's parking facilities.

### **23.28 Resource-Efficient City Buildings and Pilot Projects; Preservative-Treated Wood**

(a) Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 707 relating to resource-efficient City buildings and resource-efficient pilot projects. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections as of the Effective Date of this Lease provided that such agreement is made on reliance of City's representation, warranty and covenant that neither the Building nor any part thereof is required to achieve any LEED certification level or the equivalent under any City Law. To the extent that (i) City wants or requires, or (ii) the status of the City as a tenant or any use to which the Premises is put by the City imposes any obligation on Landlord to make or take: (A) any improvement, alteration or modification to the Building or any part thereof; or (B) any procedures or retention of any consultants, contractors, advisors or Agents; to achieve LEED certification or other energy efficiency standards, City shall specify and pay for (subject to application of the Allowance to the extent funds are available therefor) such improvements, alterations, modifications, procedures or retention in the Leasehold Improvement Work subject to the provisions of Article 6 and the applicable Work Letter.

(b) Landlord acknowledges that 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.

### **23.29 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 later of (i) the date upon which this Lease is executed and exchanged by the parties hereto, or (ii) the date on which the City's Board of Supervisors and Mayor, each in their sole discretion, enact a resolution approving this Lease in accordance with all applicable laws. Notwithstanding the foregoing or anything to the contrary contained in this Lease, (x) Landlord shall have the right to terminate this Lease if, after using good faith efforts, Landlord is unable to obtain the required approvals from Landlord's lender with respect to this Lease and/or enter into a lease amendment and termination agreement, in form and content acceptable to Landlord in its sole discretion, with Career Education Corporation ("CEC") on or before the date that is thirty (30) days after the Effective Date (the "Outside Date"), and (y) neither Landlord nor City shall have any obligations under this Lease nor any liability to one another under this Lease until, if at all, Landlord notifies City that Landlord entered into such termination agreement with CEC prior to the Outside Date. If this Lease is not terminated pursuant to the provisions of this Section 23.30, Landlord shall provide notice (the "Section 23.30 Notification") to City with the location and rentable square footage of the Phase I Premises that will be delivered to City on the Commencement Date as Phase I Premises, and any portion of the originally contemplated Phase I Premises not delivered on the Commencement Date shall be Non-Delivered Phase I Premises and shall be delivered as and when portions of the Phase II Premises are delivered. In addition, notwithstanding anything to the contrary contained in this Lease, Landlord shall have the right to terminate this Lease if the Effective Date does not occur by November 3, 2017.

### **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 therefor 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 Conflicts of Interest**

Through execution of this Lease, Landlord acknowledges that it is familiar with the provisions of Section 15.103 of the City's Charter, Article III, Chapter 2 of the City's Campaign and Governmental Conduct Code, and Sections 87100 et seq. and Sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that if it becomes aware of any such fact during the term of this Lease, Landlord shall immediately notify the City.

### **23.33 Notification of Limitations on Contributions**

Through its execution of this Lease, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, 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 prospective party to the contract; each member of Landlord's board of directors, chairperson, 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 names of each person, entity or committee described above.

### **23.34 Asbestos-Containing Material**

Landlord has advised City that there is asbestos-containing material ("ACM") in the Building. Attached hereto as *Exhibit J* is a disclosure statement regarding ACM in the Building. Landlord gives this notice in accordance with the requirements of Section 25915 *et seq.* and Section 25359.7 of the California Health and Safety Code.

### **23.35 Building Occupancy Resumption Program**

The City's Department of Building Inspection ("DBI") has developed a Building Occupancy Resumption Program ("BORP") whereby private building owners can pre-certify private inspectors to provide building safety assessment evaluations following an earthquake or other catastrophic event. The purpose of BORP is to allow a quick and thorough evaluation of possible damage to a structure by qualified persons so as to permit the re-occupancy of a building at the earliest possible date following such a catastrophic event. To participate in BORP, building owners must submit and maintain a BORP plan, and enter into an agreement with qualified inspectors, approved by DBI. Upon approval, DBI will send the building owner verification of BORP participation and will place the building on DBI's BORP list. Additional information about BORP can be found on the DBI section of City's website at [http://www.sfgov.org/site/dbi\\_page.asp?id=11515](http://www.sfgov.org/site/dbi_page.asp?id=11515). As a material part of the consideration for this Lease, Landlord covenants and agrees to participate in BORP and to keep and maintain the Building on DBI's BORP list throughout the Term.

### 23.36 City Requirements

Landlord and City expressly agree that: (i) Landlord shall be obligated to comply, by reason of this Lease, with the provisions of the San Francisco Administrative Code expressly incorporated herein by reference (collectively the "City Requirements") as such City Requirements exist on the Effective Date, and, except as specifically provided in such City Requirements, shall not be subject to any amendments or supplements of such City Requirements, excepting only amendments, supplements or replacements to the City Requirements for the payment of prevailing wages for the construction of improvements in the Premises as set forth in Section 23.24 above; and (ii) Landlord's obligation to comply with City Requirements shall automatically terminate upon City's assignment of this Lease (provided that any successor Landlord shall be obligated to comply with such City Requirements). Notwithstanding the foregoing, nothing in this Lease shall preclude the City from applying provisions of the San Francisco Administrative Code, as amended, supplemented or replaced from time to time, to Landlord or to the Building if such provisions have generally applicability (as opposed to applicability to parties with whom the City enters into a contract or a lease).

### 23.37 Memorandum of Lease

On the Effective Date, Landlord and City shall execute the memorandum of lease in the form attached hereto as *Exhibit K* (the "Memorandum of Lease"), and Landlord shall cause the Memorandum of Lease to be recorded in the Official Records of the City and County of San Francisco within five (5) business days after the Outside Date.

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 ENACTED 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.

**Remainder of page intentionally left blank**

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

*LANDLORD:*

LEXINGTON LION SAN FRANCISCO L.P.,  
a Delaware limited partnership

By: Lexington Lion San Francisco GP LLC,  
a Delaware limited liability company, its general partner

By: CLPF-LXP/LV, L.P.,  
a Delaware limited partnership, its sole member

By: CLPF-LXP/LV GP, LLC,  
a Delaware limited liability company, its general partner

By: Clarion Lion Properties Fund Holdings, L.P.,  
its sole member

By: CLPF-Holdings, LLC, its general partner

By: Clarion Lion Properties Fund Holdings REIT, LLC,  
its sole member

By: Clarion Lion Properties Fund, LP,  
its managing member

By: Clarion Partners LPF GP, LLC,  
its general partner

By: Clarion Partners, LLC,  
its sole member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Authorized Signatory

*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: \_\_\_\_\_  
Charles Sullivan, Deputy City Attorney

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

*LANDLORD:*

LEXINGTON LION SAN FRANCISCO L.P.,  
a Delaware limited partnership

By: Lexington Lion San Francisco GP LLC,  
a Delaware limited liability company, its general partner

By: CLPF-LXP/LV, L.P.,  
a Delaware limited partnership, its sole member

By: CLPF-LXP/LV GP, LLC,  
a Delaware limited liability company, its general partner

By: Clarion Lion Properties Fund Holdings, L.P.,  
its sole member

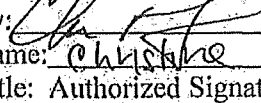
By: CLPF-Holdings, LLC, its general partner

By: Clarion Lion Properties Fund Holdings REIT, LLC,  
its sole member

By: Clarion Lion Properties Fund, LP,  
its managing member

By: Clarion Partners LPF GP, LLC,  
its general partner

By: Clarion Partners, LLC,  
its sole member

By:   
Name: Christine Kang  
Title: Authorized Signatory

*CITY:*

CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_  
John Updike, Director of Property

APPROVED AS TO FORM:

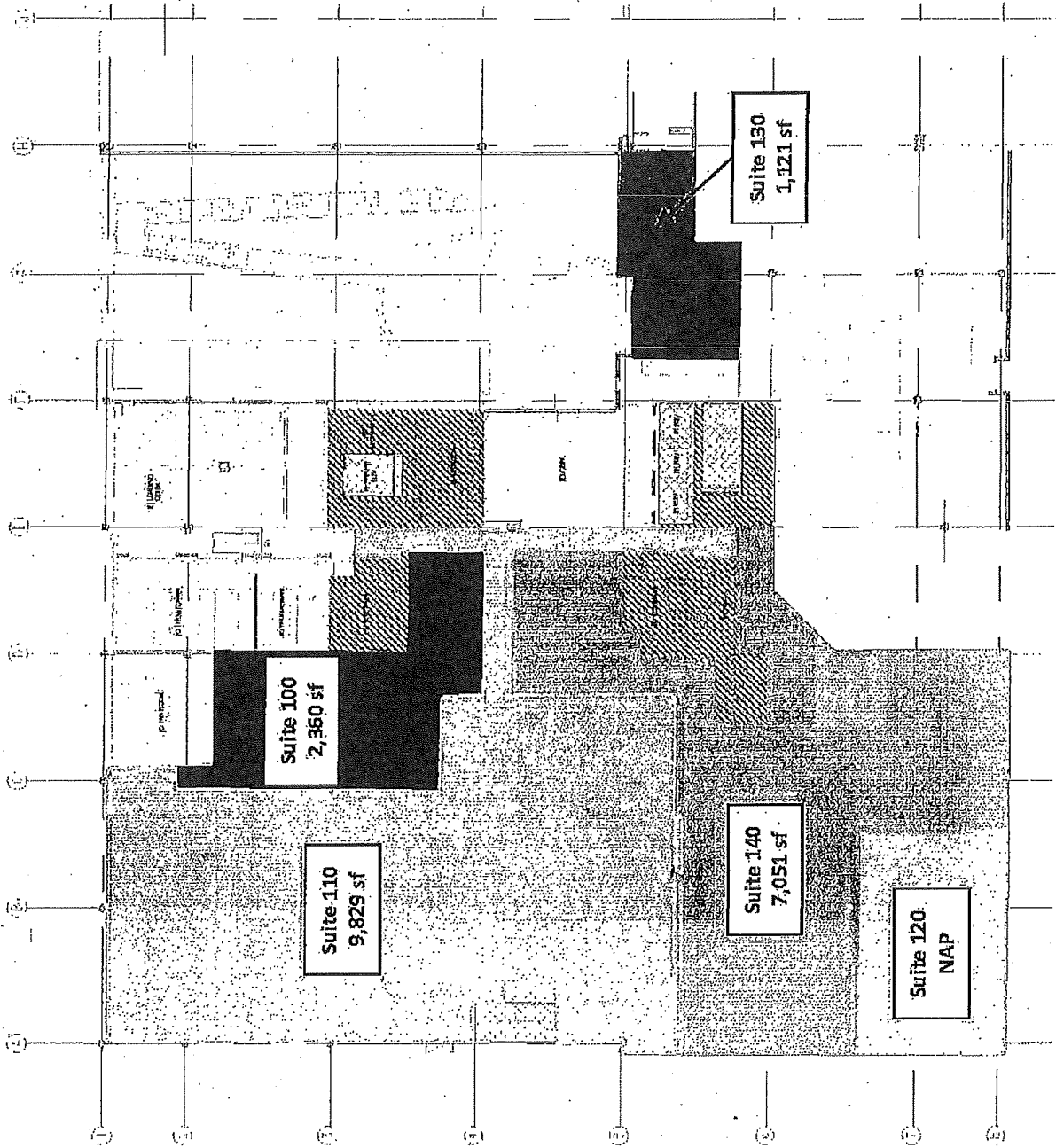
DENNIS J. HERRERA, City Attorney

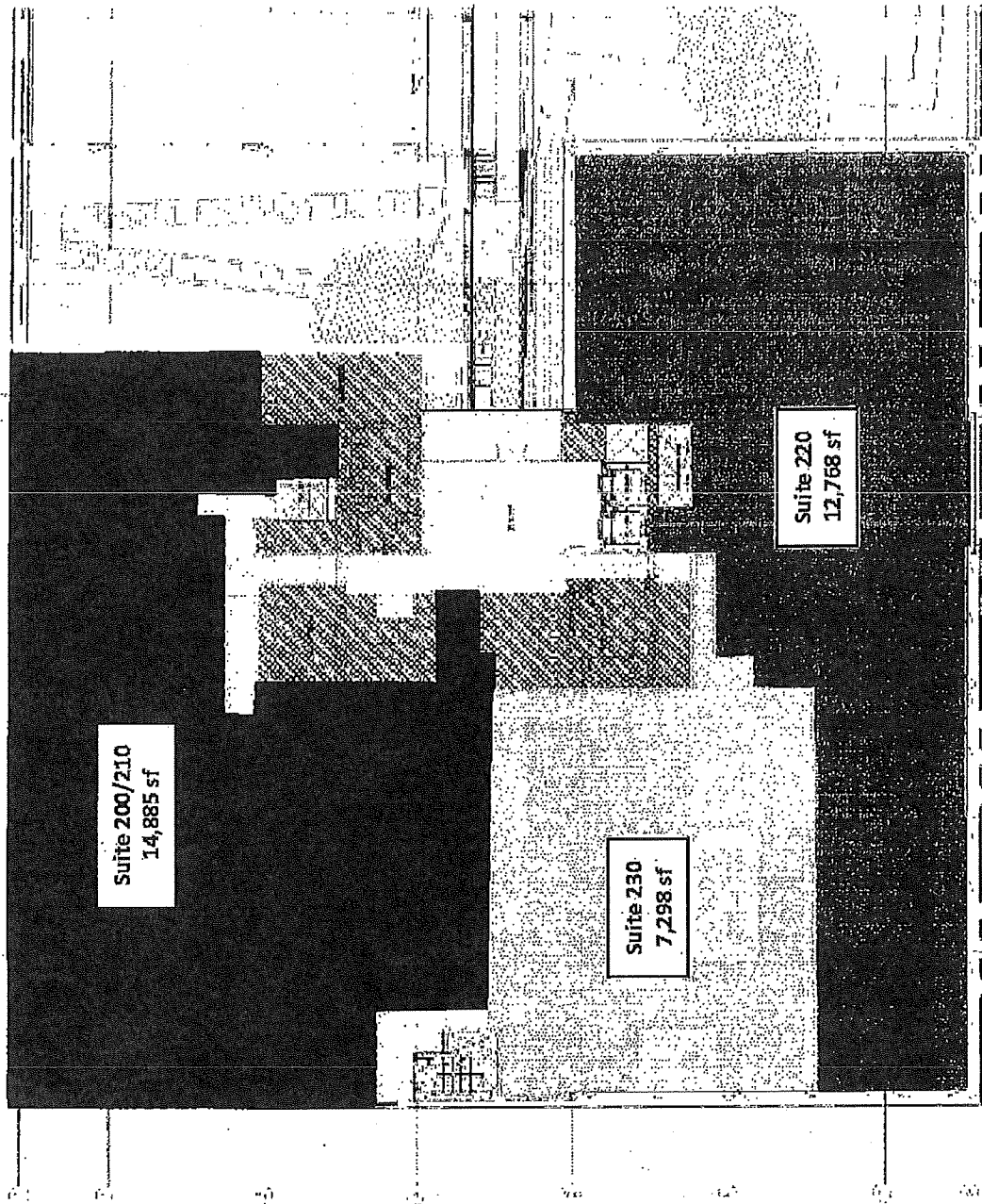
By: \_\_\_\_\_  
Charles Sullivan, Deputy City Attorney

