

GROUND LEASE

by and between

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

and

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
as Tenant

for the lease of real property
comprising a portion of the campus of
The Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and Trauma Center
in San Francisco, California

Dated as of _____, 20__

TABLE OF CONTENTS

	<u>Page</u>
1. BASIC LEASE INFORMATION AND DEFINITIONS	2
2. PROPERTY; PREMISES; DELIVERY; CONDITION OF PREMISES; ACCESS RIGHTS.....	12
2.1. Leased Property.....	12
2.2. Access License.....	12
2.3. Utility Easement Agreement; Quitclaim of Utility Easement Agreement.....	12
2.4. Easement for Loading Dock Access; Quitclaim of Loading Dock Access Easement Agreement.....	13
2.5. License for IT Connections.....	13
2.6. Rights Reserved to City.....	13
2.7. Delivery.....	13
2.8. Correction of Property Descriptions.....	14
2.9. Condition of Property.....	14
3. TERM; COMMENCEMENT; EARLY ACCESS	15
3.1. Term.....	15
3.2. Extension Option.....	15
3.3. Right of Negotiation Regarding Possible Term Extension.....	16
3.4. Discussions Regarding Possible Future Use of the Property.....	17
3.5. Access and Entry by Tenant Prior to Commencement Date.....	17
3.6. Confirmation of Commencement Date.....	17
4. USES	17
4.1. Permitted Use.....	17
4.2. Development and Ongoing Operations.....	17
4.3. Handling of Infectious or Hazardous Material.....	17
4.4. Disposal of Deleterious Waste.....	17
4.5. Decontamination Responsibility.....	18
4.6. No Unlawful Uses, Nuisances or Waste.....	18
4.7. Compliance with Hospital Campus Policies and Procedures.....	18
4.8. Limitations on Uses by Tenant.....	18
4.9. Premises Must Be Used.....	19
4.10. Report on Research Activities.....	19
5. RENT	19
5.1. Tenant’s Covenant to Pay Rent; Base Rent.....	19
5.2. Adjustments in Base Rent.....	20
5.3. No Abatement or Setoff.....	22
5.4. Late Payments.....	22
5.5. Additional Rent.....	22
5.6. Net Lease.....	22
6. DEVELOPMENT OF PROJECT; OWNERSHIP OF IMPROVEMENTS	23

6.1.	Scope of Project Development	23
6.2.	Ownership of Improvements.	23
6.3.	Mitigation Measures; Improvement Measures.	24
7.	ASSIGNMENT AND SUBLETTING	24
7.1.	Restriction on Assignment and Subletting.	24
7.2.	Conforming and Non-Conforming Subleases.	24
7.3.	Notice of Proposed Sublease.	24
7.4.	Conditions to Sublease.	25
7.5.	City’s Response to Notice of Proposed Sublease and Proposed Sublease Agreement.	25
7.6.	Required Sublease Terms; Special City Requirements; Non-Conforming Use by Subtenant Allowed Under Lease Following City Approval.	26
7.7.	Leasehold Profit; Share of Excess Rent Payable to City.....	26
7.8.	[Intentionally Omitted.]	26
7.9.	Effect of Sublease or Assignment.	26
7.10.	Assumption by Transferee.	27
7.11.	No Relocation Benefits for Transferees.	27
7.12.	Reimbursement of City Costs.	27
7.13.	Documentation of Conforming Use of Premises.	27
7.14.	Impact of Nonconforming Subleases on Administrative Cost Offset Rent Credit.	27
7.15.	Assignment.	28
8.	TAXES; POTENTIAL EXEMPTION; REPORTING REQUIREMENTS	29
8.1.	Tenant’s Tax Exempt Status; Payment of Possessory Interest Taxes.	29
9.	[INTENTIONALLY OMITTED]	30
10.	COMPLIANCE WITH LAWS	30
10.1.	Compliance with Laws and Other Requirements.....	30
10.2.	Regulatory Approvals.	30
11.	REPAIR AND MAINTENANCE	31
11.1.	Covenants to Repair and Maintain the Premises.	31
11.2.	Landscape Maintenance.....	32
12.	[RESERVED]	32
13.	SUBSEQUENT CONSTRUCTION	32
13.1.	City’s Right to Approve Subsequent Construction.	32
13.2.	Minor Alterations.	33
13.3.	Tenant Improvements.	33
13.4.	Construction Documents in Connection with Subsequent Construction.	33
13.5.	City Approval of Construction Documents.....	34
13.6.	Construction Schedule.....	34
13.7.	Construction.	35
13.8.	Safety Matters.	36

13.9.	As-Built Plans and Specifications.....	36
14.	UTILITY SERVICES	36
15.	DAMAGE OR DESTRUCTION.....	37
15.1.	General; Notice; Waiver.	37
15.2.	Tenant's Obligation to Restore.....	37
15.3.	Major Damage and Destruction.....	38
15.4.	Effect of Termination.	39
15.5.	Distribution Upon Lease Termination.....	39
15.6.	Event of Default.	39
15.7.	Use of Insurance Proceeds.	39
15.8.	No Release of Tenant's Obligations.	40
16.	CONDEMNATION	40
16.1.	Lease Governs.	40
16.2.	Total Taking; Termination of Lease; Distribution of Award.....	41
16.3.	Partial Taking; Effect; Restoration; Distribution of Award.....	41
16.4.	Temporary Taking; Effect; Distribution of Award.....	42
16.5.	Notice.	42
16.6.	Landlord as Condemning Authority or Benefitted Party.....	42
16.7.	No Obligation to Provide Exchange Space During Taking.....	43
17.	LIENS	43
17.1.	Liens.....	43
17.2.	Mechanics' Liens.....	43
18.	INDEMNIFICATION	43
18.1.	Indemnification by Tenant.....	43
18.2.	Indemnification by City.	44
18.3.	Tenant's Immediate Obligation to Defend.....	45
18.4.	City's Immediate Obligation to Defend.....	45
18.5.	Not Limited by Insurance.	45
18.6.	Survival.....	45
18.7.	Other Obligations.	45
18.8.	Defense.....	45
18.9.	Release of Claims Against City; Exceptions to Release.....	46
19.	INSURANCE.....	46
19.1.	Property and Liability Coverage.....	46
19.2.	City Entitled to Participate.....	51
19.3.	Release and Waiver.....	51
20.	HAZARDOUS MATERIALS.....	51
20.1.	Hazardous Materials Compliance.....	51
20.2.	Hazardous Materials Indemnity.....	52
21.	CITY'S RIGHT TO PERFORM TENANT'S COVENANTS.....	52

21.1.	City May Perform in Emergency.....	52
21.2.	City May Perform Following Tenant's Failure to Perform.....	53
21.3.	Tenant's Obligation to Reimburse City.....	53
22.	EVENTS OF DEFAULT; TERMINATION.....	53
22.1.	Events of Default.....	53
23.	REMEDIES.....	54
23.1.	City's Equitable Relief; City's Remedies Generally.....	54
23.2.	Right to Keep Lease in Effect.....	54
23.3.	Right to Terminate Lease.....	55
23.4.	Continuation of Subleases and Other Agreements.....	56
24.	EQUITABLE RELIEF.....	56
24.1.	City's Equitable Relief.....	56
24.2.	Tenant's Equitable Relief.....	56
25.	NO WAIVER.....	57
25.1.	No Waiver by City or Tenant.....	57
25.2.	No Accord or Satisfaction.....	57
26.	DEFAULT BY CITY; TENANT'S REMEDIES.....	57
27.	NO RECOURSE AGAINST SPECIFIED PERSONS.....	58
27.1.	Tenant's Recourse Against City.....	58
27.2.	City's Recourse Against Tenant.....	58
28.	[Intentionally omitted.].....	58
29.	ESTOPPEL CERTIFICATES.....	58
29.1.	Estoppel Certificate by Tenant.....	58
29.2.	Estoppel Certificate by City.....	58
30.	APPROVALS BY CITY.....	59
30.1.	Approvals by City.....	59
30.2.	Fees for Review.....	59
31.	NO MERGER OF TITLE.....	59
32.	QUIET ENJOYMENT.....	59
33.	SURRENDER OF PREMISES.....	59
34.	HOLD OVER.....	60
35.	NOTICES.....	60
35.1.	Notices.....	60
35.2.	Form and Effect of Notice.....	60
36.	INSPECTION OF PREMISES BY CITY.....	61
36.1.	Entry.....	61