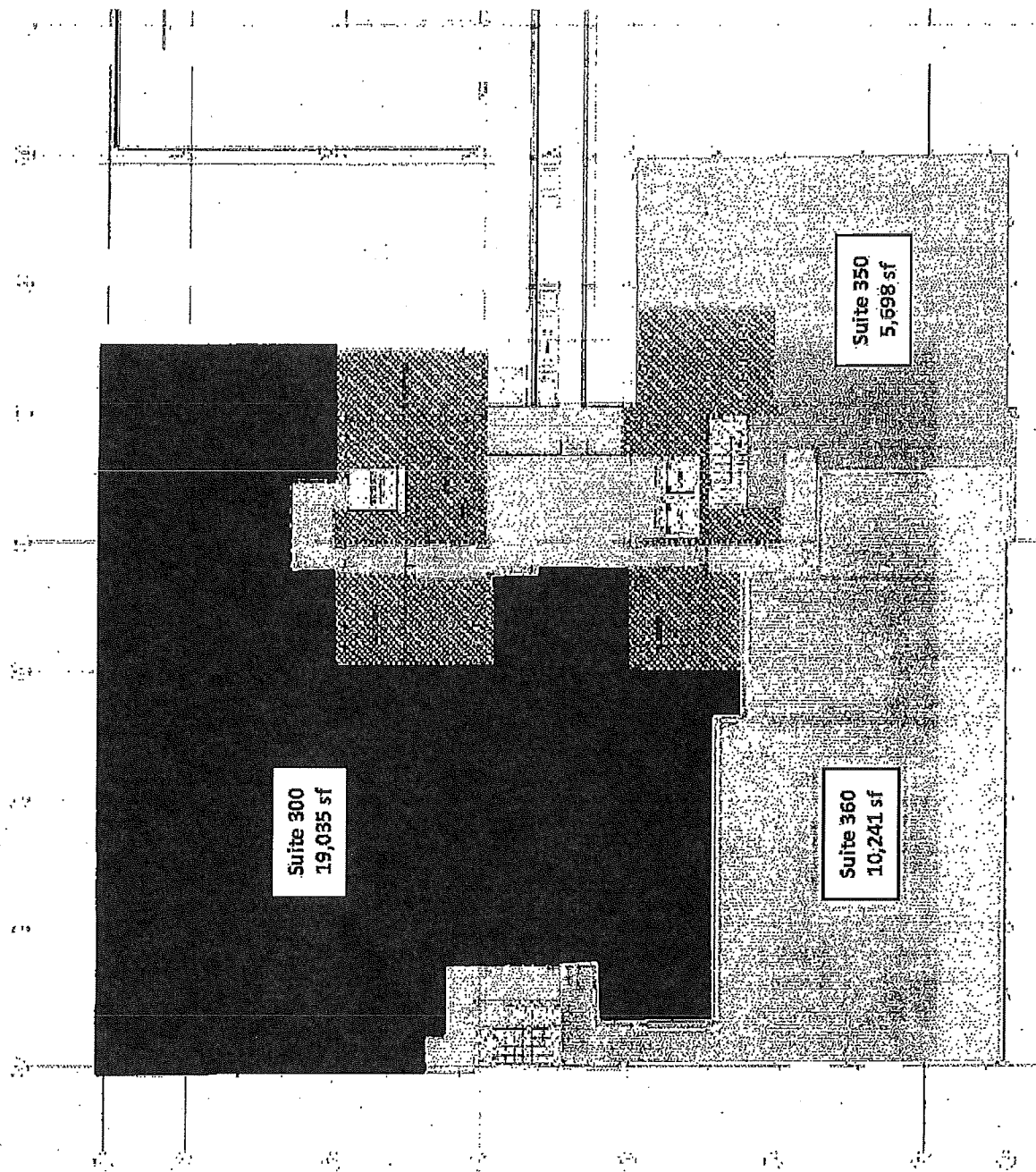


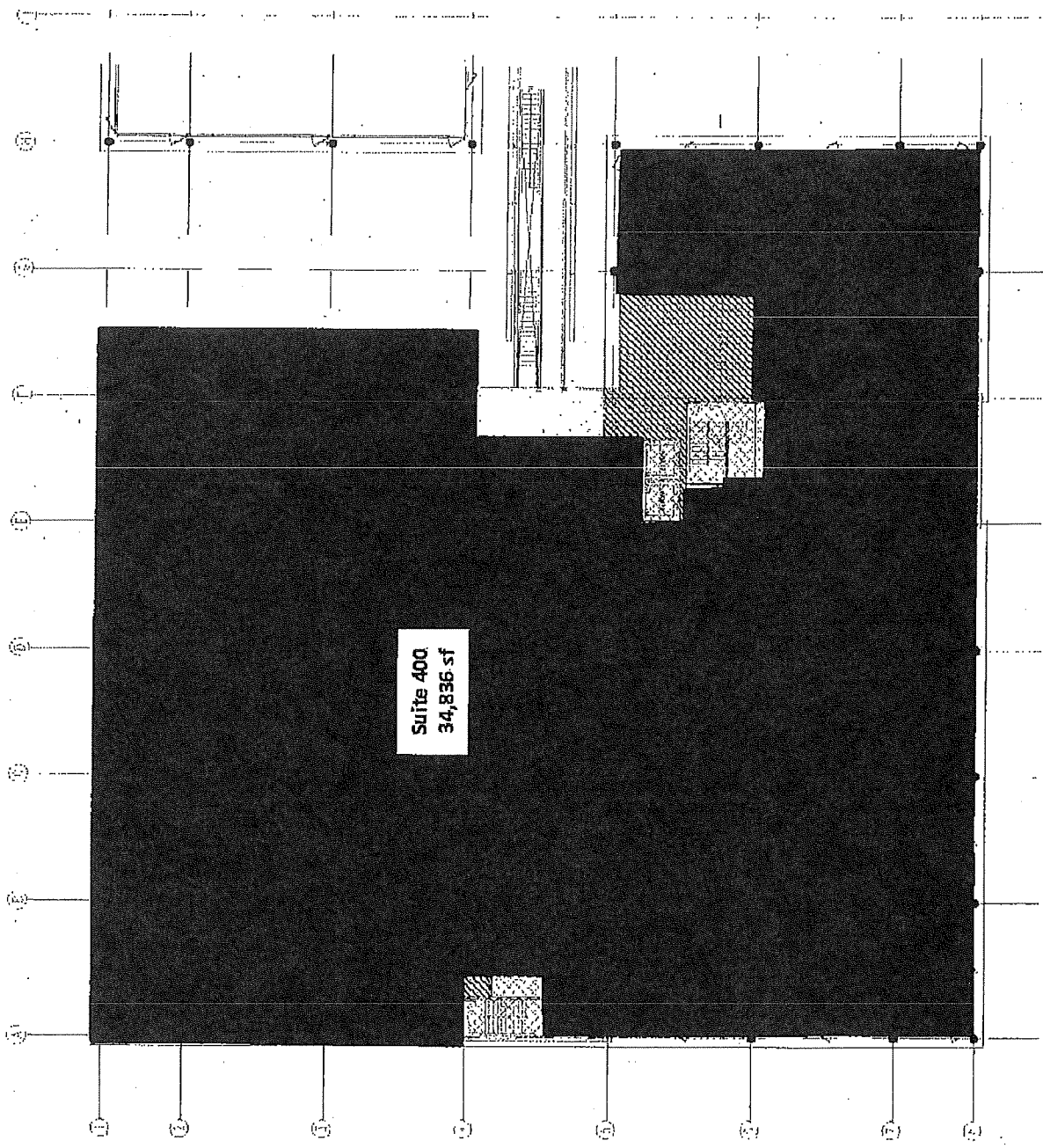
**EXHIBIT A**

**FLOOR PLANS OF PHASE I AND PHASE II PREMISES**









**EXHIBIT B**

**NOTICE OF COMMENCEMENT DATE**

[Insert Date]

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

RE: Acknowledgement of Commencement Date for Lease Between LEXINGTON LION SAN FRANCISCO L.P., a \_\_\_\_\_ limited partnership ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO ("Tenant"), for premises located at 350 Rhode Island Street - North, San Francisco, California.

Dear Sir or Madam:

In accordance with Section 3.2(a) of the Lease, this letter will confirm that for all purposes of the Lease, the Commencement Date for the Lease is \_\_\_\_\_, 20\_\_.

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

[Signatures on next page]

Very truly yours,

LEXINGTON LION SAN FRANCISCO L.P.,  
a Delaware limited partnership

By: Lexington Lion San Francisco GP LLC,  
a Delaware limited liability company, its general partner

By: CLPF-LXP/LV, L.P.,  
a Delaware limited partnership, its sole member

By: CLPF-LXP/LV GP, LLC,  
a Delaware limited liability company, its general partner

By: Clarion Lion Properties Fund Holdings, L.P.,  
its sole member

By: CLPF-Holdings, LLC, its general partner

By: Clarion Lion Properties Fund Holdings REIT, LLC,  
its sole member

By: Clarion Lion Properties Fund, LP,  
its managing member

By: Clarion Partners LPF GP, LLC,  
its general partner

By: Clarion Partners, LLC,  
its sole member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Authorized Signatory

Accepted and Agreed:  
CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

By: \_\_\_\_\_  
John Updike  
Director of Property

Dated: \_\_\_\_\_

## EXHIBIT C

### EXCLUSIONS FROM OPERATING COSTS

The following shall be excluded from Operating Costs for the purpose of determining City's Percentage Share of Operating Costs:

1. Capital Costs. Capital Expenses, which for the purposes of this Exhibit shall be defined as any expenditure which (x) provides a benefit in excess of one year, (y) is a non-recurring expenditure (i.e., such that the subject expenditure is not expected to recur in a two (2) year period), and (z) cost, in the aggregate including all associated and related expenditures for consulting fees, permits, installment payments, etc., in excess of \$25,000 ("Capital Expenses"), except as specifically included in items (i) and (ii) of this Item 1 and Item 2 below.
  - (i) Capital Costs for New Building Regulations. Operating Costs may include the cost of capital improvements and/or capital repairs (a) required in order to comply with Laws (other than Laws that the Common Areas were specifically required to comply with as of the date of this Lease), (b) needed to repair or replace existing Building Systems or Building improvements, (c) triggered by City's use of the Premises or City's Leasehold Improvements or Alterations, amortized over the useful life of the applicable capital improvement and/or capital repair, plus interest in the amount described below, except to the extent such capital improvements are attributable to or are made for the primary benefit of a tenant or occupant other than City.
  - (ii) Capital Costs Which Reduce Operating Costs. Operating Costs may include the cost of capital improvements and/or capital repairs installed for the purpose of causing a reduction in other Operating Costs, amortized over the useful life of such capital improvements and/or capital repairs, plus interest in the amount described below, provided, however, that the costs of such capital improvements and/or capital repairs may only be included if, at the time such costs were incurred, Landlord reasonably estimated that the annual savings that would result from the applicable capital improvement and/or capital repair (commencing with the first year after the completion of such improvement and/or repair) would be equal to or exceed the annual amortized amount of the costs to be included in Operating Costs for the applicable capital improvement and/or capital repair, and at City's request Landlord shall provide City with a written statement and explanation of Landlord's estimation. Nothing in this clause (ii) of Item 1 is intended to limit Landlord's rights to make capital repairs and/or capital improvements under clause (i) of this Item 1.

Capital Expenses described in (i) or (ii) above included in Operating Costs shall be amortized over the useful life thereof (as reasonably determined by Landlord, provided that such period shall be within the range used to amortize such costs by landlords of Class A office buildings in the San Francisco South of Market area in accordance with generally accepted property management practices), together with (A) interest on the unamortized balance of the Capital Expense at the actual interest rate incurred by Landlord in connection with such Capital Expense if the funds for such Capital Expense are borrowed from a third party lender, or (B) presumed interest on the unamortized portion of such Capital Expense at the Bank of America Reference Rate plus two percent (2%) if the funds are not borrowed from a third party lender.

2. Capital Equipment Rental. Rentals and other related expenses for items which if purchased rather than rented, would constitute a Capital Expense that Landlord is expressly prohibited from including as part of Operating Costs (except when needed in connection with normal repairs and maintenance of permanent systems and further excepting equipment that is not affixed to the Building and is used in providing janitorial services or similar services).
3. Casualty Costs. Costs (other than insurance related costs which shall be included as part of Operating Costs) incurred by Landlord in the event any portion of the Building is made untenable by fire or other casualty, including costs for the repair of the Building.
4. Eminent Domain Costs. Costs incurred as a result of the exercise of the right of eminent domain.
5. Other Tenant Improvement Costs. Costs, including, without limitation, interior improvements, base building improvements, code upgrades, permit, license and inspection costs, incurred with respect to the installation of improvements made for tenants or other occupants of the Building other than City or incurred in renovating or otherwise improving, decorating, painting or redecorating space to be leased by other tenants or other occupants in the Building.
6. Depreciation, Amortization and Interest. Depreciation, amortization and interest payments, except (i) depreciation on paintings, sculptures and other works of art located in the Building's common ground floor lobby, provided the cost of depreciation of such items included in Operating Costs does not materially exceed the cost for such items typically included by landlords of first-class office buildings in the San Francisco South of Market area), (ii) to the extent provided herein pursuant to items 1(i) and 1(ii) above, and (iii) on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, provided that when depreciation or amortization is permitted or required, the item shall be amortized over its useful life (as reasonably determined by Landlord, provided that such period shall be within the range used to amortize such costs by landlords of first-class office buildings in the San Francisco South of Market area in accordance with generally accepted property management practices).
7. Marketing and Leasing Costs. Advertising and promotional expenses, marketing costs, leasing commissions, attorneys' and other professionals' fees, space planning costs and all other costs and expenses in connection with negotiations with present or prospective tenants or other occupants in the Building.
8. Lease Enforcement and Dispute Costs. Litigation costs, attorneys' fees, costs of settlement, judgments and payments in lieu thereof, and other costs and expenses incurred in connection with: (i) lease enforcement; (ii) disputes or potential disputes with prospective, former or current Building tenants or occupants; (iii) disputes or potential disputes with any prospective, former or current employee, agent, contractor or vendor (except to the extent that Landlord reasonably anticipates that, for the majority of the tenants of the Building or City, the economic benefits of a successful outcome would exceed the costs incurred, in which event reasonable costs and expenses incurred in connection therewith may be included in Operating Costs on the condition that Landlord identify such cost, together with a description of the anticipated economic benefit to be realized, in Landlord's Expense Statement for the Expense Year in which such costs were included); (iv) disputes or potential disputes with any present or



future ground lessors or holders of any mortgages or other encumbrances affecting any of the Building; (v) the defense of Landlord's title to the Building or the real property on which it is located; or (vi) other potential or actual disputes, claims, litigation or arbitration pertaining to Landlord or the Building (except to the extent that Landlord reasonably anticipates that, for the majority of the tenants in the Building or City the economic benefits of a successful outcome would exceed the costs incurred, such as tax disputes where the tenants of the Building would benefit if Landlord prevails, in which event reasonable costs and expenses incurred in connection therewith may be included in Operating Costs on the condition that Landlord identify such cost, together with a description of the anticipated economic benefit to be realized, in Landlord's Expense Statement for the Expense Year in which such costs were included).

9. Intentionally Omitted.

10. Costs of Violations of Rules, Laws or Contracts. Costs, including without limitation fines, penalties and damages, incurred by Landlord due to violation by Landlord or any tenant or other occupant of the Building of the terms and conditions of any lease, ground lease, mortgage or deed of trust, or other covenants, conditions or restrictions encumbering the Building or the real property on which it is located, except to the extent Landlord would have incurred such costs as an Operating Cost absent such violation.

11. Self-Dealing Costs. Overhead and profit increments paid to Landlord or to subsidiaries or affiliates of Landlord, for management or other services, supplies or materials, to the extent the same materially exceed the costs of such goods and/or services rendered by unaffiliated third parties providing the same quality and scope of services and with a comparable level of relevant experience and skill on a competitive, arms-length basis.

12. Concierge or other Concession Costs. Any compensation paid to clerks, attendants or other persons in commercial concessions operated by or for Landlord, including, without limitation, concierge service, athletic or recreation club or luncheon club.

13. Ground Lease. Any ground lease rental or rental under any other underlying leases.

14. Amortization and Interest. Except as specifically permitted by Items 1(i), 1(ii) and 6 above, interest, principal, points and fees on debts or amortization on any mortgage, deed of trust or any other debt instrument encumbering any of the Building or the real property on which it is located.

15. Property Management Fee Cap. Property management costs including wages, salaries, and management office expenses, to the extent that such costs exceed management costs normally payable for comparable management services in comparable buildings in the downtown San Francisco financial district, are permitted Operating Costs, but shall be capped at 2.5% of the gross rent (i.e. the sum of Base Rent and Operating Costs).