36.2.	Exhibit for Lease.....	61
36.3.	Notice, Right to Accompany.....	61
36.4.	Rights with Respect to Subtenants.....	61
37.	SIDEWALK MAINTENANCE.....	61
38.	SURRENDER OF RELINQUISHED PREMISES; TERMINATION OF EXISTING OCCUPANCY AGREEMENTS.....	62
39.	IMPACT OF TERMINATION OF AFFILIATION AGREEMENT.....	63
39.1.	Termination of Affiliation Agreement; Obligation to Negotiate.....	63
39.2.	Process for Evaluating Tenant’s On-Going Research Space Needs and City’s Research Space Needs.....	64
39.3.	Tenant Phase-Out and City Phase-In in the Event of Termination of Lease or City’s Total Lease-Back.....	64
39.4.	Termination of Affiliation Agreement Without An Agreement Regarding Ground Lease Impacts.....	66
39.5.	City’s Option to Purchase Improvements and Terminate the Lease.....	66
39.6.	City’s Total Lease-Back Option.....	67
39.7.	Determination Fair Market Value Purchase Price and Fair Market Master Lease Rental Rate.....	69
39.8.	Modifications to Ground Lease.....	71
40.	PARKING RELIEF PLAN.....	71
41.	SPECIAL CITY PROVISIONS	72
41.1.	Non-Liability of Appointed or Elected Officials, Employees and Agents.....	72
41.2.	Wages and Working Conditions.....	72
41.3.	Non-Discrimination in Contracts and Benefits.....	72
41.4.	No Relocation Assistance; Agreement Regarding Claims.....	72
41.5.	MacBride Principles - Northern Ireland.....	73
41.6.	Tropical Hardwood and Virgin Redwood Ban.....	73
41.7.	Limitations on the Use of Pesticides Outside of the Improvements.....	73
41.8.	Drug-Free Workplace.....	74
41.9.	Prohibition of Tobacco Sales and Advertising.....	74
41.10.	Preservative-Treated Wood Containing Arsenic.....	74
41.11.	Transportation Demand Management.....	74
41.12.	Graffiti.....	74
42.	GENERAL.....	75
42.1.	No Implied Waiver.....	75
42.2.	Amendments.....	75
42.3.	Authority.....	75
42.4.	Parties; Approvals.....	75
42.5.	Interpretation of Lease.....	76
42.6.	Successors and Assigns.....	76
42.7.	Brokers.....	76
42.8.	Attorney’s Fees and Costs.....	76
42.9.	Severability.....	77

42.10. Governing Law; Selection of Forum.....	77
42.11. Entire Agreement.....	77
42.12. Time of Essence.....	77
42.13. Cumulative Remedies.....	77
42.14. Survival of Indemnities.....	77
42.15. Relationship of the Parties.....	78
42.16. Light and Air.....	78
42.17. Options Personal.....	78
42.18. No Third Party Beneficiaries.....	78
42.19. Counterparts.....	78
42.20. Recordation.....	78
42.21. Extensions by City.....	78
42.22. Effective Date.....	79
42.23. Further Assurances.....	79

LIST OF LEASE EXHIBITS

<u>Attachment</u>	<u>Description</u>
EXHIBIT A	Property
EXHIBIT A-1	Description of Property
EXHIBIT A-2	Depiction of Property
EXHIBIT B	Research Facility Building Project Requirements
EXHIBIT B-1	Research Facility Building Scheme
EXHIBIT B-2	Applicable Codes and Requirements for Research Facility Building
EXHIBIT C	Access License Area and Sidewalk Areas
EXHIBIT C-1	Access License Area
EXHIBIT C-2	Depiction of Sidewalk Maintenance Areas
EXHIBIT D	Mitigation Measures and Conditions to General Plan Referral
EXHIBIT D-1	Agreement to Implement Improvement and Mitigation Measures
EXHIBIT D-2	Conditions to General Plan Referral
EXHIBIT E	Specific City Sublease Requirements
EXHIBIT F	Relinquished Premises
EXHIBIT F-1	Description of Relinquished Premises
EXHIBIT F-2	Schedule of Relinquished Premises Deletion Dates
EXHIBIT F-3	Special Agreements Regarding Condition of Surrender
EXHIBIT G	Terms and Conditions Applicable to Assignment of Lease Following Termination of Affiliation Agreement
EXHIBIT H	Agreement Regarding Hiring Opportunities
EXHIBIT I	Memorandum Regarding Parking Relief Plan
EXHIBIT J	Transportation Demand Management
EXHIBIT K	Form of Notice of Commencement Date
EXHIBIT L	Waived or Modified City Requirements Applicable to Transferees

LEASE

THIS LEASE (this "Lease"), dated for reference purposes only as of _____, 20 ____, is between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City"), and THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California public corporation ("The Regents" or "Tenant"), and is made with reference to the facts and circumstances described in the Recitals set forth below.

RECITALS

A. The Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and Trauma Center ("ZSFG") is one of the nation's leading public hospitals and has continuously provided a wide range of ambulatory, emergency, acute care and trauma services to San Francisco residents for more than one hundred years. The ZSFG campus is owned by the City and is under the jurisdiction of City's Department of Public Health ("DPH").

B. City and The Regents, on behalf of its San Francisco campus ("UCSF"), have a long-standing affiliation through which UCSF provides physicians and other professional services at ZSFG. Today, faculties from all four UCSF professional schools work at ZSFG, where they provide patient care, conduct research, and teach. ZSFG serves as a major teaching hospital for UCSF residents and fellows.

C. Through the ZSFG-UCSF affiliation, UCSF physicians who are leaders in their fields have been attracted to ZSFG and have established ZSFG as one of the nation's leading academic medical centers with a top training program for residents and medical students. ZSFG is presently home to more than twenty UCSF research centers and major laboratories, and over 150 principal UCSF investigators conduct research at the ZSFG campus. The co-location of patient care, teaching and research activities is critical to the ability to recruit and retain the physician leaders who treat patients at ZSFG.

D. The Regents desire to enter into a long term ground lease with the City to lease from City a portion of the ZSFG campus presently used as a surface parking lot (the "Property" as defined in Section 1), on which The Regents would develop and operate a modern research facility, which would allow UCSF to consolidate existing ZSFG campus research centers and laboratories. In connection with the construction of the research facility, The Regents will perform certain other improvements that will benefit the ZSFG campus and its users, including UCSF, including a campus street adjacent to Building 5 of the main hospital on the north side of the new research facility with circulation space, landscaping, a one-way eastbound driveway, surface parking spaces that will be incorporated into the hospital's parking program, relocation of a historic fountain from the site, and landscaping and public sidewalks around the perimeter of the research facility building, all as more particularly described below.

E. Pursuant to a Lease Disposition and Development Agreement (the "LDDA") by and between City and Tenant dated as of _____, 2016, City agreed to lease the Property to Tenant, and Tenant agreed to lease the Property from City, upon satisfaction of certain conditions precedent contained in the LDDA. By their execution and delivery of this Lease, the Parties acknowledge that such conditions precedent have been satisfied or waived.