16. Reimbursed Costs and Costs Benefitting Other Tenants. All items, services and benefits (i) for which City or any other tenant or occupant of the Building separately reimburses Landlord (other than through such tenant's or occupant's proportionate share of Operating Costs), or (ii) which are not offered to City (or for which City is charged directly), but which are provided to another tenant or occupant of the Building without reimbursement.

17. Signage. The costs of acquiring and installing signs in or on any of the Building identifying the owner of the Building or any tenant or other occupant of the Building.

18. Intentionally Omitted.
19. ADA Costs. Subject to Section 10 of the Lease and as otherwise provided for in the Lease, costs incurred in connection with upgrading the Common Areas to comply with disabled access, life, fire and safety codes in effect prior to the date of the Lease, and costs incurred in connection with upgrading the Common Areas to comply with the Americans with Disabilities Act of 1990 and Title 24 of the California Code of Regulations (or its successor), the San Francisco Sprinkler Ordinance and the San Francisco Unreinforced Masonry Building Ordinance.
20. Late Payment. Penalties or fees incurred as a result of Landlord's negligence, inability or unwillingness to make payments, including tax payments, when due.
21. Hazardous Materials Costs. Costs arising from the presence of or incurred in connection with the abatement or remediation of Hazardous Material in or about the Building, including, without limitation, groundwater or soil conditions ("Hazardous Materials Costs"); provided, however, Operating Costs may include minor costs attributable to those actions taken by Landlord to comply with any laws, rules and regulations or otherwise commonly performed pursuant to prudent property management practice, provided such actions are incidental to the ordinary operation and maintenance of the Building (and not triggered by or made in connection with tenant improvements or a particular special use by a tenant or occupant, such as a laboratory, dental or medical practice, cleaners or photo processing), including (i) costs of routine monitoring of and testing for Hazardous Material in or about the Building and (ii) costs incurred in removing and disposing of de minimis amounts of Hazardous Materials from the Building when such removal is directly related to such ordinary maintenance and operation of the Building. Nothing contained herein shall excuse City from liability which City has for Hazardous Materials under the other provisions of this Lease.
22. Charitable and Political Contributions. Landlord's charitable or political contributions.
23. Available Warranties. Costs for repairs that are reimbursed by a contractor or manufacturer pursuant to a warranty.
24. Art. Costs for sculpture, paintings or other objects of art, other than de minimis costs of routine maintenance of and insurance premiums for art work and decorations on display in the Common Areas.
25. Sale and Financing Costs. All direct costs of financing, refinancing, selling, exchanging or otherwise transferring ownership of the Building or the real property on which it is located or any interest therein or portion thereof, including broker commissions, attorney's fees and closing costs.
26. Bad Debts and Reserves. Bad debt loss, rent loss, sinking funds or reserves for bad debts, rent loss, capital items or further Operating Costs.
27. Violation of Law. Costs, penalties or fines arising from the violation by Landlord or any tenant or other occupant of the Building of any applicable governmental rule, regulation, law or authority, except to the extent such costs reflect costs that would have been incurred by Landlord absent such violation.
28. Overhead. Landlord's general corporate overhead and general and administrative expenses not directly related to the operation or management of the Building.

29. Special Service Expense Items. In addition to the foregoing, Landlord shall make good faith efforts (i) to exclude from Operating Costs those items, services or benefits ("Special Service Expense Items") that are incurred solely for the direct benefit of specific types of tenants or users in the Building ("Special Service Users") other than City, or (ii) to equitably reduce Operating Costs to reflect materially disproportionate use of Special Service Expense Items by Special Service Users (when compared to the typical Building tenant). Special Service Users may include, but shall not be limited to retail tenants, medical or dental offices.

Notwithstanding the foregoing or anything to the contrary contained in this Lease, Landlord may equitably increase City's Percentage Share for any item of expense or cost reimbursable by City that relates to a repair, replacement, utility or service that benefits only the City, the Premises or only a portion of the Building that includes the Premises or that varies with occupancy or use.

## EXHIBIT D

### RULES & REGULATIONS

#### 350 Rhode Island Street - North

1. The rights of City in the sidewalks, entrances, corridors, stairways, elevators and escalators of the Building are limited to ingress to and egress from the Premises for City, its Agents or Invitees, and City shall not invite to the Premises, nor permit the visit thereto by, persons in such numbers or under such conditions as to interfere with the use and enjoyment by others of the sidewalks, entrances, corridors, stairways, elevators, escalators or any other facilities of the Building. Fire exits and stairways are for emergency use only, and they shall not be used for any other purpose by any of City, its Agents or Invitees. Landlord shall have the right to regulate the use of and operate the public portions of the Building, as well as portions furnished for the common use of tenants, in such manner as it deems best for the benefit of tenants generally.
2. Landlord reserves the right to exclude from the Building between the hours of 6 P.M. and 7 A.M. and at all hours on Saturdays, Sundays and holidays all persons who do not present a pass to the Building signed by Landlord. Landlord will furnish passes to persons for whom any tenant requests the same in writing. In case of invasion, riot, public excitement or other commotion, Landlord may prohibit all access to the Building during the continuance of the same, by closing doors or otherwise, for the safety of tenants or protection of property in the Building. Landlord shall, in no way, be liable to City for damages or loss arising from the admission, exclusion or ejection of any person to or from the Premises or the Building under the provisions of this rule. Landlord may require any person leaving the Building with any package or other object to exhibit a pass from City from whose Premises the package or object is being removed, but the establishment or enforcement of such requirement shall not impose any responsibility on Landlord for the protection of City against the removal of property from the Premises of City.
3. Where any damage to the public portions of the Building or to any portions used in common with other tenants is caused by any of City, its Agents or Invitees, the cost of repairing the same shall be paid by City upon demand.
4. Landlord shall have the right to prescribe the weight and position of safes and other objects of excessive weight, and no safe or other object whose weight exceeds the lawful load for the area upon which it would stand shall be brought into or kept upon the Premises. If, in the judgment of Landlord, it is necessary to distribute the concentrated weight of any safe or other heavy object, the work involved in such distribution shall be done in such manner as Landlord shall determine and the expense thereof shall be paid by City. The moving of safes and other heavy objects shall take place only upon previous notice to, and at times and in a manner approved by, Landlord, and the persons employed to move the same in and out of the Building shall be acceptable to Landlord. No machines, machinery or electrical or electronic equipment or appliances of any kind shall be placed or operated so as to disturb other tenants. No tenant shall drive nails, screw or drill into, the partitions, woodwork or plaster or in any way deface such premises or any part thereof, except for non structural drywall surfaces as approved by Landlord. Freight, furniture, business equipment, merchandise and packages of any description shall be delivered to and removed from the Premises only in the freight elevators and through the service entrances and corridors, and only during hours and in a manner approved by Landlord.

Landlord will not be responsible for loss of or damage to any such safe or property from any cause, and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of the City.

5. There shall not be used in any space, or in the public areas of the Building, either by any tenant or others, any hand trucks except those equipped with rubber tires and side guards. No other vehicles of any kind shall be brought by any tenant into or kept in or about any premises in the Building.

6. No noise, including the playing of any musical instrument, radio or television, that, in the judgment of Landlord, might disturb other tenants in the Building, shall be made or permitted by City. No animals (except as otherwise allowed pursuant to ADA regulations and codes) shall be brought into or kept in the Building or the Premises. No dangerous, inflammable, combustible or explosive object or material shall be brought into or kept in the Building by City or with the permission of City, except as permitted by law and the insurance companies insuring the Building or the property therein. City shall not cause or permit any odors of cooking or other processes, or any unusual or other objectionable odors, to permeate in or emanate from the Premises.

7. No tenant shall alter any lock or install a new or additional lock or any bolt on any door of its premises without the prior written consent of Landlord. If Landlord shall give its consent, City shall in each case furnish Landlord with a key for any such lock. There may be sensitive areas of the Premises that require, unless an emergency threatens life and safety and/or material and substantive damage to property, Landlord's entry be accompanied by City staff with reasonable prior notice. Landlord may make a reasonable charge for keys. City shall not have any such keys copied or any keys made. Each tenant, upon the termination of the tenancy, shall deliver to Landlord all the keys and access cards of or to the Building, offices, rooms and toilet rooms which shall have been furnished to the City or which City shall have had made.

8. Each tenant shall see that the doors of its premises are closed and securely locked and must observe strict care and caution that all water faucets or water apparatus are entirely shut off before the City or its employees leave such premises, and that all utilities shall likewise be carefully shut off, so as to prevent waste or damage, and for any default or carelessness the City shall make good all injuries sustained by other tenants or occupants of the Building or Landlord. No door (other than a door in an interior partition of the Premises) shall be left open at any time.

9. City shall give Landlord prompt notice of any accidents to or defects in the Building, including, but not limited to, water pipes, gas pipes, electric lights and fixtures, heating apparatus or any other service equipment. City shall promptly notify Landlord of any inspection of the Premises by governmental agencies having jurisdiction over matters involving health or safety.

10. No tenant shall use, keep or permit to be used or kept in its premises any foul or noxious gas or substance or permit or suffer such premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building.

11. All food storage areas shall be adequately protected against vermin entry by a contractor approved in advance by Landlord.

12. Drain pipes shall be kept free of obstructions and operable at all times.

13. Exit signs shall be illuminated, and other exit identification shall be operable, at all times.

14. Emergency lighting, including battery components, shall be in good working condition at all times.

15. City shall not bring or keep, or allow to be brought or kept, in the Building, any bicycles, roller blades, in line or other skates or other type of wheeled pedestrian form of locomotion.

16. Mail pick-up and delivery shall be responsibility of City.

17. No sign, placard, picture, name, advertisement or notice, visible from the exterior of leased premises shall be inscribed, painted, affixed or otherwise displaced by any tenant either on its premises or any part of the Building without the prior written consent of Landlord, and Landlord shall have the right to remove any such sign, placard, picture, name, advertisement or notice without notice to and at the expense of the City.

If Landlord shall have given such consent to any tenant at any time, whether before or after the execution of the Lease, such consent shall in no way operate as a waiver or release of any of the provisions hereof or of such Lease, and shall be deemed to relate only to the particular sign, placard, picture, name, advertisement or notice so consented to by Landlord and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Landlord with respect to any other such sign, placard, picture, name, advertisement or notice.

No signs will be permitted on any entry door unless the door is glass. All glass door signs must be approved by Landlord. Signs or lettering shall be printed, painted, affixed or inscribed at the expense of the City by a person approved by Landlord.

18. The lobby directories of the Building will be provided exclusively for the display of the name and location of tenants only and Landlord reserves the right to exclude any other names there from. Landlord reserves the right to restrict the amount of directory space utilized by City and to charge for names associated with City to be placed thereon at rates applicable to all tenants, and to charge for changes or substitutions thereto.

19. No curtains, blinds, shutters, shades, screens or other coverings, hangings or decorations shall be attached to, hung or placed in, or used in connection with any window on any premises without the prior written consent of Landlord. In any event, with the prior written consent of Landlord, all such items shall comply with Landlord's building standards. No articles shall be placed or kept on the windowsills so as to be visible from the exterior of the Building.

20. The doors, windows, light fixtures and any lights or skylights that reflect or admit light into the halls or other portions of the Building shall not be covered or obstructed.

21. No tenant shall obtain for use upon its premises ice, drinking water, food, beverage, towel or other similar services, or accept barbering or shoe shining services in its premises, except for deliveries and from persons authorized by Landlord, and at hours and under regulations fixed by Landlord. No vending or food beverage dispensing machine or machine of any description shall be installed, maintained, or operated upon the Premises or in the Building without Landlord's prior written permission, which shall not be unreasonably withheld.

22. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be born by the City who, or whose employees or invitees shall have caused it.

23. Except with the prior written consent of Landlord, no tenant shall sell, or permit the sale at retail of newspapers, magazines, periodicals, theater tickets or any other goods or merchandise in or on any premises, nor shall any tenant carry on, or permit or allow any employee or other person to carry on, the business of stenography, typewriting or any similar business in or from any premises for the service or accommodation of occupants of any other portion of the Building, nor shall the premises of any tenant be used for the storage of merchandise or for the manufacturing of any kind, or the business of a public barber shop, beauty parlor, or any business or activity other than that specifically provided for in such tenant's lease.

24. Landlord will direct electricians as to where and how telephone, telegraph and electrical wires are to be introduced or installed. No boring or cutting for wires will be allowed without the prior written consent of Landlord. The location of telephones, call boxes and other office equipment affixed to all premises shall be subject to the written approval of Landlord. All electrical appliances must be grounded and must meet UL Label Standards. City shall pay all expenses incurred in connection with the installation and removal of its equipment, including any telephone, telegraph, data and electricity distribution equipment.

25. No tenant shall lay linoleum, tile, carpet or any other floor covering so that the same shall be affixed to the floor of its premises in any manner except as approved in writing by Landlord. The expense of repairing any damage resulting from a violation of this rule or the removal of any floor covering shall be borne by the City by whom, or by whose contractors, employees or invitees, the damage shall have been caused.

26. Each tenant shall store all its trash and garbage within the interior of its premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in the City of San Francisco without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entryways and elevators provided for such purposes and at such times as Landlord shall designate. City agrees to make reasonable efforts to cause its employees and invitees using the courtyard to dispose of trash in the receptacles provided and otherwise keep the Common Area in a neat and clean condition. All employees of Licensee performing deliveries or removing trash from the Premises must be registered in advance with the Building's management office and carry appropriate identification with them at all times when performing such duties.

27. Canvassing, soliciting, distribution of handbills and other written materials and peddling in the Building are prohibited and each tenant shall cooperate to prevent the same.

28. Landlord, in order to comply with the requirements of California Assembly Bill Number 13 of 1994, has designated the Building a "No Smoking" building, which prohibits smoking in the tenants' premises and all common areas. City agrees to make reasonable efforts to enforce this prohibition on smoking among its employees and invitees, and to utilize the ash urns in the designated smoking areas.

29. City shall abide by all energy conservation measures employed by Landlord, including but not limited to requirements that lights be extinguished upon leaving the Premises, and that draperies be closed at time specified by Landlord.

30. Feeding birds on any portion of the Project is strictly prohibited. City agrees to make reasonable effort to enforce the prohibition among its employees and invitees.

31. Landlord shall have the right to prohibit any advertising by any tenant which, in Landlord's opinion, tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Landlord, City shall refrain from or discontinue such advertising.

32. City agrees to promptly notify Landlord of any security threats to persons or property known to City at the Property known to City and, if they are related to City's occupancy of the Premises, City agrees to take reasonable safety precautions to protect the safety of occupants and users of the Property and prevent damage to the Property.

33. Landlord reserves the right to rescind, alter or waive any rule or regulation at any time prescribed by Landlord when, in its judgment, it deems it necessary, desirable or proper for its best interest or for the best interests of tenants, and no rescission, alteration or waiver of any rule or regulation in favor of one tenant shall operate as a rescission, alteration or waiver in favor of any other tenant. Landlord shall not be responsible to City for the nonobservance or violation by any other tenant of any of the rules or regulations at any time prescribed by Landlord.



**Loading Dock - Tenant Use:**

Loading/Unloading Only - 15 minute limit CVC22658(a) Subject to being towed at the vehicle's owner expense. (Signs are posted inside of the loading dock)

**For Towed Vehicles Call:**

P & S Towing 415-861-4200

SFPD 415-553-1239

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**Loading Dock Requirements**

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The loading dock is opened Monday thru Friday from 6am until 6pm, and is closed during the weekends and on holidays. (Any after hour request should be made directly to the property management)

**During business hours:**

The loading dock is for ALL of the tenants on a first arrival basis (15 minute loading/unloading limit does apply). Special arrangements for the use of the loading dock can be arranged with the property management.

Tenants who require up to an additional 15 minutes in the loading dock should reach out to security either in the North Lobby or via phone: 415-745-0976

Also, please note the following:

- 1.) Staging of equipment inside of the loading dock should be limited to 15 minutes unless you receive permission from the property management.
- 2.) Be conscientious of your surroundings:
  - Don't block doors, sidewalk and walkways.
  - If you spill food or liquids notify security so that we can avoid further incidents.
  - If you witness something damaged, any slip hazards, or anything out of place, please notify security.
- 3.) No work (except loading/unloading of vehicle) shall be conducted inside of the loading dock unless permission from the property management has been granted— This includes:
  - No Soldering
  - No Use of Power Tools (Excluding Pallet Jack)
  - No Use of Hand Tools (Excluding Floor Dolly)
  - No Use of Gas Tanks/Generator

--Any work that has been authorized requires signage or cones within the designated work space as to prevent other people whom are using the loading dock from being injured.

- 4.) There's NO BLOCKING of the sidewalk leading into the loading dock as this creates a hazard for pedestrians and people with special needs.
- 5.) Propping of the loading dock door into the North Lobby is not allowed. Remain with your vendor while deliveries are being made or arrange for special access for your vendor.
  - For additional access cards please notify the property management or if you have access into the workorder system, please make the request through there.

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### Blue / Green Bins & Compactor

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#### Recyclable Items (Blue Bins):

- Computer paper / Letterhead/ Copy machine paper
- NCR forms
- "Post-it" notes
- Carbon copies (minus carbon sheet)
- Paperboard(cereal box type)
- Catalogs, magazines, envelopes, newspaper
- Paper Wrappers, blue prints, phone books, glossy brochures
- File folders, pressure sensitive envelopes
- Junk mail, telephone books and miscellaneous colored forms
- Pens, pencils, rubber bands
- Plastic bottles, glass bottles – clear and colored, aluminum cans
- Ferrous metal and bi-metal cans.

#### Compostable Items (Green Bins):

- Coffee Grounds
- Food Items
- Paper cups, plates & card board boxes (Soiled by food)
- Plants or flowers
- Tea bags and wet waste

#### Non-recyclable items (Trash Compactor):

- Ceramics
- Plastic utensils, stir-sticks
- Styrofoam (all types)

- Acetate sheets (microfiche)
- Carbon Paper
- Cellophane
- Computer diskettes
- Light Bulbs
- Mirrors

**Box Compactor:**

- Must be at least 18 years of age to operate.
- DO NOT operate unless you've been properly trained to do so.
- Cardboard Boxes ONLY(Non-soiled boxes)
- Bail the boxes inside of the compactor when it's 60% Full.
- Don't overfill past 60%(Its difficult for the vendors to pick up)
- Don't leave boxes next to compactor. (Clean up after yourself.)
- Always use all four strands of yarn when bailing. (Yarn will break!)

## EXHIBIT E

### WORK LETTER

#### 350 Rhode Island North

This Work Letter is part of the Office Lease dated as of \_\_\_\_\_, \_\_\_\_\_ (the "Lease"), executed concurrently herewith, by and between LEXINGTON LION SAN FRANCISCO L.P., a Delaware limited partnership, as Landlord, and the City and County of San Francisco, as Tenant, covering certain premises described in the Lease. All terms that are capitalized but not defined herein shall have the same meanings given to them in the Lease.

The parties acknowledge that the Premises shall be delivered in multiple phases so that this Work Letter shall apply separately to each phase of the construction of Leasehold Improvements within the Premises. Accordingly, references herein to terms like (i) "Premises" shall mean the portion of the Premises applicable to that phase, (ii) "Leasehold Improvements" shall mean the leasehold improvements applicable to such phase, (iii) "Allowance" and "Additional Construction Allowance" shall mean the allowances being provided by Landlord applicable to such phase, and (iv) "Construction Schedule" shall mean the construction schedule applicable to such phase.

The cost of the design and construction of the Leasehold Improvements and all costs and expenses in connection therewith shall be paid by City, subject to the Allowance and Additional Construction Allowance provided by Landlord. Landlord through its general contractor reasonably approved by City (the "Contractor"), shall furnish and install within the Premises the improvements shown on the Construction Documents finally approved by City and Landlord pursuant to paragraph 1 below (the "Leasehold Improvements"), in accordance with the provisions of this letter.

1. Plans and Specifications.

a. Schematic Design Documents. City and Landlord shall work collaboratively and in a diligent and efficient manner to mutually approve schematic design plans for the Leasehold Improvement Work for the Premises (the "Schematic Design Documents") in accordance with the program requirements of City.

b. Design Development Documents. Based on the approved Schematic Design Documents and any adjustments approved by City, within the timeframe provided for in the Construction Schedule the after mutual approval of the Schematic Design Documents, Landlord shall have caused its architect or space planner reasonably approved by City (the "Architect") and its qualified and licensed engineer approved by City (the "Engineer") to prepare and submit to City for its approval plans and specifications expanding in greater detail the representations of the Schematic Design Documents and fixing and describing the size and character of the Leasehold Improvements, including, without limitation, architectural, structural, materials and such other elements as may be appropriate, together with fully developed floor plans, wall and building sections (collectively, the "Design Development Documents"). The

Design Development Documents shall be subject to approval by City in accordance with Paragraph 1.e below.

c. Construction Documents. Based on the approved Design Development Documents and any further adjustments approved by City, within the timeframe provided for in the Construction Schedule, Landlord shall have caused its Architect and Engineer to prepare and submit to City for its approval final plans, specifications and working drawings for the Leasehold Improvements, setting forth in detail all aspects of the design, function and construction of the Leasehold Improvements, in form sufficient for bidding of all elements of construction, and in conformity with all of the requirements of this Work Letter (collectively, the "Construction Documents"). Such Construction Documents shall be subject to approval by City in accordance with Paragraph 1.e below.

d. Design in Accordance with City's ADA Requirements. City shall prepare and submit to Landlord for Landlord's approval documents which outline City's space requirements for the Premises. Landlord's Architect shall design the Premises and prepare all plans and specifications hereunder, including the Design Development Documents and Construction Documents, in conformity with the agreed upon documents. Landlord's Architect shall consult and hold periodic meetings with City and its architectural consultants and space planners as needed, in the preparation of the Design Development Documents and Construction Documents.

e. City's Approval of Plans. The Design Development Documents and Construction Documents (and any Landlord Change Orders thereto, as described below) shall be subject to approval by City, which approval shall not be unreasonably withheld or delayed, in accordance with the following procedure. After submission of the Design Development Documents, Construction Documents or proposed Change Order by Landlord to City, City shall have five (5) days to disapprove any element thereof. If City does so, then City shall notify Landlord within such period of its disapproval and of the revisions that City reasonably requires in order to obtain approval consistent with the terms of this Work Letter. As soon as reasonably possible thereafter, but in no event later than five (5) days after receipt of such notice, Landlord shall submit to City documents incorporating the required revisions. Such revisions shall be subject to approval by City, which shall not be unreasonably withheld or delayed. Such revisions shall be deemed approved by City if City fails to notify Landlord of any objection within five (5) days after receipt of the revision.

f. Notwithstanding anything to the contract contained herein, it shall be considered Tenant Delay if the Construction Documents have not been agreed to by the parties (i) with respect to the Phase I Premises, by December 15, 2017; provided, however, that such date shall be extended on a day for day basis for each day, if any, between the date that is seven (7) days after the Effective Date and the date that Landlord provides the Section 23.30 Notification, and (ii) with respect to each portion of the Phase II Premises, within thirty (30) days after Landlord notifies City of then scheduled expiration or earlier termination date of the existing lease with respect to such portion of the Phase II Premises.

g. Payment for Plans. The costs of preparing the Schematic Design Documents, Design Development Documents and the Construction Documents shall be paid by

Landlord and shall be deducted from the Allowance (as defined in paragraph 4.b below), subject to City's prior approval of such costs as provided in paragraph 4.c below. Landlord shall evidence such costs by invoices and other substantiation as City may reasonably require.

h. Changes to Approved Construction Documents.

i. City Change Orders. If following Landlord's and City's approval of the Construction Documents, City requests any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("City Change Order"), Landlord shall cause the Architect or Engineer, as applicable, to prepare plans and specifications with respect to such change, addition or alteration. Within a reasonable period after City's request, Landlord shall notify City of the cost that would be incurred by reason of such proposed City Change Order and any delay in the anticipated date of Substantial Completion that would result from such City Change Order. If City approves the cost of the City Change Order within five (5) days of receipt from Landlord, then Landlord's Contractor shall proceed with such City Change Order as soon as reasonably practical thereafter. If City does not approve such cost within the above-mentioned five (5) day period, construction of the Premises shall proceed in accordance with the original completed and approved Construction Documents. City shall be responsible for the reasonable cost actually incurred by Landlord in the preparation of the plans and specifications relating to any City Change Order, as evidenced by invoices or other substantiation reasonably required by City. The time period required to address any City Change Order request, whether or not the same is implemented, shall constitute Tenant Delay if the delay in any way delays the date the Leasehold Improvements would have been Substantially Completed.

ii. Landlord Change Orders. If following Landlord's and City's approval of the Construction Documents, Landlord requests or is required to make any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("Landlord Change Order"), Landlord shall provide City with proposed plans and specifications with respect to such change, addition or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from such Landlord Change Order. Any such Landlord Change Order shall be subject to City's prior written approval, in accordance with Paragraph 1.e above. No approval by City of any such Landlord Change Order shall relieve or modify Landlord's obligations hereunder to complete the construction of the Leasehold Improvements in accordance with the approved Construction Schedule, nor shall any such approval limit any of City's rights or remedies hereunder or under the Lease. If the Landlord Change Order request is simply and solely the result of a Landlord preference with respect to the Leasehold Improvements (as opposed to a change required by applicable legal requirements or necessitated by field conditions in both of which cases all of the costs in connection with such Landlord Change Order shall be paid for out of the Allowance), Landlord shall be solely responsible for the cost of the Landlord Change Order, including, without limitation, the costs of preparing the plans and specifications relating thereto, and no such amount shall be paid or deducted from the Allowance.

iii. Appointment of Representatives. City and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("Representative"), and an alternate for such Representative ("Alternate"), each of

whom shall be authorized to confer and attend meetings and represent such party on any matter relating to this Work Letter. Only Landlord's and City's Representative shall make any inquiries of or requests to, and shall not give any instructions or authorizations to, any other employee or agent of the other party, including without limitation, the other party's architect, engineers, consultants and contractors or any of their agents or employees, with regard to matters associated with this Work Letter. The initial Representatives and Alternates shall be:

City:            Representative -- \_\_\_\_\_  
                    Alternate -- \_\_\_\_\_

Landlord:      Representative – Ryan Hawkins  
                    Alternate – Yvonne Fischer

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

2.     Permits.

a.     Responsibility for Obtaining Permits. Landlord shall have the responsibility for obtaining all governmental permits and approvals required to commence and complete the Leasehold Improvement Work, and promptly upon receipt thereof shall deliver copies of all of such permits and approvals to City. Landlord shall use its commercially reasonable efforts to obtain all such approvals and permits promptly after the parties have agreed on so called permits set based on the Construction Documents for the Leasehold Improvements. Landlord shall have the responsibility of calling for all inspections required by City's Bureau of Building Inspection.

3.     Construction.

a.     Construction of Leasehold Improvements. Following City's approval of the Construction Documents, Landlord shall cause the Leasehold Improvements to be constructed and installed in a good and professional manner in accordance with sound building practice and in conformity with the Construction Documents, as revised by any Change Orders, and the terms of this Work Letter. City shall not have any obligation with respect to any such work other than as provided herein.

b.     Construction Schedule. Landlord shall commence construction of the Leasehold Improvements promptly after the Premises are available for construction but only after obtaining the required permits for construction in accordance with the approved Construction Documents, and Landlord shall diligently pursue construction to completion, all in accordance with the construction schedule (the "Construction Schedule") to be prepared by the Contractor subject to the consent of City and Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

c. Status Reports; Inspections. Landlord shall keep City apprised of the status of permit approval and the progress of construction. Landlord or its Contractor shall meet weekly with the City's Representative(s) on site or such other location as acceptable to the Parties so as to monitor the construction. From time to time during the design and construction of the Leasehold Improvements, City shall have the right upon reasonable advance oral or written notice to Landlord to enter the Premises at reasonable times to inspect the Premises, provided such inspections do not unreasonably interfere with the construction. Landlord or its Representative may accompany City during any such inspection.

d. General Conditions. The performance of all Leasehold Improvement Work by Landlord shall be subject to the following terms and conditions:

i. All of the Leasehold Improvement Work shall be performed in compliance with all laws, codes, regulations and building requirements (collectively, "Laws") bearing on construction of the Leasehold Improvements;

ii. Without limiting the foregoing, the construction of the Leasehold Improvements shall comply with all 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, "Disabled Access Laws"), and with City's work plan for accessibility improvements as set forth in the Construction Documents ;

iii. Landlord or its Contractor shall be responsible for all required insurance; and

iv. At City's request, Landlord shall require at least three (3) competitive bids from subcontractors in each major trade in connection with all work performed by Landlord or its Contractor hereunder.

e. Cooperation. Landlord shall cooperate at all times with City in bringing about the timely completion of the Leasehold Improvements. Landlord and City shall resolve any and all disputes arising out of the construction of the Leasehold Improvements in a manner which shall allow work to proceed expeditiously.

f. Telecommunications, Data and Computer Cabling Installation Work to be Performed by City. City, or its consultants and contractors, shall, at City's cost, perform surveys and develop plans and specifications for the installation of telecommunications, data and computer cabling for City's occupancy of the Premises. Landlord shall cause the Contractor to reasonably cooperate with City in the installation work and coordinate such work with the Leasehold Improvement Work. Landlord shall be responsible for providing telecommunications, data and computer cabling up to the point where it is stubbed out in the Building's core area. Beyond that point, City shall be responsible for installing such cabling at its expense. Landlord agrees to cause Contractor to cooperate reasonably with City and its consultants, contractors and subcontractors during all surveying work and the installation of such telecommunications, data and computer cabling. The foregoing obligation shall include, without limitation, an obligation to give City and its consultants, contractors and subcontractors access and entry to the Premises



and sufficient opportunity and time during each work day without separate charge therefor, to enable City to install such telecommunications, data and computer cabling; provided, however, that City's work shall not delay or impede the construction of the Leasehold Improvements. Such access shall include reasonable access to the elevator in the Building designated for freight use (i) on a non-exclusive basis during normal business hours and (ii) on an exclusive basis after hours as reasonably needed from time to time. Landlord understands that the conduit for the telecommunications, data and computer cabling shall be included in the Construction Documents and installed by Contractor. Union install required for horizontal cabling.

g. Asbestos Related Work. In the event that City, its consultants, contractors or subcontractors encounter any asbestos containing materials (ACM) in the Building in connection with the installation of City's telecommunications, data and computer cabling, Landlord agrees to be responsible for all legally required work or other work necessary relating to the proper containment, abatement, removal and disposal of such ACM and all costs thereof. In no event shall any such costs be deducted from the Allowance or otherwise be City's responsibility. Any delay in Substantial Completion due to the presence of unknown ACM in the Building shall be considered a Landlord Delay.