F. Development of the existing surface parking lot for the new research facility will result in a loss of parking for patients, staff and visitors to the ZSFG campus. As a condition to City's agreement to lease a portion of the surface parking lot to The Regents for the development and operation of the new research facility, The Regents will continue to cooperate with DPH to identify and implement temporary strategies to minimize the adverse impact on patients and visitors through the date replacement parking is secured for the ZSFG campus, whether through expansion of the parking garage serving the ZSFG campus or through other means, as outlined in

the Parking Relief Plan developed and memorialized during the term of the LDDA and attached as Exhibit I, as further provided below, and will make a contribution to City that is roughly equivalent to the cost of replacing the parking spaces lost by development of the surface parking lot pursuant to and in accordance with the terms and provisions of the LDDA.

G. The existing agreement governing the affiliation between ZSFG and UCSF requires DPH to provide UCSF with 85,000 square feet of faculty research space on the ZSFG campus rent-free in exchange for certain administrative costs incurred by UCSF in providing physicians to ZSFG. The availability of research space for faculty on the hospital campus aids in the recruitment and retention of ZSFG clinicians and supports ZSFG’s mission to provide quality healthcare and trauma care. Upon completion of the project, The Regents will vacate and surrender to City much of the space presently occupied by UCSF faculty and staff on the ZSFG campus, including all of the 85,000 square feet of rent-free faculty research space provided by DPH pursuant to the affiliation agreement, and relocate from such space into the Research Facility. In order to continue to provide The Regents with an equivalent benefit to 85,000 square feet of rent-free faculty research space, the rental rate for this Lease is set at a rate that essentially provides a rent credit equal to the rental value of 85,000 square feet of research space on the ZSFG campus.

H. Prior to the execution of this Lease, Tenant and/or the City obtained a number of Regulatory Approvals related to this Lease and the project contemplated hereunder. By letter dated _____ (the “Determination Letter”), the City’s Planning Department determined that the lease of the Premises to Tenant in the manner contemplated is in conformity with the City’s General Plan, subject to certain conditions specified in the Determination Letter. [If applicable, describe other conditions identified in the CEQA process or BOS lease approval process, such as specific mitigation measures, any Agreement to Implement Improvement and Mitigation Measures, etc. Provide definitions and attach and refer to exhibits, if applicable. *Delete this comment for final lease.*] Further, City’s Board of Supervisors has approved and authorized execution of this Lease by the City.

I. All initially capitalized terms used herein are defined in Article 1 or have the meanings given them when first defined.

ACCORDINGLY, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1. BASIC LEASE INFORMATION AND DEFINITIONS

BASIC LEASE INFORMATION

The following is a summary of basic lease information (the “Basic Lease Information”). 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 Date:	_____, 20__
City:	CITY AND COUNTY OF SAN FRANCISCO , a municipal corporation
Tenant:	THE REGENTS OF THE UNIVERSITY OF CALIFORNIA , a California public corporation

Property:	The Property shall consist of certain real property located in the City and County of San Francisco, State of California, as more particularly described and shown on, respectively, Exhibit A-1 and Exhibit A-2 (the “ Property ”). See <u>Section 2.1</u>
Effective Date:	As defined in Section 1.
Length of Term:	Seventy-five (75) years (the “Initial Term”), with one (1) twenty-four (24) year option to extend, subject to certain rights of the Parties to terminate the Lease early.
Commencement Date:	The term of this Lease shall commence on the date on which City delivers the Property to Tenant in accordance with the LDDA, but in no event earlier than the Effective Date.
Expiration Date:	The date immediately preceding the seventy-fifth (75 th) anniversary of the Commencement Date, subject to Tenant’s option to extend the term of this Lease.
Option to Extend Term:	Tenant has the option to extend the Term of this Lease for one period of twenty-four (24) years (the “Extended Term”), as provided in <u>Section 3.2</u> .
Base Rent:	\$180,000 per annum, subject to adjustment as provided in <u>Section 5.2</u> , payable in monthly installments as provided in <u>Section 5.1</u> .
Annual Adjustments to Base Rent:	Beginning on the first (1 st) anniversary of the Commencement Date and continuing on each subsequent anniversary date other than the Special Adjustment Dates (each, an “Adjustment Date”), the annual and monthly Base Rent payable hereunder shall be subject to adjustment according to <u>Section 5.2(a)</u> .
Periodic Special Adjustments to Base Rent; Special Adjustment Dates:	The Base Rent shall be adjusted as provided in <u>Section 5.2(b)</u> on the twentieth (20 th), forty-fifth (45 th), and sixtieth (60 th) anniversaries of the Commencement Date (each a “Special Adjustment Date”, and respectively, the “First Special Adjustment Date,” the “Second Special Adjustment Date,” and the “Third Special Adjustment Date”).
Administrative Cost Offset Rent Credit:	The Base Rent set forth above takes into consideration a credit equal to the fair rental value of certain “Exchange Space,” as provided in <u>Section 5.1(b)</u> , in the amount described below.

Base Year; Base Year Administrative Cost Offset Rent Credit Amount	The "Base Year" for calculation of the Administrative Cost Offset Rent Credit is the calendar year in which the Commencement Date occurs; the Base Year Administrative Cost Offset Rent Credit Amount is \$765,000.
Base Year Deemed Annual Rental Value:	\$945,000
Use:	Construction and management of the Research Facility, which will be used for teaching, research and public service, consistent with The Regents' constitutionally mandated mission, and in support of ZSFG's mission to provide quality healthcare and trauma care with compassion and respect, as provided in <u>Section 4.1</u> .
Project, Research Facility and ZSFG Campus Improvements:	Tenant shall construct the Research Facility Building and the ZSFG Campus Improvements, including associated demolition, as provided in the LDDA.
Maintenance and Repair:	See <u>Article 11</u> .
Utilities and Services:	See <u>Article 14</u> .
Sidewalk Maintenance:	Following completion of the ZSFG Campus Improvements Tenant will be responsible for ongoing maintenance of certain of the sidewalks included in such improvements. See <u>Section 37</u> .
City's Address for Notices:	City and County of San Francisco Real Estate Division 25 Van Ness Ave., Suite 400 San Francisco, California 94112 Attn: Director of Property
With a copy to:	San Francisco Department of Public Health 101 Grove Street San Francisco, CA 94102 Attn: Director of Health
And a copy to:	City Attorney, City of San Francisco Room 234, City Hall 1 Dr. Carlton B. Goodlett Place San Francisco, California 94102-4682 Attn: Real Estate/Finance Team
And, during construction of the Project, a copy to:	Director of Department of Public Works Department of Public Works City and County of San Francisco Room 348, City Hall 1 Dr. Carlton B. Goodlett Place San Francisco, California 94102

Tenant's Address for Notices:	The Regents of the University of California Office of the President 1111 Franklin Street, Sixth Floor Oakland, California 94607 Attn: Director of Real Estate
With a copy to:	University of California, San Francisco Real Estate Services 654 Minnesota Street, 2nd Floor San Francisco, California 94143-0287 Attn: Assistant Vice Chancellor, UCSF Real Estate Assets and Development
And a copy to:	Christine Haas Senior Counsel, Office of General Counsel 654 Minnesota Street, 2nd Floor San Francisco, California 94143-0287
And a copy to:	Sue Carlisle, Ph.D., M.D. Vice Dean for Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and Trauma Center, 1001 Potrero Avenue Building 5 Room 2A21 San Francisco, CA 94110
Surrender of Relinquished Premises; Termination of Certain Existing Occupancy Agreements:	See <u>Article 38</u> .
Impact of Termination of Affiliation Agreement:	See <u>Article 39</u> .
Parking Relief Plan	See <u>Article 40</u> .

DEFINITIONS

For purposes of this Lease, initially capitalized terms not otherwise defined in this Lease shall have the meanings ascribed to them in this Article. In the event of any conflict between a definition given in this Article and any more specific provision of this Lease, the more specific provision shall control.

“**Access License**” and “**Access License Area**” shall have the meanings set forth in Section 2.2.

“**Additional Rent**” means any and all sums (other than the payment Base Rent) that may become due or be payable by Tenant under this Lease.