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

4. Payment for Work; Allowance.

a. Accessibility Improvements. Landlord shall complete the Base Building Improvements at Landlord's sole cost and expense (and no such costs shall be deducted from the Allowance).

b. Other Leasehold Improvement Work. Subject to paragraph 4.a above, City shall, subject to the Allowance and the Additional Construction Allowance, pay for the cost of constructing and installing the Leasehold Improvements. The Allowance may only be used for the Leasehold Improvement Work. No unused portion of the Allowance may be credited against Base Rent next due or payable under the Lease or refunded to City. In the event that the actual costs to construct and install the Leasehold Improvement Work incurred by Landlord exceed the amount of the Allowance, City shall pay such excess costs upon receipt of required documentation in accordance with subparagraph d below. Except for the Construction Administration Fee, City shall not be responsible for, and the Allowance shall exclude, any review, supervision, administration or management fees of any person or entity, any overhead or other general expenses of Landlord or any other person or entity, and any charges for parking or use of hoists or freight elevators. Landlord shall be solely responsible for the Base Building Improvements and no portion of the Allowance shall be applied to any such costs. City shall be solely responsible for the costs of the telecommunications, data and computer cabling work described above, except as provided hereinabove.

c. City's Approval of Costs. The Leasehold Improvement Work shall include costs based on a detailed construction budget prepared by Landlord or Contractor and approved by City. Prior to the Start of Construction, Landlord shall provide City with an updated construction budget for its approval which shall not be unreasonably withheld, conditioned or delayed. If the Leasehold Improvements cannot be completed in strict conformity with the most recently approved construction budget, Landlord shall immediately submit to City for its approval a revised construction budget and shall identify to City changes in line items and the reasons for the changes. If further changes are required, Landlord shall seek City's approval, following the same procedures. No costs shall be included in the Allowance, and City shall not be obligated to pay any costs in excess of the Allowance, unless and until it approves the construction budget and any revisions thereto. In the event the Construction Budget exceeds the ROM Budget, City shall have the right to approve or disapprove any construction budget or revisions in its reasonable judgment. No such approval or disapproval shall be unreasonably withheld, delayed or conditioned. The most recently approved construction budget shall supersede all previously approved budgets. All City approvals with regard to budgets and updated budgets are required within five (5) days after request from Landlord.

d. Required Documentation of Costs. Landlord shall provide City with copies of (i) all invoices received by Landlord from the Contractor in connection with the construction of the Leasehold Improvements, (ii) satisfactory evidence of payment of such invoices, and (iii) such additional supporting data substantiating the Contractor's right to payment as City may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

e. Progress Payments. After the Allowance has been exhausted in full and provided that the conditions set forth in Paragraph 4.e below with respect to documentation of costs have been met, City shall make monthly progress payments for the cost of the Leasehold Improvement Work. Funds will be disbursed by City on or about the tenth (10th) day of each month in amounts equal to ninety percent (90%) of the amount of costs associated with the Leasehold Improvement Work which City and Landlord have determined is owing to Contractor; provided, however, that such amount shall not exceed ninety percent (90%) of the line item cost breakdown set forth in the approved construction budget for such items. At least ten (10) days before the date established for each progress payment, Landlord shall submit to City an itemized application for payment for work completed in accordance with the approved construction budget. Such applications may not include requests for payment of amounts Landlord does not intend to pay to Contractor because of a dispute or otherwise. Landlord shall promptly apply all such payments from City to the payment of the invoice or invoices to which the payment relates. The remaining ten percent (10%) withheld by City as provided for above with respect to each disbursement request shall be paid by City promptly upon evidence to City that the work that is the subject of such disbursement request has been completed.

f. Allowance. City agrees that at least fifty percent (50%) of the per rentable square foot of the Allowance attributable to each phase/suite of the Premises shall be used for Leasehold Improvements for such phase/suite of the Premises. Any portion of the Allowance not used for any phase/suite of the Premises may be used for any other phase/suite of the Premises; provided, however, that any portion of the Allowance and/or Additional Construction Allowance not disbursed within twelve (12) months after the date that City is required to begin paying Base Rent for any such phase/suite of the Premises shall be deemed forfeited.

5. Substantial Completion.

a. Construction Schedule. Landlord shall use its reasonable efforts to complete the Leasehold Improvement Work in accordance with the agreed upon Construction Schedule, as the same may be reasonably amended by Contractor from time to time. When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be substantially completed in accordance with the approved Construction Documents and the provisions hereof. Landlord shall notify City when the Leasehold Improvement Work is in fact Substantially Completed and the Premises are ready for occupancy by City, and City or its representatives shall be permitted to accompany Landlord or its architect on an inspection of the Premises on such date or other mutually agreeable date soon thereafter.

b. Substantial Completion. The Leasehold Improvements shall be deemed to be "Substantially Completed" for purposes hereof when (i) all necessary inspections required for occupancy of the Premises have been completed and signed off as approved by the appropriate governmental authority(ies), (ii) fire alarm sign office has been obtained from the San Francisco Fire Department, and (iii) the Architect reasonably determines and certifies in writing to City that the Leasehold Improvements have been Substantially Completed in accordance with the Construction Documents to the extent necessary to enable City to occupy the Premises and to conduct its normal business operations therein without unreasonable impairment or interference, but subject to "punchlist" items, the completion of which will not unreasonably interfere with

City's normal business operations therein. Notwithstanding the foregoing, in no event shall Landlord be responsible for obtaining any governmental permits or approvals required for any specific activities that City intends to undertake at the Premises. City shall not disapprove the Leasehold Improvements if there remain minor details that would not interfere with City's use. Landlord shall diligently pursue to completion all such details. Notwithstanding the foregoing, City shall have the right to present to Landlord within thirty (30) days after acceptance of the Premises, or as soon thereafter as practicable but in no event later than an additional thirty (30) days, a written "punchlist" consisting of any items that have not been finished in accordance with the Construction Documents and the terms of this Work Letter. Landlord shall promptly complete all defective or incomplete items identified in such punchlist, and in any event as soon as reasonable possible (with the goal being to complete such items within thirty (30) days after Landlord's receipt of the punchlist). City's failure to include any item on such list shall not alter Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the Construction Documents and the provisions hereof; nor constitute a waiver of any latent defects. Tenant shall have one year after Substantial Completion of each portion of the Premises within which to notify Landlord of any such construction defect discovered by Tenant in such portion of the Premises, and Landlord shall request that the Contractor remedy any such construction defect as soon as reasonably possible thereafter (with the goal being to remedy such defect within thirty (30) days after Landlord's receipt of notice of such defect).

6. Delays in Construction.

a. Unavoidable Delays. For purposes hereof, "Unavoidable Delays" shall mean any delays by reason of acts of God, accidents, breakage, repairs, strikes, lockouts, other labor disputes, inability to obtain labor or materials after using diligent and timely efforts, enemy action, civil commotion, protests, riots, demonstrations, or by any other reason without fault and beyond the reasonable control of the party obligated to perform. In the event of any such delay, the party affected by such delay shall give prompt written notice to the other of the occurrence of such event and the projected delay in performance, and thereafter shall keep the other party regularly informed of the status of such Unavoidable Delay.

b. Tenant Delays. Subject to any Unavoidable Delay, City shall be responsible for any actual and reasonable delay in the construction of the Leasehold Improvements due to the extent any of the following (collectively, "Tenant Delays"): (i) a delay in granting its reasonable approval of plans and specifications (beyond the period granted therefor or, if no period is provided, a reasonable period) and/or any delay in obtaining in permits or other required City approvals, (ii) City Change Orders to the Construction Documents, provided such delay shall be limited to the number of days consented to by City, (iii) City's delay in granting its reasonable approval of any costs to be included in the Allowance (beyond the period granted therefor) and/or any delay in payment by the City of any such amounts owed by City, (iv) any delays caused by City's failure to install its Telephone and Data equipment pursuant to the Construction Schedule, (v) City's request for materials, finishes or installations requiring unusually long lead times, (vi) City's delay in providing information critical to the normal progression of Leasehold Improvements, and/or (vii) any other act or omission by City or its agents or invitees (or persons employed by any of such persons). Such Tenant Delays in the substantial completion of construction of the Leasehold Improvement Work shall extend the date of the Estimated Commencement Date for the Phase I Premises and for each Estimated Phase II

Commencement Date hereunder, as applicable. Notwithstanding the foregoing, City shall be responsible and the date for Substantial Completion shall be extended only to the extent any delays are actually and directly caused by Tenant Delays.

7. General Provisions.

a. Notices. Except as may be otherwise specifically provided herein, any notice given under this Work Letter shall be in writing and given by delivering the notice in person, by commercial courier or by sending it by first class mail, certified mail with a return receipt requested, or Express Mail, return receipt requested, with postage prepaid, and addressed to the parties as follows:

City: Real Estate Division  
25 Van Ness Avenue, Suite 400  
San Francisco, CA 94102  
Attn: Director of Property

Landlord: At the address provided for Landlord in the  
Lease. \_\_\_\_\_

or such other address as a party may designate to the others as its new address for such purpose by notice given to the others in accordance with the provisions of this paragraph. 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 overnight courier, or upon the date personal delivery is made. Neither party may give official or binding notice by facsimile.

b. Landlord's Duty to Notify City. Landlord shall promptly notify City in writing of (i) any written communication that Landlord may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that the Property, Building or Leasehold Improvements fail in any respect to comply with applicable laws, rules and regulations; (ii) any known material adverse change in the physical condition of the Property, including, without limitation, any damage suffered as a result of earthquakes; and (iii) any known default by the Contractor or any subcontractor or material supplier, or any known material adverse change in the financial condition or business operations of any of them.

c. Prevailing Wages for Construction Work. Landlord agrees that any person performing labor in the construction of the Leasehold Improvements which Landlord is obligated to provide under this Work Letter shall be paid not less than the highest prevailing rate of wages and that Landlord shall include, in any contract for construction of the Leasehold Improvements, 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 further agrees that, as to the construction of the Leasehold Improvements under this Work Letter, Landlord shall comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Section 6.22(E) of the San Francisco Administrative Code.

d. Tropical Hardwood and Virgin Redwood Ban. 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.

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

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 to City for any damages expressly mandated by Law. Landlord acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County of San Francisco upon demand if there is breach of forgoing obligation by Landlord and may be set off against any monies due to Landlord from any contract with the City and County of San Francisco.

e. Days. Unless otherwise provided herein, all periods specified by a number of days shall refer to business days. Saturdays, Sundays and recognized City holidays shall not constitute business days.

f. Approvals. Landlord understands and agrees that City is entering into this Work Letter in its proprietary capacity and not as a regulatory agency with certain police powers. Notwithstanding anything to the contrary herein, no approval by City of the plans for the Leasehold Improvements (including the Design Development Documents or Construction Documents), completion of the Leasehold Improvement Work nor any other approvals by City hereunder shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises. All approvals or other determinations of City as tenant hereunder may be made by City's Director of Property unless otherwise specified herein.

8. Time of the Essence. Time is of the essence with respect to all provisions of this Work Letter in which a definite time for performance is specified, including, without limitation, the date for Substantial Completion.

EXHIBIT F

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

SUBORDINATION, NON-DISTURBANCE

AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (this "Agreement") is made as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, which date shall be the effective date of this Agreement, between \_\_\_\_\_, a \_\_\_\_\_ ("Tenant") and BANK OF AMERICA, N.A., a national banking association, a wholly owned subsidiary of BankAmerica Corporation, and having its principal offices in Charlotte, North Carolina (together with its successors and/or assigns, "Lender").

Tenant is the lessee under the lease described in Exhibit A attached hereto (as the same may from time to time be assigned, subleased, renewed, extended, amended, modified or supplemented, collectively the "Lease").

Lender has previously made or is about to make a loan to \_\_\_\_\_, a \_\_\_\_\_ or its successor and/or assigns with respect to the landlord's interest under the Lease ("Landlord"), evidenced by a promissory note in the original principal amount of approximately \$ \_\_\_\_\_ executed by Landlord and payable to Lender and secured by a first priority deed of trust, mortgage or deed to secure debt on certain real and personal property and improvements (the "Premises"), recorded or to be recorded in the appropriate records of \_\_\_\_\_ County, \_\_\_\_\_ (the "Mortgage").

Lender has requested Tenant to confirm the fact that the Lease is subject and subordinate to the Mortgage.

Tenant is willing to confirm the subordination of the Lease, provided it obtains assurance from Lender that its possession of the premises demised under the Lease (the "Demised Premises"), which Demised Premises is all or a portion of the Premises, and its right to use any common areas will not be disturbed by reason of or in the event of the foreclosure of the Mortgage.

Lender is willing to give such assurance.

NOW, THEREFORE, for and in consideration of the mutual agreements herein contained and other good and valuable consideration, the parties hereto do hereby mutually covenant and agree as follows:

1. Tenant hereby subordinates the Lease and all terms and conditions contained therein and all rights, options, liens and charges created thereby to the Mortgage and the lien thereof, and to all present or future advances under the obligations secured thereby and to all renewals, extensions, amendments, modifications and/or supplements of same, to the full extent of all amounts secured thereby from time to time.
2. So long as no event of default on the part of Tenant under the Lease shall exist which would entitle Landlord to terminate the Lease, or if such an event of default shall exist, so long as Tenant's time to cure the default shall not have expired, the term of the Lease shall not be terminated or modified in any respect whatsoever and Tenant's right of possession to the Demised Premises and its rights in and to any common areas and its other rights arising out of the Lease will all be fully recognized and protected by Lender and shall not be disturbed, canceled, terminated or otherwise affected by reason of the Mortgage or any action or proceeding instituted by Lender to foreclose the Mortgage, or any extension, renewal, consolidation or replacement of same, irrespective of whether Tenant shall have been joined in any action or proceeding.
3. In the event that Lender takes possession of the Premises, either as the result of foreclosure of the Mortgage or accepting a deed to the Premises in lieu of foreclosure, or otherwise, or the Premises shall be purchased at such a foreclosure by a third party, Tenant shall attorn to Lender or such third party and recognize Lender or such third party as its landlord under the Lease, and Lender or such third party will recognize and accept Tenant as its tenant thereunder, whereupon, the Lease shall continue in full force and effect as a direct lease between Lender or such third party and Tenant for the full term thereof, together with all extensions and renewals thereof, and Lender or such third party shall thereafter assume and perform all of Landlord's obligations, as Landlord under the Lease with the same force and effect as if Lender or such third party were originally named therein as Landlord; provided, however, that Lender or such third party shall not be:
  - (a) liable for any act or omission of any prior landlord (including Landlord), except to the extent Lender was furnished notice and opportunity to cure the same in accordance with the provisions of this Agreement prior to taking possession of such Premises; or
  - (b) subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord), except to the extent Lender was furnished notice and opportunity to cure the same in accordance with the provisions of this Agreement prior to taking possession of such Premises; or
  - (c) bound by any rent or additional rent which Tenant might have paid for more than one (1) month in advance to any prior landlord (including Landlord); or
  - (d) bound by any amendment or modification of the Lease not consented to in writing by Lender.



Notwithstanding anything to the contrary in this Agreement or otherwise, in the event Lender or a third party takes possession of the Premises as provided in paragraph 3 above, the liability of Lender or such third party under the Lease shall be limited to Lender's or such third party's, as the case may be, interest in the Premises, and upon any assignment or other transfer of Lender's or such third-party's interest in the Premises, Lender or such third party, as applicable, shall be discharged and released from any obligation or liability under the Lease arising or accruing after the date of such assignment or transfer.

4. Tenant agrees not to subordinate the Lease to any other lien or encumbrance which (i) affects the Premises under the Lease, or any part thereof, or (ii) is junior to the Mortgage, without the express written consent of Lender, and any such subordination or any such attempted subordination or agreement to subordinate without such consent of Lender, shall be void and of no force and effect.
5. Tenant agrees to provide copies of all notices given Landlord under the Lease to Lender at the following address:

Lender: Bank of America, N.A.  
Capital Markets Servicing Group  
900 West Trade Street, Suite 650  
Mail Code: NC1-026-06-01  
Charlotte, NC 28255  
Telephone: (866) 531-0957  
Facsimile: (704) 317-4501

or to such other address as Lender shall designate in writing; and all such notices shall be in writing and shall be considered as properly given if (i) mailed to the addressee by first class United States mail, postage prepaid, registered or certified with return receipt requested, (ii) by delivering same in person to the addressee, or (iii) by delivery to a third party commercial delivery service for same day or next day delivery to the office of the addressee with proof of delivery; any notice so given shall be effective, as applicable, upon (a) the third (3rd) day following the day such notice is deposited with the United States mail, (b) delivery to the addressee, or (c) upon delivery to such third party delivery service; and any notice given in any other manner shall be effective only if and when received by the addressee.

6. In the event Landlord shall fail to perform or observe any of the terms, conditions or agreements in the Lease, Tenant shall give written notice thereof to Lender and Lender shall have the right (but not the obligation) to cure such default. Tenant shall not take any action with respect to such default under the Lease (including without limitation any action in order to terminate, rescind or avoid the Lease or to withhold any rent or other monetary obligations thereunder) for a period of thirty (30) days following receipt of such written notice by Lender; provided, however, that in the case of any default which cannot with diligence be cured within such thirty (30) day period, if Lender shall proceed promptly to cure such default and thereafter prosecute the curing of such default with

diligence and continuity, then the time within which such default may be cured shall be extended for such period as may be necessary to complete the curing of such default with diligence and continuity.

7. Nothing contained in this Agreement shall in any way impair or affect the lien created by the Mortgage, except as specifically set forth herein.
8. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that in the event of the assignment or transfer of the interest of Lender to a party that assumes Lender's obligations and liabilities hereunder, all obligations and liabilities of Lender under this Agreement shall terminate, and thereupon all such obligations and liabilities shall be the responsibility of the party to whom Lender's interest is assigned or transferred.
9. In the event of any litigation or other legal proceeding arising between the parties to this Agreement, whether relating to the enforcement of a party's rights under this Agreement or otherwise, the prevailing party shall be entitled to receive its reasonable attorney's fees and costs of suit from the non-prevailing party in such amount as the court shall determine.

[NO FURTHER TEXT ON THIS PAGE]

TENANT:

\_\_\_\_\_

WITNESS/ATTEST:

\_\_\_\_\_

\_\_\_\_\_

WITNESS/ATTEST:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

WITNESS/ATTEST:

\_\_\_\_\_

LENDER:

**BANK OF AMERICA, N.A.**, a national  
banking association

WITNESS/ATTEST:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_, a Notary Public of the County and State aforesaid, certify that \_\_\_\_\_, personally came before me this day and acknowledged that (s)he is a \_\_\_\_\_ of \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_, that executed the foregoing instrument, and acknowledged to me that the same was the act of the said \_\_\_\_\_, and that (s)he executed the same as the act of such \_\_\_\_\_ for the purposes and consideration therein expressed and in the capacity therein stated.

WITNESS my hand and official stamp or seal, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_  
(Notary Seal)

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_, a Notary Public of the County and State aforesaid, certify that \_\_\_\_\_, personally came before me this day and acknowledged that (s)he is a \_\_\_\_\_ of Bank of America, N.A., a national banking association, that executed the foregoing instrument, and acknowledged to me that the same was the act of the said association, and that (s)he executed the same as the act of such association for the purposes and consideration therein expressed and in the capacity therein stated.

WITNESS my hand and official stamp or seal, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_  
(Notary Seal)

EXHIBIT A

LEASE

That certain \_\_\_\_\_, dated as of \_\_\_\_\_,  
by and between \_\_\_\_\_, as tenant, and  
\_\_\_\_\_, as landlord, relating to the Premises generally  
described as \_\_\_\_\_,  
\_\_\_\_\_, as assigned, subleased, renewed,  
extended, amended, modified or supplemented from time to time.

## EXHIBIT G

### MARKET RENT DETERMINATION

When determining Market Rent, the following rules and instructions shall be followed.

#### PART ONE. DEFINITION AND CALCULATION

1. **Relevant Factors.** The "Market Rent", as used in this Lease, shall be derived from an analysis (as such derivation and analysis are set forth in this *Exhibit G*) of the "Equivalent Lease Rates," of the "Comparable Transactions." The Market Rent shall be equal to the annual rent per rentable square foot as would be applicable on the commencement of the Extension Term at which tenants are, pursuant to transactions consummated within the twelve (12) month period immediately preceding the first day of the Extension Term (provided that timing adjustments shall be made to reflect any perceived changes which will occur in the Market Rent following the date of any particular Comparable Transaction up to the date of the commencement of the Extension Term) leasing non-sublease, non-encumbered, non-equity space comparable in size, location and quality to the Premises, for a comparable term, in an arm's-length transaction, which comparable space is located in the "Comparable Buildings", as that term is defined in Section 2 of this Part One (transactions satisfying the foregoing criteria shall be known as the "Comparable Transactions"). The terms of the Comparable Transactions shall be calculated as an Equivalent Lease Rate pursuant to the terms of this *Exhibit G* and shall take into consideration only the following terms and concessions: (i) the rental rate and escalations for the Comparable Transactions, (ii) the expenses paid directly by the tenant, (iii) the amount of parking rent per parking permit paid in the Comparable Transactions, (iv) the standard of measurement by which the rentable square footage is measured and the ratio of rentable square feet to usable square feet, (v) operating expense and tax escalation protection granted in such Comparable Transactions such as a base year or expense stop; (vi) tenant improvements or allowances provided or to be provided for such comparable space, taking into account the value of the existing improvements, if any, in the Premises and/or improvement allowances granted to City, such value of existing improvements to be based upon the age, quality and layout of the improvements and the extent to which the same could be utilized by general office users (as contrasted to City), and (vii) rental abatement concessions, if any, being granted such tenants in connection with such comparable space; provided, however, that no consideration shall be given any period of rental abatement, if any, granted to tenants in Comparable Transactions in connection with the design, permitting and construction of tenant improvements in such comparable spaces. The Market Rent shall include adjustments to the rental rate for the Premises, to the extent deemed proper by the Landlord or, if applicable, the arbitrator establishing Market Rent pursuant to Part Two below, based on the views from the Premises as compared to the views from the comparable space.

2. **Comparable Buildings.** For purposes of this Lease, the term "Comparable Buildings" shall mean the Building and those certain other similarly sized and otherwise comparable Class A, multi-tenant office buildings located in the area bounded by 23<sup>rd</sup> Street to the south, I-280 to the east, and Bryant to the west and north (the "Market Area").

3. Methodology for Reviewing and Comparing the Comparable Transactions.

In order to analyze the Comparable Transactions based on the factors to be considered in calculating Market Rent, and given that the Comparable Transactions may vary in terms of length or term, rental rate, concessions, etc., equitable and reasonable steps shall be taken into consideration to "adjust" the objective data from each of the Comparable Transactions to determine an "Equivalent Lease Rate" for each of the Comparable Transactions which will allow for an "apples to apples" comparison of the Comparable Transactions.

## PART TWO. ARBITRATION

1. If City timely disputes the Option Rent set forth in Landlord's proposed Option Rent Notice, and thereafter Landlord and City fail to reach agreement as to the Option Rent by the Outside Agreement Date, as defined in Section 3.4(d) of the Lease, then each party shall thereafter make a separate determination of the Option Rent, within ten (10) business days following the Outside Agreement Date, and such determinations shall be submitted to arbitration in accordance with Section 2 of this Part Two below.

2. Landlord and City shall each appoint one arbitrator who shall by profession be a MAI appraiser, real estate broker or real estate lawyer who shall have been active over the ten (10) year period ending on the date of such appointment in the appraising and/or leasing of Class A office properties in the Market Area, and who shall have prior experience in fair market rental proceedings/arbitrations. The determination of the arbitrators shall be limited solely to the issue area of whether Landlord's or City's submitted Option Rent is the closest to the actual Option Rent as determined by the arbitrators, taking into account the requirements of this *Exhibit G*. Each such arbitrator shall be appointed within fifteen (15) days after the Outside Agreement Date. Landlord and City may consult with their selected arbitrators prior to appointment and may select an arbitrator who is favorable to their respective positions (including an arbitrator who has previously represented Landlord and/or City, as applicable). The arbitrators so selected by Landlord and City shall be deemed "Advocate Arbitrators."

2.1 The two Advocate Arbitrators so appointed shall be specifically required pursuant to an engagement letter within ten (10) days of the date of the appointment of the last appointed Advocate Arbitrator to agree upon and appoint a third arbitrator ("Neutral Arbitrator") who shall be qualified under the same criteria set forth hereinabove for qualification of the two Advocate Arbitrators except that (i) neither the Landlord or City or either parties' Advocate Arbitrator may, directly or indirectly, consult with the Neutral Arbitrator prior or subsequent to his or her appearance, and (ii) the Neutral Arbitrator cannot be someone who has represented Landlord and/or City during the five (5) year period prior to such appointment. The Neutral Arbitrator shall be retained via an engagement letter jointly prepared by Landlord's counsel and City's counsel.

2.2 Within ten (10) days following the appointment of the Neutral Arbitrator, Landlord and City shall enter into an arbitration agreement (the "Arbitration Agreement") which shall set forth the following:



2.2.1 Each of Landlord's and City's best and final and binding determination of the Option Rent exchanged by the parties pursuant to Section 1 above;

2.2.2 An agreement to be signed by the Neutral Arbitrator, the form of which agreement shall be attached as an exhibit to the Arbitration Agreement, whereby the Neutral Arbitrator shall agree to undertake the arbitration and render a decision in accordance with the terms of this Lease, as modified by the Arbitration Agreement, and shall require the Neutral Arbitrator to demonstrate to the reasonable satisfaction of the parties that the Neutral Arbitrator has no conflicts of interest with either Landlord or City;

2.2.3 Instructions to be followed by the Neutral Arbitrator when conducting such arbitration;

2.2.4 That Landlord and City shall each have the right to submit to the Neutral Arbitrator (with a copy to the other party), on or before the date that occurs fifteen (15) business days following the appointment of the Neutral Arbitrator, an advocate statement (and any other information such party deems relevant) prepared by or on behalf of Landlord or City, as the case may be, in support of Landlord's or City's respective determination of Option Rent (the "Briefs");

2.2.5 That within ten (10) business days following the exchange of Briefs, Landlord and City shall each have the right to provide the Neutral Arbitrator (with a copy to the other party) with a written rebuttal to the other party's Brief (the "First Rebuttals"); provided, however, such First Rebuttals shall be limited to the facts and arguments raised in the other party's Brief and shall identify clearly which argument or fact of the other party's Brief is intended to be rebutted;

2.2.6 The date, time and location of the arbitration, which shall be mutually and reasonably agreed upon by Landlord and City, taking into consideration the schedules of the Neutral Arbitrator, the Advocate Arbitrators, Landlord and City, and each party's applicable consultants, which date shall in any event be within forty-five (45) days following the appointment of the Neutral Arbitrator;

2.2.7 That no discovery shall take place in connection with the arbitration, other than to verify the factual information that is presented by Landlord or City;

2.2.8 That the Neutral Arbitrator shall not be allowed to undertake an independent investigation or consider any factual information other than presented by Landlord or City, except that the Neutral Arbitrator shall be permitted to visit the Project and the buildings containing the Comparable Transactions;

2.2.9 The specific persons that shall be allowed to attend the arbitration;

2.2.10 City shall have the right to present oral arguments to the Neutral Arbitrator at the arbitration for a period of time not to exceed two (2) hours ("City's Initial Statement");

2.2.11 Following City's Initial Statement, Landlord shall have the right to present oral arguments to the Neutral Arbitrator at the arbitration for a period of time not to exceed two (2) hours ("Landlord's Initial Statement");

2.2.12 Following Landlord's Initial Statement, City shall have up to one (1) additional hour to present additional arguments and/or to rebut the arguments of Landlord ("City's Rebuttal Statement");

2.2.13 Following City's Rebuttal Statement, Landlord shall have up to one (1) additional hour to present additional arguments and/or to rebut the arguments of City ("Landlord's Rebuttal Statement");

2.2.14 That, not later than ten (10) days after the date of the arbitration, the Neutral Arbitrator shall render a decision (the "Ruling") indicating whether Landlord's or City's submitted Option Rent is closer to the Option Rent;

2.2.15 That following notification of the Ruling, Landlord's or City's submitted Option Rent determination, whichever is selected by the Neutral Arbitrator as being closer to the Option Rent shall become the then applicable Option Rent; and

2.2.16 That the decision of the Neutral Arbitrator shall be binding on Landlord and City.

If a date by which an event described in this Section 2 above, is to occur falls on a weekend or a holiday, the date shall be deemed to be the next business day.

2.3 In the event that the Option Rent shall not have been determined pursuant to the terms hereof prior to the commencement of the Extension Term, City shall be required to pay the Option Rent, initially provided by Landlord to City, and upon the final determination of the Option Rent, the payments made by City shall be reconciled with the actual amounts due, and the appropriate party shall make any corresponding payment to the other party.

## EXHIBIT H

### STANDARDS FOR JANITORIAL SERVICE

#### COMMON AREA MINIMUM SCOPE OF WORK

The following Minimum Scope of Work is intended to define and describe the requirements for Janitorial Services for the Building's Common Areas to be provided by Landlord at Landlord's cost at 350 Rhode Island Street - North.

#### I. MAIN FLOOR LOBBY and PUBLIC CORRIDORS - General Specifications

##### A. Nightly Services (Monday – Friday), except City holidays

1. Spot clean all glass including low partitions and the corridor side of all windows and glass doors
2. Spot clean all brightwork including, guard's desk, security monitors, swinging door hardware, kick plates, base partition tops, handrails, waste paper receptacles, planters, elevator call button plates, hose cabinets and visible hardware on the corridor side of the tenant entry doors
3. Mop and/ or vacuum lobby floors.
4. Empty, clean and sanitize all waste paper baskets and refuse receptacles as required.
5. Vacuum all carpets

##### B. Weekly Service (Once per week)

1. Thoroughly clean all door saddles of dirt and debris
2. Spot clean and dust the directory board glass, signage, art, benches and ledges, as required

##### C. Quarterly Services (Once per quarter)

1. Scrub and buff to a high luster Building lobby flooring.

#### II. PASSENGER ELEVATOR – General Specifications

##### A. Nightly Service (Monday – Friday), except City holidays

1. Spot clean cab walls and interior door
2. Spot clean the outside surfaces of all elevator doors and frames
3. Clean all cab floors thoroughly. Edge thoroughly

##### B. Weekly Services (Once per week)

1. Thoroughly clean the entire interior and exterior surfaces of all doors and frames

##### C. Semimonthly Services (Twice per month)

1. Thoroughly clean all elevator thresholds

##### D. Quarterly Services (Once per quarter)

1. Wipe clean elevator cab lamps

##### E. Annual Services (Once per year)

1. Wipe clean entire cab ceiling

#### III. BUILDING EXTERIOR and GROUNDS SERVICES – General Specifications

##### A. Daily Services (Monday – Friday), except City holidays

1. Spot clean accumulations of dirt, paper and leaves in all corner areas where winds cause debris to collect
2. Spot clean all exterior glass doors at the building entrances

B. Three Times Per Week Services

1. Lift nap on all entry walk-off mats with a heavy bristle brush and vacuum, as necessary
2. Sweep sidewalk, stairs and remove all gum as required or as directed

C. Monthly Service (Once per month)

1. Power wash sidewalk around perimeter of the building

D. Semi-annual Services Wash all exterior windows including glass, ledges and window frames to be wiped clean and dry

E. Annual Service

1. Wash interior side of exterior windows in the Premises

IV. COMMON AREA RESTROOM SERVICE – General Specifications

A. Daily Services (Monday – Friday), except City holidays

1. Re-stock all restrooms including paper towels, toilet tissue, seat covers and hand soap, as required.
2. Re-stock all sanitary napkin and tampon dispensers from the contractor's supplies, as required. Monies collected from the coin dispensing machines are the sole responsibility of the Contractor.
3. Wash and polish all mirrors, dispensers, faucets, flushometers, and brightwork with a non-scratch disinfectant cleaner.
4. Wash and sanitize all toilets, toilet seats, urinals, and sinks with a non-scratch disinfectant cleaner. Wipe all sinks dry.
5. Remove stains and scrub toilets, urinals, and sinks as required.
6. Mop all restroom floors with disinfectant, germicidal cleaners. Scrub all baseboards, inside corners and hard to reach areas.
7. Empty and sanitize all sanitary napkin and tampon waste receptacles.
8. Remove all restroom trash.
9. Spot clean fingerprints, marks, and graffiti from walls, partitions, doors, glass, aluminum and light switches as required.

B. Semimonthly Services (Twice per month)

1. Dust all low and high reach areas, including but not limited to, structural ledges, mirror tops, partition tops and edges, air conditioning diffusers and return air grilles.
2. Wipe and clean all walls, metal partitions, and privacy screens. Partitions should be left clean and not streaked after this work is performed.