“**Affiliation Agreement**” means that certain Affiliation Agreement between The Regents and City, dated August 1, 1994, describing certain of the responsibilities of the Parties at the ZSFG campus, as amended from time to time, or such other agreement that may supersede or replace such agreement, provided that the Parties agree in writing that such agreement shall substitute for the Affiliation Agreement for the purposes of this Lease.

“**Agents**” means, when used with reference to either Party to this Lease or any other person or entity, the members, officers, directors, commissioners, employees, agents and contractors and subcontractor of such Party or other person or entity, and their respective heirs, legal representatives, successors and assigns.

“**Attorneys’ Fees and Costs**” means any and all reasonable attorneys’ fees, costs, expenses and disbursements (including such fees, costs, expenses and disbursements of attorneys of the City’s Office of the City Attorney and of Tenant’s in-house counsel), including, but not limited to, expert witness fees and costs, travel time and associated costs, transcript preparation fees and costs, document copying, exhibit preparation, courier, postage, facsimile, long-distance and communications expenses, court costs and other costs and fees associated with any other legal, administrative or alternative dispute resolution proceeding, including such fees and costs associated with execution upon any judgment or order, and costs on appeal. For purposes of this Lease, reasonable fees of attorneys of the City’s Office of City Attorney and any in-house counsel of Tenant shall be based on the fees regularly charged by private attorneys with an equivalent number of years of professional experience in the subject matter area of the law for which City’s or Tenant’s counsel’s services were rendered who practice in the City and County of San Francisco, State of California, in law firms with approximately the same number of attorneys as employed by the Office of City Attorney, or, in the case of Tenant, the number of attorneys employed by Tenant’s in-house counsel.

“**Award**” means all compensation, sums or value paid, awarded or received for a Condemnation, whether pursuant to judgment, agreement, settlement or otherwise.

“**Base Rent**” has the meaning set forth in Section 5.1.

“**City Administrator**” means the City Administrator of the City and County of San Francisco or his or her designee, or successor that succeeds to the rights and obligations of the City Administrator under applicable Law.

“**City Indemnified Parties**” has the meaning set forth in Section 18.1.

“**City’s Sign Guidelines**” means any and all policies or rules of the City now or hereafter in effect governing the placement of signs, advertisements, awnings, canopies, banners or other exterior decoration.

“**Close Regents Affiliate**” has the meaning set forth in Section 23.3(c).

“**Commencement Date**” means the later of (i) the Effective Date, or (ii) the date City delivers possession of the Premises to Tenant in accordance with the LDDA.

“**Completion**” or “**Complete**” or “**Completed**” means completion of construction of all or any applicable portion of the Project in accordance with the terms of Article 6.

“**Condemnation**” means the taking or damaging, including severance damage, of all or any part of any property, or the right of possession thereof, by eminent domain, inverse condemnation, or for any public or quasi-public use under the Law. Condemnation may occur pursuant to the recording of a final order of condemnation, or by a voluntary sale of all or any part of any property to any entity having the power of eminent domain (or to a designee of any such entity), provided that the property or such part thereof is then under the threat of condemnation or such sale occurs by way of settlement of a condemnation action.

“**Condemnation Date**” means the earlier of: (a) the date when the right of possession of the condemned property is taken by the condemning authority; or (b) the date when title to the condemned property (or any part thereof) vests in the condemning authority.

“**Default Rate**” means, for The Regents of the University of California or any Close Regents Affiliate, an annual interest rate equal to the lesser of (i) ten percent (10%) or (ii) five percent (5%) in excess of the rate the Federal Reserve Bank of San Francisco charges, as of the Effective Date of this Lease, on advances to member banks and depository institutions under

Sections 13 and 13a of the Federal Reserve Act. For any Transferee that is not a Close Regents Affiliate, Default Rate means the higher of clause (i) or (ii) above.

“**Determination Letter**” has the meaning set forth in Recital H.

“**Director of DPW**” means the Director of City's Department of Public Works (or successor department) or his or her designee.

“**Effective Date**” means the latest of (i) the date on which the Parties have executed and delivered this Lease, or (ii) the date the full Board of Regents of the University of California approves this Lease, or (iii) the effective date of a resolution or ordinance by the City's Board of Supervisors approving this Lease and authorizing the City's execution.

“**Event of Default**” has the meaning set forth in Article 22.

“**Existing City Utility Facilities**” has the meaning set forth in Section 2.6(d).

“**Expiration Date**” has the meaning set forth in the Basic Lease Information.

“**Force Majeure**” means events or conditions which result in delays in a Party's performance (excluding a Party's performance of the payment of money required under this Lease) of its obligations hereunder due primarily to causes beyond such Party's control and not caused by the acts or omissions of the delayed Party (excluding, in any case, a delayed Party's performance of the payment of money required under this Lease), including, but not restricted to, acts of God or of the public enemy, acts of the other Party, war, explosion, invasion, insurrection, rebellion, riots, acts of the government (including any general moratorium in the issuance of permits applicable to the Site (as defined in the LDDA) or the Premises or the Project or the Improvements), fires, floods, earthquakes, tidal waves, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather, delays of contractors or subcontractors due to any of these causes, the unanticipated presence of Hazardous Material or other concealed conditions on the Premises that would not have reasonably been discovered through due diligence and that would delay or materially adversely impair Tenant's ability to construct the Project, substantial interruption of work because of other construction by third parties in the immediate vicinity of the Premises, archeological finds on the Site or the Premises, strikes, and substantial interruption of work because of labor disputes, inability to obtain materials or reasonably acceptable substitute materials (provided that the delayed Party has ordered such materials on a timely basis and such Party is not otherwise at fault for such inability to obtain materials), changes in state or federal law that would delay or materially adversely impair Tenant's ability to construct the Project, or any administrative appeals, litigation or arbitration relating to the construction of the Project (provided that Tenant proceeds with due diligence to defend such action or proceeding or take other appropriate measures to resolve any dispute that is the subject of such action or proceeding). Force Majeure, as it relates to Tenant's obligations only, shall also include City's failure to act within a reasonable time in keeping its standard practices, or (when applicable) within the specific timeframes required by this Lease, whenever Tenant requests an approval or consent from City, provided Force Majeure shall not include any delays caused by Tenant's failure to submit complete applications and materials required in connection with any such request for approval or consent. Force Majeure does not include the lack of credit or the failure to obtain financing or have adequate funds and therefore, no event caused by a lack of credit or a failure to obtain financing shall be considered to be an event of Force Majeure for purposes of this Lease. The delay caused by Force Majeure includes not only the period of time during which performance of an act is hindered, but also such additional time thereafter as may reasonably be required to make repairs, and to Restore if appropriate, and to complete performance of the hindered act.

“**Handle**” when used with reference to Hazardous Material means to use, generate, manufacture, process, produce, package, treat, transport, store, emit, discharge or dispose of any Hazardous Material (Handling will have a correlative meaning).

“Hazardous Material” means 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” under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”, also commonly known as the “Superfund” law), as amended, (42 U.S.C. Section 9601 et seq.) or under Section 25281 or Section 25316 of the California Health & Safety Code; any “hazardous waste” as defined in Section 25117 or listed under Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials on the Premises, any Improvements to be constructed on the Premises by or on behalf of Tenant, or naturally occurring substances on or in the Premises and petroleum, including crude oil or any fraction, and natural gas or natural gas liquids.

“Hazardous Material Claims” means any and all claims relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, release or discharge of any Hazardous Material, including, without limitation, Losses based in common law. Hazardous Material Claims include, without limitation, investigation and Remediation costs reasonably incurred, fines, natural resource damages, damages for decrease in value of the Premises or any Improvements, the loss or restriction of the use or any amenity of the Premises or any Improvements, and attorneys' fees and consultants' fees and experts' fees and costs reasonably incurred.