C. Monthly Services (Once per month)

1. Clean all ventilation grilles

D. Quarterly Services (Once per quarter)

1. Thoroughly clean and strip permanent sealer and reseal all ceramic/CT tile floors using approved sealers
2. Dust all doorjamb

E. Consumable Supplies

1. Landlord shall supply all consumable supplies required including paper towels, toilet tissue, hand soap, sanitary disposal bags, plastic trash bags, compostable trash bags, toilet seat covers, cleaning products and/or supplies, batteries, etc.

V. DAY PORTER SERVICES - Daily Services (Monday – Friday)

A qualified day porter. Work hours to be: from 7:00 am to 3:00 pm and Monday through Friday (with a lunch break), except City holidays. Day Porter shall work under the supervision of the Building Manager for 350 Rhode Island Street - North and may be asked to perform duties not specifically described herein, but which may be considered a part of the Day Porters' general responsibilities as customary for a first class San Francisco office building. The daily duties of the Day Porter shall be, but not be limited to, the following:

A. Entrance Lobby and Exterior Perimeter Area

The lobby and exterior sidewalk and perimeter areas are to be kept clean and neat at all times.

Day Porter is expected to perform the following minimum cleaning operations, as required.

1. Clean or spot clean floors and carpet runners as necessary
2. Clean or spot clean all metal, stone or other hard surfaces, including the security guard station daily as necessary
3. Wipe and clean glass doors twice daily and as necessary
4. Empty garbage receptacles as necessary
5. Remove graffiti from the exterior of the building and all street furniture, including planters as necessary or as requested.
6. Remove gum and foreign matter from the sidewalks and tree containers surrounding the building each day and as required or directed by the Building Manager
7. Hose down sidewalk around the perimeter of the building, as necessary

B. Elevators

1. Keep freight elevator broom clean daily and as needed

C. Restrooms

1. Check and confirm night crew cleaned and re-stocked each bathroom
2. Spot clean all bathrooms each day. Restock restroom supplies as required.
3. Fill soap, paper towel, seat cover and toilet tissue dispensers as required.
4. Report all mechanical and plumbing problems and other deficiencies to the Building Manager (e.g., leaky faucets, malfunctioning urinals or toilets, etc.).
5. Spot clean all mirrors, powder shelves and lavatory tops. Mirrors should be wiped clean to remove all spots and streaks.
6. Empty paper towel waste receptacles daily and as needed or requested.

D. Public Areas

1. Stairwells – Police and keep in clean condition. Sweep, dust, hand wipe as necessary and as requested.

2. Public Corridors – Vacuum and keep in clean condition as necessary and as requested
3. Assist in changing interior lamps and light bulbs throughout the building as required
4. Spot clean lobby signage and building directories and all other appropriate glass enclosures.
5. In the 9th floor public areas, empty trash cans daily, police area and planters for debris and maintain in clean condition. Vacuum as needed.

E. Building Service Areas

1. Lay down and remove lobby runners during inclement weather, as necessary and as requested.
2. Assist in replacing lamps and light bulbs throughout the Building as required; clean diffusers and grilles when relamping.
3. Assist in recycling lamps and light bulbs, ballasts, chemicals, electronics by putting them in designated areas for recycling these products in the Building.
4. Keep recycling area and bins clean and area swept

**PREMISES SCOPE OF WORK**

The following Scope of Work is intended to describe and outline the initial requirements for Janitorial Services for the interior Premises to be provided by Landlord at Landlord's cost (as part of Operating Costs).

I. SERVICES FOR THE PREMISES (Monday – Friday after 7:00 pm)

A. Nightly Services

1. Secure all lights as soon as possible each night.
2. Vacuum high traffic areas and as needed. Move electric cords to prevent damage to the corner bead.
3. Spot clean stains on carpet .
4. Dust all desktops and office furniture with dust cloths. Papers and folders on the desktop are not to be moved .
5. Wipe and clean all tables, counters, and desktops.
6. Empty all waste paper baskets and other trash containers and remove all trash from floors to the designated trash areas. Remove recyclable material and compost to Building's centralized recycle bins.
7. Return chairs and wastebaskets to proper positions.
8. Glass:
  - a. Clean both sides of entrance glass door.
  - b. Spot clean interior glass windows, as necessary.

B. Weekly Services (once per week)

1. Dust mop all resilient and composition floors with dust mops. Damp mop the floors to remove spills and water stains as required.
2. Remove fingerprints, dirt smudges, from all doors, frames, glass partitions, windows, light switches, walls, elevator doorjambes and elevator interiors
3. Police all interior public planters, if any.

4. Wipe clean smudged brightwork.
- C. Monthly Services (once per month)
1. Dust all high reach areas including, but not limited to, tops of doors, frames, furniture, ledges, air conditioning diffusers and return grilles, tops of partitions, picture frames, etc.
  2. Dust and or vacuum all window coverings.
  3. Dust all low reach areas including, but not limited to, chair rungs, structural and furniture ledges, baseboards, window sills, door louvers, wood paneling molding, etc.
  4. Clean all door thresholds & jambs.
  5. Wipe all exposed vinyl bases.
- D. Quarterly Services (once per quarter)
1. Thoroughly scrub all resilient or composition flooring.
  2. Vacuum upholstered furniture and wipe down vinyl chair pads.
- E. Annual Services (once per year)
1. Recondition all resilient or composition flooring to provide a level of appearance equivalent to a completely refinished floor.
  2. Move all plastic carpet protectors and thoroughly vacuum under and around all desks and office furniture.

## II. GENERAL REQUIREMENTS

### A. Quality Standards

1. Landlord's janitorial service contractor ("contractor") must have a minimum of five (5) years of relevant experience.
2. Any work completed by the Landlord's contractor that does not meet the first class office building quality standards as determined by the City department, shall be re-done by the contractor at no cost to the City.
3. The Building Manager will keep a janitorial log in which deficiencies in performance and special problems or instructions will be noted.
4. Contractor accepts all responsibility for determining that all necessary safeguards for the protection of Contractor's employees will be furnished to employees e.g., gloves, masks, aprons, support belts. All work performed must conform to CAL-OSHA standards.
5. Contractor must comply with all laws and government regulations.
6. Contractor must be fully insured and bonded to standards typical of first class office buildings in San Francisco.
7. Contractor shall not unplug any of City's equipment. Contractor shall not move any papers or folders on City work surfaces.

8. Contractor shall take all actions to prevent and shall be responsible for any damage to the Premises (including but not limited to dragging extension cords around corners and spilling cleaning products on the carpeting, broken glass, etc.).

**B. Employees**

1. All contractor employees (including coordinators and supervisors) must wear uniforms. All personnel must have a visible company name, logo, badge, etc., on their uniforms.
2. All employees must be fully trained in the custodial service trade.
3. The City may request contractor remove any janitor from the Premises for inappropriate behavior or alleged inappropriate behavior at any time it desires and for any reason whatsoever, and the contractor shall provide an immediate replacement.

**C. Maintenance Reporting**

1. The contractor's employees shall report maintenance requirements (such as broken glass, missing or burnt out light bulbs, inoperative fixtures, etc.) to the Building Manager.

**D. Materials and Equipment**

1. Landlord, at no cost to the City, shall provide adequate space in the building to the contractor for the storage of supplies and equipment.
2. The contractor shall furnish all labor, cleaning materials (paper and cloth towels, cleaning chemicals, floor wax, wax stripper, protective gloves, and other expendable supplies), equipment (including, but not limited to, ladders, vacuum cleaners, extractors, floor machines, mops, hoses, and buckets) and occupant supplies (including hand soap, paper hand towels, toilet tissue, paper seat covers and deodorants for tenant use only) required to perform the janitorial service as specified. Upon request the contractor shall submit to City for its reasonable approval a complete list of products to be used, together with Material Safety Data Sheets (MSDS) for each cleaning chemical. Contractor shall use environmentally friendly products, including unscented products, Green Seal certified products, or EcoLogo certified products.
3. City shall supply trash, recycling, and composting containers within the Premises. Contractor shall supply liners.

**E. Recycling**

1. The City's Recycling Program includes recycling materials and composting. Contractor will be responsible for the safe and sanitary removal of such recyclables and compost and appropriately depositing such materials in a Landlord provided central collection point in the building.

**III. SPECIAL SERVICES – GENERAL**

City shall have the right, at City's sole cost, to request additional or other cleaning services not included in this scope of work. The fee for these services shall be charged directly to City. The fee for such services shall be agreed upon by City and Landlord before such services are performed. Landlord shall supply to City a written quote for such City requested work and



Landlord shall promptly perform such work upon receipt of City's authorized acceptance of the cost.

**EXHIBIT I**  
**Intentionally Deleted**

## EXHIBIT J

### DISCLOSURE STATEMENT REGARDING ASBESTOS-CONTAINING MATERIALS

California law requires that employees working in a building known to have asbestos containing construction materials (ACCM) be provided written notice of the presence of these materials. Asbestos containing construction materials contain asbestos, a naturally occurring fibrous mineral. Because of its properties, asbestos was once widely used (although often in very low percentages) in construction materials such as structural fireproofing, acoustical ceilings, floor tiles, and insulation around pipes, boilers, and duct system. By the late 1970s, the use of asbestos in many common building materials were banned by the United States Environmental Protection Agency because of research linking industrial asbestos exposures (e.g. mining, milling, shipbuilding) to various respiratory diseases and cancer. This building has been surveyed for the presence of asbestos. A summary of known asbestos containing construction materials in the above-referenced building are available for review. An asbestos survey summary, full survey reports, monitoring data, etc., are available for review along with an Operations & Maintenance Plan that provides guidance on the maintenance and management of the asbestos in the building. Copies of these documents can be obtained from Hudson Pacific Properties. As required by California law and the Operations and Maintenance Plan, in addition to notifying employees, the asbestos notice should also be provided to sub-tenants and contractors working in the building. The procedures for this notification are outlined in the Operations and Maintenance Plan. The mere presence of asbestos containing construction materials does not present a health hazard. Hazards may exist when asbestos materials are damaged and fibers are released into the air. Inhalation of asbestos fibers may potentially result in health risks such as lung diseases, cancer and other serious illnesses. The condition of the asbestos containing construction materials in this building is monitored. However, to prevent damage to the asbestos containing construction materials, moving, drilling, boring, or otherwise disturbing those materials should not be attempted by an employee who is not qualified and approved to handle asbestos-containing construction material.

EXHIBIT K

FORM OF MEMORANDUM OF LEASE

RECORDING REQUESTED BY,  
AND WHEN RECORDED MAIL TO:

No Documentary Transfer Tax due;  
term of lease less than 35 years.

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE ("Memorandum") is dated as \_\_\_\_\_, 201\_, by and between CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Tenant"), and \_\_\_\_\_

RECITALS

A. Landlord owns the improved real property (the "Property") located in the City and County of San Francisco, State of California, commonly known as 350 Rhode Island Street North (the "Building") and more particularly described on Exhibit "A" attached hereto.

B. Concurrently with the execution of this Memorandum, Landlord and Tenant are entering into that certain unrecorded Lease dated as of \_\_\_\_\_, 2017 (the "Lease"), pursuant to which Landlord agrees to lease to Tenant, and Tenant agrees to lease from Landlord, a portion of the Building, as described in the Lease (the "Premises").

C. Landlord and Tenant desire to record this Memorandum to provide notice to all third parties of certain rights of Tenant under the Lease, and certain restrictions on Landlord under the Lease.

NOW, THEREFORE, in consideration of the Premises and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Lease Terms. The lease of the Premises to Tenant is on all of the terms and conditions set forth in the Lease, which is incorporated in this Memorandum by reference

2. Term. The term of the Lease is approximately fifteen (15) years commencing on the Commencement Date established in accordance with Section 3.1 of the Lease and expiring on the date immediately preceding the fifteenth (15<sup>th</sup>) anniversary of the Commencement Date. Pursuant to Section 3.4 of the Lease, Tenant has one (1) option to renew the term of the Lease for five (5) years, subject to the terms and conditions set forth such Section 3.4.

3. Incorporation of Lease. This Memorandum is prepared and recorded for the purpose of providing the public with constructive notice of the Lease. This Memorandum in no way modifies or otherwise affect the terms and conditions of the Lease. In the event of any

inconsistency between the terms and conditions of this Memorandum and the terms and conditions of the Lease, the terms and conditions of the Lease shall control.

4. Counterparts. This Memorandum may be executed in any number of counterparts, each of which shall constitute an original and all of which shall constitute but one and the same document.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties have executed this Memorandum as of the date first set forth above.

TENANT:

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: \_\_\_\_\_

Charles Sullivan  
Deputy City Attorney

LANDLORD:

By: \_\_\_\_\_

Name:

Its:

## EXHIBIT L

### CITY INSURANCE REQUIREMENTS

1. City's self-insurance program shall not violate any laws, statutes, ordinances or governmental regulations or requirements currently in force or at any future date.
2. All references to insurance proceeds in this Lease shall be deemed to include any and all proceeds of self-insurance, including that which is considered a deductible or self insured retention, which shall be payable to the same extent, in the same amounts and to the party entitled to the same, as if actual policies of insurance set forth in this Lease had been obtained.
3. Such self-insurance shall be treated as if Tenant actually procured and maintained all of the following required policies and coverages:
  - a. Commercial General Liability Insurance with respect to the Premises with limits of liability not less than Ten Million Dollars (\$10,000,000) per occurrence and in the aggregate, including products liability coverage if applicable, owners and contractors protective coverage, blanket contractual coverage including both oral and written contracts, and personal injury coverage;
  - b. Causes of loss – special form “All Risk” Property Insurance for City's Personal Property, the Leasehold Improvements and Alterations, including a vandalism and malicious mischief endorsement, sprinkler leakage coverage and earthquake sprinkler leakage, in an amount equal to the full replacement value new without deduction for depreciation;
  - c. Worker's Compensation coverage as required by applicable law; and
  - d. Business interruption, loss of income and extra expense insurance covering any failure or interruption of Tenant's business equipment (including, without limitation, data and telecommunications equipment) and covering all other perils, failures or interruptions sufficient to cover a period of interruption of not less than twelve (12) months.
4. The waiver of subrogation set forth in Section 17.5 shall apply to all self insurance and all commercially procured insurance.

**EXHIBIT M**

**Intentionally Deleted**



EXHIBIT N

FORM ESTOPPEL CERTIFICATE

TO:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RE: Lease Dated: \_\_\_\_\_

Landlord: \_\_\_\_\_  
\_\_\_\_\_ (“Landlord”)

Tenant: City and County of San Francisco, a municipal corporation (“Tenant”)

Premises: Approximately \_\_\_\_\_ square feet located at \_\_\_\_\_ (“Premises”)

Ladies and Gentlemen:

The undersigned hereby certifies to \_\_\_\_\_, a \_\_\_\_\_, and its successors and assigns (“Buyer”) as of the date hereof as follows:

1. The undersigned is the “Tenant” under the above-referenced lease (“Lease”) covering the above-referenced Premises (“Premises”).

2. The Lease, attached hereto as Exhibit A, constitutes the entire agreement between Landlord and Tenant with respect to the Premises and the Lease has not been modified, changed, altered or amended in any respect except as follows (if none, so state):

3. The term of the Lease commenced on \_\_\_\_\_, 20\_\_, and, including any presently exercised option or renewal term, will expire on \_\_\_\_\_, 20\_\_. Tenant has accepted complete possession of the [Phase I and Phase II] Premises and is the actual occupant in possession and has not sublet, assigned or hypothecated or otherwise transferred all or any portion of Tenant’s leasehold interest. All improvements to be constructed on the Premises by Landlord have been completed to the satisfaction of Tenant and accepted by Tenant and any tenant construction allowances have been paid in full. *[revise as appropriate if Phase II Premises not yet completed]* All duties of an inducement nature required of the Landlord in the Lease have been fulfilled. To Tenant’s knowledge, all of the Landlord’s obligations which have accrued prior to the date hereof have been performed.

4. To Tenant’s knowledge, there exists no breach or default, nor state of facts nor condition which, with notice, the passage of time, or both, would result in a breach or default on

the part of either Tenant or Landlord. To the best of Tenant's knowledge, no claim, controversy, dispute, quarrel or disagreement exists between Tenant and Landlord.

5. Tenant is currently obligated to pay annual base rental in monthly installments of \$\_\_\_\_\_ per month and monthly installments of annual rental have been paid through \_\_\_\_\_, 20\_\_\_. In addition, Tenant is currently obligated to pay a proportionate share of \_\_\_% of Operating Costs and Real Estate Taxes. Tenant presently pays Operating Costs and Real Estate Taxes equal to \$\_\_\_\_\_ per month. Reconciliation for the Tenant's proportionate share of Operating Costs and Real Estate Taxes have been made through \_\_\_\_\_, 20\_\_\_, and Tenant or Landlord, as appropriate, has been fully and finally reimbursed for any deviations between the estimated payments and the actual expense therefor as indicated on Landlord's annual statement. The foregoing certification shall in no way waive or limit Tenant's audit rights under the Lease. No other rent has been paid in advance and to Tenant's knowledge Tenant has no claim or defense against Landlord under the Lease and is asserting no offsets or credits against either the rent or Landlord. Tenant has no claim against Landlord for any security, rental, cleaning or other deposits, except for a security deposit in the amount of \$\_\_\_\_\_ which was paid pursuant to the Lease.

6. The Lease is in full force and effect in accordance with its terms and is a binding obligation of the undersigned.

7. Tenant has no option or preferential right to purchase all or any part of the Premises (or the real property of which the Premises are a part) nor any right or interest with respect to the Premises or the real property of which the Premises are a part. Tenant has no right to renew or extend the terms of the Lease or expand the Premises except extension option set forth in Section 3.4 of the Lease.

8. Tenant has made no agreement with Landlord or any agent, representative or employee of Landlord concerning free rent, partial rent, rebate of rental payments or any other type of rental or other economic inducement or concession except as expressly set forth in the Lease.

9. There has not been filed by or against Tenant a petition in bankruptcy, voluntary or otherwise, any assignment for the benefit of creditors, any petition seeking reorganization or arrangement under the bankruptcy laws of the United States, or any state thereof, or any other action brought under said bankruptcy laws with respect to Tenant.

10. The undersigned (i) is not presently engaged in nor does it presently permit, (ii) has not at any time in the past engaged in nor permitted, and (iii) has no knowledge that any third person or entity engaged in or permitted any operations or activities upon, or any use or occupancy of the Premises, or any portion thereof, for the purpose of or in any way involving the handling, manufacturing, treatment, storage, use, transportation, spillage, leakage, dumping, discharge or disposal (whether legal or illegal, accidental or intentional) of any radioactive, toxic or hazardous substances, materials or wastes, or any wastes regulated under any local, state or federal law, except as follows:

\_\_\_\_\_  
(if none, so state).

13. The undersigned acknowledges that:

(a) Buyer or Buyer's assignee is purchasing Landlord's interest in the property which includes the Premises and, in connection with that purchase, will be receiving an assignment of Landlord's interest under the Lease;

(b) Landlord, Buyer and Buyer's successors, agents and assigns (including, but not limited to subsequent purchasers, lender(s) and title insurers) will be relying upon each of the statements contained herein in connection with Buyer's purchase of the property of which the Premises are a part; and

(c) The undersigned will attorn to and recognize Buyer as the Landlord under the Lease and will pay all rents and other amounts due thereunder to Buyer upon proper notice to the undersigned that Buyer has become the owner of Landlord's interest in the Premises under the Lease.

14. As used herein, Tenant's "knowledge" means the actual knowledge as of the date hereof of **[insert name of individual]** of the **[insert department name]**.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

TENANT:

\_\_\_\_\_

By:  
Name:  
Title:

## EXHIBIT O

### GREEN CLEANING PROCEDURES AND PRODUCTS

- A. Janitorial services shall follow accepted green cleaning procedures to the extent commercially reasonable, including the continued implementation of the cleaning program established for the building that utilizes the efficient use of Green Seal Certified cleaning products to reduce exposures in Part A – Green Cleaning Procedures.
- B. All major categories of cleaning products are environmentally preferable products certified by an eco-label or designated by a national program, as specified in Part B – Green Cleaning Products.
- C. All tenant consumable supplies, such as janitorial papers and bags, shall be environmentally preferable products, and meet the specifications contained in Part B – Green Cleaning Products.
- D. All pest management activities consist of the use of an integrated pest management approach and restrict the use of pesticide products to those found on the San Francisco Reduced Risk Pesticide List.
- E. Pest Management

Landlord, and any pest management contractors operating on the leased property, shall comply with all requirements of San Francisco's Integrated Pest Management (IPM) Ordinance (Chapter 3, San Francisco Environment Code).

These requirements include, but are not limited to:

- 1. Using pesticides as a last resort & only using pesticides on the current SF Reduced Risk Pesticide List.
- 2. Posting notifications of all pesticide applications three days before treatment, and leaving these postings for at least four days after treatment.
- 3. Report all pesticides used by staff or contractors.

### PART A – GREEN CLEANING PROCEDURES

- 1. Planning: The building has a specific green cleaning plan in place.
- 2. Efficient use of materials and chemicals
  - a. Require proper use of blend centers and dispensing systems (if available) for cleaning products. Automated systems reduce chemical use, save money, and increase safety for workers and building occupants.
  - b. Do not use disinfectants in non-critical areas, such as office floors, walls, windows. Specify disinfectants only for surfaces that are touched frequently (doorknobs), or according to health regulations for child-care facilities and food preparation areas.
  - c. Use high-risk products with extra care, and only for deep cleaning (i.e., acid toilet bowl cleaners, disinfectants, floor strippers, tile cleaner, metal cleaner)

- d. Do not specifically require floor stripping on a calendar-based schedule. Instead, require inspection at regular intervals and maintenance of floor appearance to a particular standard, for example, "maintain a level of appearance equivalent to a completely refinished floor." Only strip floors when the finish is worn, generally once a year or less.
- e. Specify that floor stripping must be done on weekends or during other periods when few building occupants are present.
- f. Use fragrance-free products to the maximum extent possible.

3. Pest management

- a. Clean drains frequently and rinse with water nightly to stop flies from breeding.
- b. Clean & dry garbage cans as needed to avoid fly problems.
- c. Report all pest problems to supervisor immediately.

**PART B – GREEN CLEANING PRODUCTS**

A. Purpose and Mandates. Environmentally preferable or "green" janitorial services are provided, in order to:

- 1. Minimize the total environmental impact of cleaning activities, including the impact of product manufacturing and disposal processes;
- 2. Maximize health benefits for building occupants, building users, and custodial workers;
- 3. Comply with the following mandates:
  - a. Precautionary Purchasing Ordinance (SF Environment Code, Chapter 2) and Executive Directive 08-02 regarding the purchase of environmentally preferable products and services.
  - b. Resource Conservation Ordinance (SF Environment Code, Chapter 7)
  - c. Mandatory Recycling and Composting Ordinance, (SF Environment Code, Chapter 19)
- 4. Achieve the maximum number of credits feasible under the US Green Building Council's Leadership in Energy and Environmental Design for Existing Buildings – Operations & Maintenance certification (LEED EB-O&M - 2009).

B. Tenant-consumable Supplies (janitorial papers, cleaners, bags)

- 1. Landlord shall supply all tenant consumable supplies including paper towels, toilet tissue, hand soap, sanitary disposal bags, compostable plastic bags, plastic trash bags, and toilet seat covers.
- 2. Janitorial papers
  - a. Paper towels must contain 40+% post consumer waste (PCW) recycled content; roll cores must contain 100% recycled fiber (unless specified otherwise by proprietary towel dispensers).
  - b. Mechanically operated, universal roll dispensers are preferred over multi-fold, proprietary roll or battery operated roll dispensers
  - c. Toilet tissue must contain 20+% PCW recycled content. Roll cores must contain 100% recycled fibers.
  - d. Toilet Seat Covers must contain 20+% PCW recycled content.
- 3. Bags
  - a. Compostable plastic bags are for lining composting containers only. These bags must never be used to line recycling or waste (trash, landfill) containers.


- i. Products must be certified compostable by the Biodegradable Products Institute (BPI), Din Certco AIB Vinçotte Inter (Belgium), Japan Bioplastics Association or Australian Environmental Labeling Association.
- ii. Bags must fit each of the composting containers properly. Bags must remain on the rim when items are discarded and not hang above the bottom of the container
- b. Plastic refuse bags must meet the following requirements:
  - i. The products and/or wholesalers are to be on the most recent CalRecycle compliance list for bags with recycled content.
  - ii. All plastic bags are clear in color
  - c. Sanitary disposal bags must be made of waxed paper.
- 4. Hand soap must be either certified under Green Seal (GS-41) or Environmental Choice/EcoLogo (CCD-104). No antimicrobial hand soaps may be supplied.

C. Cleaning products

- 1. General purpose, glass, bathroom tub and tile cleaners, and cleaner/degreasers must be certified under Green Seal GS-37.
- 2. Carpet and upholstery cleaners must be certified under:
  - a. Environmental Choice/Ecologo CCD-148 –OR—
  - b. Green Seal GS-37 (2008 version or later)
- 3. Hard floor care systems must be certified under:
  - a. Environmental Choice/Ecologo CCD-147 (Hard Floor Care Products) – OR --
  - b. Green Seal 40 (Industrial and Institutional Floor Care Products)
- 4. Enzymes are used for Drain cleaning, odor control products, or digestion additives for cleaning and odor control must be certified under Environmental Choice:
  - a. CCD-112 for digestion additives for cleaning and odor control
  - b. CCD-113 for drain or grease trap additives
  - c. CCD-115 for odor control additives
- 5. Disinfectants must be hydrogen-peroxide based when possible.



London N. Breed, Mayor  
Naomi M. Kelly, City Administrator

2019 SEP -9 AM 10:00  
BY 



Andrico Q. Penick  
Director of Real Estate

September 9, 2019

Through City Administrator Naomi Kelly

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

**Subject: Amendment to Lease – 350 Rhode Island Street-North  
Rent Credit to City of \$2,600,000**

Dear Board Members:

Attached for your consideration is a Resolution approving and authorizing an Amendment to Lease for the subject property.

### **Background**

Pursuant to unanimously approved Resolution No. 388-17, dated November 3, 2017, the Board of Supervisors approved a lease of up to 125,122 square feet of the subject property (accepted in phases as natural lease terminations occurred). The lease primarily served to enable the District Attorney's Office to relocate from the deteriorating Hall of Justice at 850 Bryant Street. That lease formally commenced on July 24, 2018.

Current ownership has engaged in a sales process for the building. In connection with such a potential sale, ownership and Real Estate staff negotiated terms and conditions of a modest Amendment to Lease that would facilitate the sale and modify certain expense protections provided to the City going forward.

### **Resolution**

Specifically, the Resolution approves the provision of a rent credit in the total negotiated amount of \$2,600,000, payable to the City as a credit against rent owed over the course of 48 months, in a schedule developed in coordination with budget staff and included in the Amendment to Lease. In consideration for this credit, the City would waive its current real

estate expense pass-through protections related to property tax increases. Under the existing lease, those provisions expire on July 25, 2021.

The City's existing lease provides limited fiscal protection (until July, 2033) against a pass-through tax impact from a sale (Prop 13 Protection) – only in the event a sale occurs prior to July 25, 2021. Recognizing this, the existing owner has the opportunity to sell the property today, which would result in a sales price reduction estimated at roughly \$10 M (to reflect the cost of 18 years of Prop 13 Protection which would be a discount to the buyer), or the owner can wait and effect a sale after July, 2021 (and probably at a higher sales price), in which case the City receives no protection (City would absorb the tax increase immediately upon sale in summer, 2021).

Given the large fiscal impact from the Prop 13 Protection resulting from an immediate sale, it is most likely that the owner will simply wait for the Protection period to expire in July, 2021, absent this Amendment to Lease. We see no evidence that the market for prime, fully-leased office buildings will be in decline prior to that date, further supporting the notion that the owner's patience would be rewarded. Additionally, the Amendment to Lease facilitates the receipt of transfer taxes from this pending sale, in the amount of \$4,000,000 this fiscal year.

The owner and City staff have negotiated a proposed rent credit to facilitate an earlier sale of the property and thus a waiver of the Prop 13 Protection, in an amount that is favorable to the City as compared to the outcome of a deferred sale in summer of 2021 – a credit that is the equivalent of 48 months of Protection (until approximately October, 2023).

If you have any questions regarding this lease amendment, please contact me or John Updike at [john.updike@sfgov.org](mailto:john.updike@sfgov.org).

Respectfully,



Andrico Q. Penick  
Director of Property





**San Francisco Ethics Commission**

25 Van Ness Avenue, Suite 220, San Francisco, CA 94102  
 Phone: 415.252.3100 . Fax: 415.252.3112  
[ethics.commission@sfgov.org](mailto:ethics.commission@sfgov.org) . [www.sfethics.org](http://www.sfethics.org)

Received On:

File #:  
190920

Bid/RFP #:

**Notification of Contract Approval**

SFEC Form 126(f)4

(S.F. Campaign and Governmental Conduct Code § 1.126(f)4)

A Public Document

Each City elective officer who approves a contract that has a total anticipated or actual value of \$100,000 or more must file this form with the Ethics Commission within five business days of approval by: (a) the City elective officer, (b) any board on which the City elective officer serves, or (c) the board of any state agency on which an appointee of the City elective officer serves. For more information, see: <https://sfethics.org/compliance/city-officers/contract-approval-city-officers>

1. FILING INFORMATION	
TYPE OF FILING	DATE OF ORIGINAL FILING <i>(for amendment only)</i>
Original	
AMENDMENT DESCRIPTION – Explain reason for amendment	

2. CITY ELECTIVE OFFICE OR BOARD	
OFFICE OR BOARD	NAME OF CITY ELECTIVE OFFICER
Board of Supervisors	Members

3. FILER'S CONTACT	
NAME OF FILER'S CONTACT	TELEPHONE NUMBER
Angela Calvillo	415-554-5184
FULL DEPARTMENT NAME	EMAIL
Office of the Clerk of the Board	Board.of.Supervisors@sfgov.org

4. CONTRACTING DEPARTMENT CONTACT	
NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
John Updike	4157027194
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
ADM Admin Services - Real Estate	john.updike@sfgov.org

5. CONTRACTOR	
NAME OF CONTRACTOR Lexington Lion San Francisco, LP, a Delaware limited partner	TELEPHONE NUMBER 212 863438
STREET ADDRESS (including City, State and Zip Code) 230 Park Avenue, New York, NY 10169	EMAIL

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (if applicable) 190920
DESCRIPTION OF AMOUNT OF CONTRACT \$2,600,000		
NATURE OF THE CONTRACT (Please describe) Lease Amendment providing rent credit to City under City's Lease of 350 Rhode Island Street - North.		

7. COMMENTS

8. CONTRACT APPROVAL	
This contract was approved by:	
<input type="checkbox"/>	THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM
<input checked="" type="checkbox"/>	A BOARD ON WHICH THE CITY ELECTIVE OFFICER(S) SERVES Board of Supervisors
<input type="checkbox"/>	THE BOARD OF A STATE AGENCY ON WHICH AN APPOINTEE OF THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM SITS

<b>9. AFFILIATES AND SUBCONTRACTORS</b>			
List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.			
#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Belford	Jeb	CEO
2	Hopkins	Heather	CFO
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6			
7			
8			
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**9. AFFILIATES AND SUBCONTRACTORS**

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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**9. AFFILIATES AND SUBCONTRACTORS**

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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Check this box if you need to include additional names. Please submit a separate form with complete information. Select "Supplemental" for filing type.

**10. VERIFICATION**

I have used all reasonable diligence in preparing this statement. I have reviewed this statement and to the best of my knowledge the information I have provided here is true and complete.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK   BOS Clerk of the Board	DATE SIGNED
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