“Hazardous Material Laws” means any present or future federal, state or local Laws applicable to Tenant relating to Hazardous Material (including, without limitation, its Handling, transportation or Release) or to human health and safety, industrial hygiene or environmental conditions in, on, or under the Premises (including the Improvements), including, without limitation, soil and groundwater conditions.

“Improvements” means all buildings, structures, fixtures and other improvements erected, built, placed, installed or constructed upon or within the Premises, including, but not limited to, the Research Facility Building and any other elements of the Project located on the Property.

“Indemnify” means indemnify, defend, protect, and hold harmless.

“Index” means the Consumer Price Index for All Urban Consumers (base years 1982-1984=100) for the San Francisco-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics. If the index is modified during the Term hereof, the modified Index shall be used in place of the original Index. If compilation or publication of the Index is discontinued during the Term, City shall select another similar published index, generally reflective of increases in the cost of living, subject to Tenant's approval, which shall not be unreasonably withheld or delayed, in order to obtain substantially the same result as would be obtained if the Index had not been discontinued.

“Invitees” when used with respect to Tenant means the customers, contractors, subcontractors, consultants, subconsultants, patrons, invitees, guests, permittees, members, licensees, concessionaires, assignees, transferees and Subtenants of Tenant and the customers, patrons, invitees, guests, permittees, members, licensees, concessionaires, assignees, transferees and sub-tenants of such Subtenants; when used with respect to City means the consultants, subconsultants, patrons invitees, guests, permittees and licensees of City.

“Law” or **“Laws”** means (i) with respect to Tenant and/or Tenant's duties or obligations under this Lease, any one or more present and future laws, ordinances, rules, regulations, permits, authorizations, orders and requirements, to the extent applicable to Tenant, whether or not in the contemplation of the Parties, including, without limitation, all consents or approvals (including Regulatory Approvals) required to be obtained from, and all rules and regulations of,

and all building and zoning laws of, all federal, state, county and municipal governments, the departments, bureaus, agencies or commissions thereof, authorities, boards of officers, any national or local board of fire underwriters, or any other body or bodies exercising similar functions, in each instance to the extent applicable to Tenant; and (ii) with respect to City, and/or City's duties or obligations under this Lease, any one or more present and future laws, ordinances, rules, regulations, permits, authorizations, orders and requirements, to the extent applicable to City, whether or not in the contemplation of the Parties, including, without limitation, all consents or approvals (including Regulatory Approvals) required to be obtained from, and all rules and regulations of, and all building and zoning laws of, all federal, state, county and municipal governments, the departments, bureaus, agencies or commissions thereof, authorities, boards of officers, any national or local board of fire underwriters, or any other body or bodies exercising similar functions, in each instance to the extent applicable to City, and (iii) with respect to any Subtenant or Transferee, any one or more present and future laws, ordinances, rules, regulations, permits, authorizations, orders and requirements, to the extent applicable to such Subtenant or Transferee, whether or not in the contemplation of the Parties, including, without limitation, all consents or approvals (including Regulatory Approvals) required to be obtained from, and all rules and regulations of, and all building and zoning laws of, all federal, state, county and municipal governments, the departments, bureaus, agencies or commissions thereof, authorities, boards of officers, any national or local board of fire underwriters, or any other body or bodies exercising similar functions, having or acquiring jurisdiction of the Premises, or any portion thereof.

"Lease" means this Lease, as it may be amended from time to time in accordance with its terms.

"Lease Year" means, for the Term of this Lease, any applicable twelve (12) month period beginning on the Commencement Date, or the applicable anniversary thereof and ending on the date immediately prior to the next succeeding anniversary of the Commencement Date.

"Loss" or **"Losses"** means any and all claims, demands, losses, liabilities, damages, liens, obligations, interest, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, (including, without limitation, Attorneys' Fees and Costs and consultants' fees and costs) of whatever kind or nature, known or unknown, contingent or otherwise. Notwithstanding anything to the contrary contained herein, in no event shall Losses include or shall a party be liable for any indirect, special, consequential or incidental damages (including without limitation damages for loss of use of facilities or equipment, loss of revenues, loss of profits or loss of goodwill) regardless of whether such party has been informed of the possibility of such damages or is negligent. It is understood and agreed that for purposes of this Lease, third party claims for personal injury and the cost of repairing or replacing damaged property shall be deemed to constitute direct damages and therefore not subject to the limitation set forth in the preceding sentence.

"Major Damage or Destruction" means damage to or destruction of all or any portion of the Improvements on the Premises to the extent that the hard costs of Restoration will exceed thirty percent (30%) of the hard costs to replace such Improvements on the Premises in their entirety. The calculation of such percentage shall be based upon replacement costs and requirements of applicable Laws in effect as of the date of the event causing such Major Damage or Destruction. If the Parties do not agree on whether the Restoration hard costs exceed the above thirty percent (30%) threshold following a meet and confer period of not less than ten (10) business days, either Party may invoke the process for an independent consultant and then arbitration as set forth in Section 20.1(a), but modified to establish the expected Restoration costs instead of the Construction Remediation Costs.

"Net Awards and Payments" has the meaning set forth in Section 16.1(a).

"Official Records" means, with respect to the recordation of documents and instruments, the Official Records of the City and County of San Francisco.

“Parking Replacement Contribution” has the meaning given in the LDDA.

“Partial Taking” has the meaning set forth in Section 16.1(d).

“Party” means City or Tenant, as a party to this Lease; **“Parties”** means both City and Tenant, as Parties to this Lease.

“Permitted Uses” has the meaning set forth in Section 4.1.

“Personal Property” means all trade fixtures, furniture, furnishings, equipment, machinery, supplies, software and other tangible personal property that is incident to the ownership, development or operation of the Improvements and/or the Premises, whether now or hereafter located in or upon the Premises, belonging to Tenant or any subtenant and/or in which Tenant has or may hereafter acquire an ownership interest, together with all present and future attachments, accessions, replacements, substitutions and additions thereto or therefor.

“Premises” shall mean the Property from time to time leased to Tenant pursuant to the terms of this Lease, together with the Research Facility and any other Improvements on the Property, including any additions, modifications or other Subsequent Improvements thereto permitted hereunder.

“Project” means the construction of the Research Facility Building and the ZSFG Campus Improvements, including associated demolition, as described in the LDDA.

“Property” means the real property leased hereunder, as described and depicted on, respectively, the attached Exhibit A-1 and Exhibit A-2, subject to correction in accordance with the provisions of Section 2.8, if applicable.

“Property Related Insurance” means the insurance set forth in items i, ii and v of Section 19.1(a).

“Regulatory Approval” means any authorization, approval or permit required by any governmental agency having jurisdiction over the Project or the Premises, subject to the provisions of Section 10.2(c). With respect to The Regents of the University of California, nothing in this Lease shall be construed as a waiver by University of its constitutional status, sovereignty or exemptions available to it as a California constitutional corporation regarding its exemption from compliance with local regulations or other local Laws as related to the Research Facility Building.

“Release” when used with respect to Hazardous Material means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside any Improvements constructed under this Lease by or on behalf of Tenant, or in, on, or under the Premises or any portion thereof.

“Relinquished Premises” has the meaning set forth in Article 38.

“Relinquished Premises Deletion Date” has the meaning set forth in Article 38.

“Remediate” or **“Remediation”** when used with reference to Hazardous Material means any activities undertaken to clean up, remove, contain, treat, stabilize, monitor or otherwise control Hazardous Material located in, on, or under the Premises or that have been, are being, or threaten to be Released into the environment. Remediation includes, without limitation, those actions included within the definition of “remedy” or “remedial action” in California Health and Safety Code Section 25322 and “remove” or “removal” in California Health and Safety Code Section 25323.

“Rent” means Base Rent and Additional Rent.

“Research Facility” or **“Research Facility Building”** means a research facility comprised of approximately 175,000 Gross Square Feet of space consisting of approximately sixty percent (60%) dry laboratory and administrative space and approximately forty percent

(40%) wet laboratory space, to be constructed on the Premises in accordance with the provisions of Article 6 below.

“Restoration” means the repair, restoration, replacement, or rebuilding of the Improvements (or the relevant portion thereof) in accordance with all Laws then applicable to substantially the same condition they were in immediately before an event of damage or destruction or, in the case of Condemnation, the restoration, replacement, or rebuilding of the Improvements as set forth in Article 16. All Restoration shall be conducted in accordance with the provisions of Article 13. (“Restore” and “Restored” shall have correlative meanings.). Notwithstanding the foregoing, in the event of a Major Damage or Destruction occurring at any time during the Term, Tenant shall not be required to Restore the Improvements to the identical size or configuration as existed before the event giving rise to the Restoration. In connection with any such Restoration after an event of Major Damage or Destruction, the Project and the other Improvements may be redesigned, made larger or smaller, reconfigured, or otherwise modified, provided that the Project as so redesigned is a first class project affording similar public benefits as to those provided by the original Project.

“Sublease” means any lease, sublease, license, concession or other agreement by which Tenant leases, subleases, demises, licenses or otherwise grants to any person or entity in conformity with the provisions of this Lease, the right to occupy or use any portion of the Premises (whether in common with or to the exclusion of other persons or entities).

“Subsequent Construction” means all repairs to and reconstruction, replacement, addition, expansion, Restoration, alteration or modification of any Improvements, or any construction of additional Improvements, following completion of the Project.

“Subtenant” means any person or entity leasing, occupying or having the right to occupy any portion of the Research Facility, other Improvements, or Property under and by virtue of a Sublease.

“Tenant” has the meaning set forth in the introductory paragraph of this Lease and includes Tenant's permitted successors and assigns, if applicable.

“Tenant Indemnified Parties” has the meaning set forth in Section 18.2.

“Term” has the meaning set forth in Section 3.1.

“Total Taking” has the meaning set forth in Section 16.1(c).

“Transfer” has the meaning set forth in Section 7.10.

“Transferee” has the meaning set forth in Section 7.10.

“Unmatured Event of Default” means any event, action or inaction that, with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Lease.

“Utility Easement Agreement” and **“Utility Easement Area”** shall have the meanings set forth in Section 2.3.

“ZSFG Campus Improvements” are those certain improvements to the ZSFG campus to be constructed by Tenant in connection with the construction of the Research Facility, including relocation of a historic fountain and construction of a campus street adjacent to Building 5 of the main hospital on the north side of the Research Building with circulation space, landscaping, a one-way eastbound driveway, and surface parking spaces that may be incorporated into the hospital's parking program, and landscaping and public sidewalks, all in accordance with the provisions of the LDDA.

2. PROPERTY; PREMISES; DELIVERY; CONDITION OF PREMISES; ACCESS RIGHTS

2.1. Leased Property.

Subject to the terms, covenants and conditions of this Lease, City leases to Tenant and Tenant leases from City, the real property located in San Francisco, California, as more particularly described in Exhibit A-1 attached hereto and depicted on Exhibit A-2 attached hereto (the "Property"), excluding therefrom and reserving during the Term unto City, its successors and assigns, the rights described in Section 2.6. Any acreage or square footage stated in this Lease with respect to the Property is an estimate only, and City does not warrant it to be correct. However, the Parties agree that for all purposes of this Lease, any such acreage shall be deemed to be correct.

2.2. Access License.

City hereby grants to Tenant, for the Term of this Lease, a non-exclusive and nonpossessory license (the "Access License") in and over those portions of the existing roadway and sidewalks on the ZSFG campus shown crosshatched on the attached Exhibit C-1 and the roadway and sidewalks to be constructed by Tenant on the ZSFG Campus Improvement Site pursuant to the terms of the LDDA [*or include a drawing with the space crosshatched – NOTE: delete this comment prior to Lease execution*] (collectively, the "Access License Area") for purposes of pedestrian and vehicular access, ingress and egress in connection with the uses permitted under this Lease. Use of the Access License Area shall be subject to such reasonable rules and regulations for ZSFG campus roads and sidewalks as may be imposed by City from time to time. Upon not less than 180 days' prior written notice to Tenant, City, in its sole discretion and at its sole cost, may reconfigure the Access License Area or provide a substitute access license area upon and such reconfigured or substitute area shall thereupon be the Access License Area, provided the reconfigured Access License Area or substitute access license area provides reasonably comparable pedestrian ingress and egress to the Improvements and satisfies the requirements of the City and County of San Francisco Department of Building Inspection for ingress and egress and the San Francisco Fire Marshal for emergency vehicle access to the Improvements. City may not materially disturb or prevent Tenant's access to the Property during any reconfiguration period. Following delivery of written notice of City's intent to reconfigure the Access License Area, City agrees to consult with Tenant in good faith and incorporate any reasonable changes or mitigations requested by Tenant to the reconfiguration of the Access License Area. If any portion of the Access License Area is damaged by any of the activities conducted by Tenant or its Agents or invitees hereunder, Tenant shall, at its sole cost, repair such damage and restore the Access License Area to its previous condition, or, at City's election, City shall make such repairs and restoration and Tenant shall pay to City City's reasonable costs of making such repairs. Tenant's indemnity under this Lease shall include claims arising from the use of the Access License Area by Tenant and Tenant's Agents and invitees.

2.3. Utility Easement Agreement; Quitclaim of Utility Easement Agreement.

Contemporaneously with the execution and delivery of this Lease, the Parties executed and delivered a Utility Easement Agreement, as required by the LDDA (the "Utility Easement Agreement"), granting Tenant certain rights over the Utility Easement Area, as defined therein (the "Utility Easement Area"). The Parties shall comply with their respective obligations under the Utility Easement Agreement during the Term of this Lease. If this Lease is terminated, at City's written request Tenant shall provide a quit claim of the Utility Easement Agreement in a form reasonably satisfactory to City, which City may at its election cause to be recorded in the Official Records of the City and County of San Francisco.

2.4. Easement for Loading Dock Access; Quitclaim of Loading Dock Access Easement Agreement.

Contemporaneously with the execution and delivery of this Lease, the Parties executed and delivered a Loading Dock Access Agreement, as required by the LDDA (the "Loading Dock Access Easement Agreement"), granting Tenant certain rights over the Loading Dock Access Easement Area, as defined therein (the "Loading Dock Access Easement Area"). The Parties shall comply with their respective obligations under the Loading Dock Access Easement Agreement during the Term of this Lease. If this Lease is terminated, at City's written request Tenant shall provide a quit claim of the Loading Dock Access Easement Agreement in a form reasonably satisfactory to City, which City may at its election cause to be recorded in the Official Records of the City and County of San Francisco. *[NOTE: Delete this Section prior to Lease execution if the Parties determine during the LDDA term that no Loading Dock Access Easement is required.]*

2.5. License for IT Connections.

[Scope, location and terms and conditions applicable to license for IT connections to be determined during the LDDA term. NOTE: Replace this note with agreed upon provision prior to Lease execution.]

2.6. Rights Reserved to City.

Notwithstanding anything to the contrary in this Lease, City reserves and retains all of the following rights relating to the Property:

(a) Any and all water and water rights, including, but not limited to (i) any and all surface water and surface water rights, including, without limitation, riparian rights and appropriative water rights to surface streams and the underflow of streams, and (ii) any and all groundwater and subterranean water rights, including, without limitation, the right to export percolating groundwater for use by City or its water customers; provided that the foregoing shall, in each instance, expressly exclude any rights of surface entry;

(b) Any and all minerals and mineral rights of every kind and character now known to exist or hereafter discovered in the Property, including, but not limited to, oil and gas rights thereto, together with the sole, exclusive, and perpetual right to explore for, remove, and dispose of those minerals by any means or methods suitable to City or its successors and assigns, provided such means or methods do not interfere with the permitted use thereof by Tenant; provided that the foregoing shall, in each instance, expressly exclude any rights of surface entry;

(c) All rights to use, operate, maintain, repair, enlarge, modify, expand, replace and reconstruct the ZSFG campus in a manner that does not unreasonably interfere with Tenant's rights under this Lease;

(d) The right to repair, maintain, replace and operate the existing electrical line and switchgear vault and associated equipment presently located on the Property (the "Existing City Utility Facilities"); and

(e) All rights of access provided for in Article 36.

2.7. Delivery.

Following the delivery of possession of the Property to Tenant in accordance with the LDDA, the Parties shall execute and deliver a memorandum confirming the date on which the Commencement Date occurred, provided that failure of the Parties to execute such memorandum shall not delay or modify the Commencement Date or affect the rights or obligations of the Parties under this Lease nor constitute a default by a Party hereunder. No delay in delivery of possession of the Property to Tenant shall operate to amend the Term of this Lease or amend the Parties' obligations under this Lease.

2.8. Correction of Property Descriptions.

The Parties reserve the right, upon mutual agreement of the City's Director of Property and Tenant, to enter into one or more memoranda setting forth technical corrections to reflect any non-material changes in the legal description of the Property occurring during or after the development of the Project, and upon full execution thereof, such memoranda shall be deemed to become a part of this Lease.

2.9. Condition of Property.

(a) Inspection of Property. The Property is presently improved with asphalt, curbs, and other improvements consistent with a parking lot. Tenant represents and warrants that Tenant has conducted a thorough and diligent inspection and investigation, either independently or through Agents of Tenant's own choosing, of the Property and the suitability of the Property for Tenant's intended use.

(b) As Is; Disclaimer of Representations. Tenant acknowledges and agrees that the Property is being leased and accepted in its "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, and subject to all applicable Laws governing the use, occupancy, management, operation and possession of the Property. Without limiting the foregoing, this Lease is made subject to any and all covenants, conditions, restrictions, easements and other title matters affecting the Property or any portion thereof, whether or not of record. Tenant acknowledges and agrees that neither City nor any of its Agents have made, and City hereby disclaims, any representations or warranties, express or implied, concerning (i) title or survey matters affecting the Property, (ii) the physical, geological, seismological or environmental condition of the Property, including, without limitation, any water lines, sewer lines, or other facilities, structures, equipment or fixtures located on or under the Property, (iii) the quality, nature, availability or adequacy of any utilities serving the Property, (iv) the present or future suitability of the Property for Tenant's intended uses, (v) the feasibility, cost or legality of constructing any improvements on the Property, or (vi) any other matter whatsoever relating to the Property or its use, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

(c) Waiver and Release. As part of its agreement to accept the Property in its "As Is With All Faults" condition, Tenant, on behalf of itself and its successors and assigns, hereby waives any right to recover from, and forever releases, acquits and discharges, the Indemnified Parties of and from any and all Losses, whether direct or indirect, known or unknown, foreseen or unforeseen, that Tenant may now have or that may arise on account of or in any way connected with (i) the physical, geotechnical or environmental condition of the Property existing as of the Commencement Date, including, without limitation, any Hazardous Material in, on, or under the Property (including, but not limited to, soils and groundwater conditions), and (ii) any noncompliance of the Property with any applicable Laws existing as of the Commencement Date, including without limitation, Hazardous Material Laws; provided that the foregoing release shall not be applicable in the event of the intentional concealment of a material fact or matter with respect to the Property that was actually known by the City Administrator or the Director of Property at or before the Commencement Date and not disclosed to Tenant in writing.

In connection with the foregoing release, Tenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM OR HER MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR.

Tenant's Initials: _____

Tenant agrees that the release contemplated by this Section includes unknown claims. Accordingly, Tenant hereby waives the benefits of Civil Code Section 1542, or under any other statute or common law principle of similar effect, in connection with the releases contained in this Section. Notwithstanding anything to the contrary in this Lease, the foregoing release shall survive any termination of this Lease. Notwithstanding anything to the contrary contained herein, the foregoing release shall not apply with respect to any Losses arising from (A) the negligence or willful misconduct of City or any of the other City Indemnified Parties, (B) City's breach of its obligations under this Lease, the LDDA or any other documents or instruments executed by the City in connection with the Project and/or (C) third party claims arising from the condition or use of the Research Facility Site, the ZSFG Campus Improvements Site or the Utility Installation Site prior to the Effective Date (as defined in the LDDA).

3. TERM; COMMENCEMENT; EARLY ACCESS

3.1. Term.

Subject to this Lease becoming effective pursuant to Section 42.22, the Property is leased for the term specified in this Article 3, subject to the terms and conditions set forth herein and elsewhere in this Lease, and unless sooner terminated pursuant to the provisions of this Lease. The Term of this Lease shall commence on the date Landlord delivers possession of the Property to Tenant in accordance with the LDDA (the "Commencement Date") and expire on Expiration Date set forth in the Basic Lease Information, unless extended or earlier terminated in accordance with the terms of this Lease. The period from the Commencement Date until the Expiration Date is referred to as the "Term."

3.2. Extension Option.

(a) Option to Extend Term. Subject to Tenant's compliance with Section 3.2(b), Tenant shall have the right (the "Extension Option") to extend the Term of this Lease for one (1) additional period of twenty-four (24) years (the "Extended Term"), under and subject to all of the terms and conditions of this Lease. If Tenant properly and timely extends the Term of this Lease as set forth in this Section 3.2, the word "Term" as used in this Lease will be deemed to mean the Term as extended by the Extended Term.

(b) Conditions; Option Exercise. Tenant shall have the right to exercise the option to extend the Term if and only if, at the time of such exercise and at all times between such exercise and the commencement of the Extended Term, (A) the Affiliation Agreement, as such may be amended, or a similar agreement replacing the Affiliation Agreement providing for similar services and intended to replace the Affiliation Agreement, as such may be amended, is in place, and (B) UCSF continues to provide physicians, trainees, and infrastructure needed by ZSFG to meet medical staff regulatory requirements and to maintain its status as a Level I Trauma Center or the applicable replacement rating at the time (the "Option Exercise Conditions").

(c) Option Exercise. In order for Tenant to exercise the Extension Option, (A) Tenant shall give written notice to City of its intention to exercise its option to extend the Term of the Lease pursuant to this Section during the period commencing on the sixty-fourth (64th) anniversary of the Commencement Date and ending on the date immediately preceding the seventieth (70th) anniversary of the Commencement Date (the "Exercise Window"). Any such notice by Tenant shall be irrevocable by Tenant. If any Event of Default by Tenant is outstanding hereunder at the time of Tenant's exercise of the Extension Option or thereafter and such Event of Default continues past any applicable cure period as set forth in this Lease, then City may elect by notice to Tenant to reject Tenant's exercise of the Extension Option, whereupon the purported exercise of the Extension Option shall be null and void, but without prejudice to any later exercise prior to the end of the Exercise Window.

(d) Base Rent and Other Terms During Extended Term. If Tenant elects to exercise the Extension Option, then for the Extension Term the Lease shall cover the entire Property and shall be upon all of the terms, covenants and conditions of this Lease, provided that that Base Rent hereunder shall be adjusted to the Prevailing Market Rate in accordance with Section 5.2(d), except as otherwise provided in this Section 3.2(d), and Tenant shall have no further right to extend the Term of the Lease following the expiration of the Extended Term. For purposes of determining the Prevailing Market Rate for the Extended Term, the Property shall be valued under a reasonably achievable development scenario consistent with the Land Use Regulations in effect on the date of value, and there shall be no assumption that such Land Use Regulations will be amended or modified after the date of value, other than as permitted under then-existing procedures for exceptions, variances or conditional use authorizations. "Land Use Regulations" means all federal, state and local Laws, regulations, rulings, ordinances, codes, resolutions, plans and guidelines governing the uses of land and the improvements thereon that may be applicable to the Property, including, without limitation, those relating to urban design, density, height and bulk of structures, compatibility with surrounding land uses, requirements to mitigate or avoid environmental impacts, mitigation fees, and Investigation or Remediation of Hazardous Material, as all of the same would reasonably and probably be applied to any particular development proposal at the location of the Property. Prevailing Market Rate shall be determined in accordance with the provisions of Section 5.2(d). No Administrative Cost Offset Rent Credit or other rental offset shall apply during the Extended Term unless specifically authorized by the Commission and Board of Supervisors.

3.3. Right of Negotiation Regarding Possible Term Extension.

If, prior to the seventieth (70th) anniversary of the Commencement Date UCSF has an opportunity to receive research grants or similar funds that require UCSF to control research space in the Premises beyond the initial Expiration Date of this Lease, and Tenant would like to negotiate with City regarding an extension of the Term to satisfy the conditions of such grant or other agreement, Tenant shall notify City of such desire in writing, which notice shall specify the date through which Tenant desires to extend the Term (which date shall not be later than the date immediately preceding the date that is ninety-nine years following the Commencement Date of this Lease) and shall reference this Section 3.3, and Tenant and City staff shall thereafter negotiate in good faith regarding such proposed Lease extension and amendment, provided City staff shall not in any event be required to consider a rental rate for such proposed extension period that is less than the then Prevailing Market Rate. Such negotiations shall continue for so long as the Parties agree to continue negotiating, but not less than sixty (60) days. If Tenant and City staff reach agreement with respect to such extension of the Term, Tenant and City staff shall promptly prepare an amendment to this Lease memorializing such agreement and Tenant shall seek the approval of the full Board of Regents, if required, and City staff shall use diligent efforts to promptly introduce such matter at the Health Commission and, following Health Commission action on such matter, to promptly introduce such matter at City's Board of Supervisors, subject in each instance to notice requirements and reasonable staff preparation time. If the Tenant and City staff have not reached agreement and prepared the proposed form of amendment memorializing the extension and any additional changes to this Lease within the sixty (60) day period, or if the amendment is not approved as required within one hundred twenty (120) days after the proposed amendment is submitted to the Health Commission for action, either Party may thereupon give the other Party written notice that such Party is not willing to continue further negotiations, and in such event the Parties shall have no further obligations under this Section 3.3. Approval or disapproval of any proposed amendment under this Section 3.3 shall be at the sole discretion of, respectively, the Board of Regents, Health Commission and City's Board of Supervisors and no such proposed amendment shall be effective unless such approval is received. Without limiting the foregoing, no Administrative Cost Offset Rent Credit or other rental offset shall apply during the extended term unless specifically authorized by the Commission and Board of Supervisors.

3.4. Discussions Regarding Possible Future Use of the Property.

In order to allow City and Tenant to plan for the orderly continuation, transition or termination, as applicable, of research or other operations under this Lease, approximately five (5) years before the Expiration Date, provided that this Lease has not been earlier terminated, City's Director of Property, or his or her designee, and Tenant shall meet to discuss whether the Parties are interested in entering into a new lease for the Property or some portion of the Research Facility Building. The Parties acknowledge that any future agreement to enter into a new lease would be subject to the prior approval of the then-Board of Regents, Health Commission and City Board of Supervisors, in their respective sole discretion.

3.5. Access and Entry by Tenant Prior to Commencement Date.

After the Effective Date but before the Commencement Date, Tenant shall have the right of access to and entry upon and around the Property on the terms and conditions set forth in the LDDA and the LDDA Permit to Enter.

3.6. Confirmation of Commencement Date.

Promptly following the Commencement Date City and Tenant shall confirm the actual Commencement Date in writing, by means of a letter substantially in the form of Exhibit K.

4. USES

4.1. Permitted Use.

Tenant shall use the Property for the construction and management of the Research Facility, which will be used for teaching, research and public service, consistent with The Regents' constitutionally mandated mission, and in support of ZSFG's mission to provide quality healthcare and trauma care with compassion and respect (the "Permitted Use"). The continuing priority of the Research Facility will be the recruitment and retention of ZSFG clinicians. The types of research to be conducted in the Research Facility may include, *inter alia*, wet laboratories, clinical studies, and desktop activities such as public health research, epidemiology, population science, and disease prevention.

4.2. Development and Ongoing Operations.

Tenant acknowledges that a material consideration for this Lease is Tenant's agreement to develop the Project in the manner described in the LDDA and Article 6, and to use the Property as provided in this Article 4.

4.3. Handling of Infectious or Hazardous Material.

Tenant will be responsible for the safe management and handling of all infectious or hazardous materials entering or leaving the Premises, except to the extent handled by City, its Agents or Invitees. Tenant will operate and maintain the Premises at its own expense in accordance with applicable Laws and regulations regarding management and handling of medical or bio- hazardous waste and storage of hazardous materials. Tenant will be responsible for compliance with all Laws regarding the storage, transportation, and disposal of medical or bio-hazardous waste from the Premises except to the extent handled by City, its Agents or Invitees.

4.4. Disposal of Deleterious Waste.

Tenant will install and at all times maintain adequate protection devices and containers for the purpose of preventing entrance of objectionable quantities of deleterious substances or wastes from the Premises into City's sewage system, storm water drainage system, groundwater, air, or conduits. Tenant will provide and at all times maintain at its own expense adequate separators, filters, tanks, or other mechanical or chemical devices necessary at the Premises to prevent the discharge of toxic, contaminating, or deleterious substances from the Premises into

City's sewage system, storm water drainage system, groundwater, air or conduits if such substances could cause hazards or obstructions in the sewer system or treatment works or cause unlawful contamination of the San Francisco Bay. Tenant and City will cooperate with and assist one another in their effort to comply with all laws, rules, regulations and requirements of the federal government, the State of California, and particularly the San Francisco Bay Regional Water Quality Control Board applicable to the Premises and to each respective Party, and in this connection Tenant shall render such reports concerning the accumulation and disposition of its chemical wastes, hazardous materials, or other substances as may be reasonably requested by City.

4.5. Decontamination Responsibility.

Tenant shall be responsible for any decontamination required as a result of materials delivered to or from the Premises, other than by City, its Agents or its Invitees, and shall immediately decontaminate the Premises and any other ZSFG areas or persons contaminated as a result of the operations of the Premises by Tenant, its Agents or Invitees, regardless of whether the Tenant intends to vacate the Premises. Before vacating the Premises for any reason, Tenant shall provide City with Tenant's written statement required by Section 30298 of Title 17, California Code of Regulations.

4.6. No Unlawful Uses, Nuisances or Waste.

Without limiting the foregoing, Tenant shall not use, occupy or permit the use or occupancy of any of the Premises in any unlawful manner or for any illegal purpose. Tenant shall take all commercially reasonable precautions to eliminate any nuisances or hazards created by the operation or activities within the Premises.

4.7. Compliance with Hospital Campus Policies and Procedures.

Tenant shall cause Tenant's personnel and any other parties using the ZSFG hospital campus in connection with access to or egress from the Premises to comply with ZSFG hospital campus policies generally applied to the extent applicable to such use, including but not limited to such matters as parking restrictions.

4.8. Limitations on Uses by Tenant.

(a) **Prohibited Activities.** Tenant shall not conduct or permit on the Premises any of the following activities:

- i. any activity that creates a public or private nuisance;
- ii. any activity that is not within the Permitted Use;
- iii. any activity that is reasonably determined by City to constitute waste, disfigurement or damage to the Premises;
- iv. any activity that is reasonably determined by City to constitute a material nuisance to owners or occupants of adjacent properties, including the balance of the ZSFG campus. Such activities include, without limitation, the preparation, manufacture or mixing of anything that emits any materially objectionable or unlawful odors, noises or lights onto adjacent properties, or the unreasonable or unlawful use of loudspeakers or sound apparatus that can be heard outside the Premises or the unlawful or unreasonable use of any light apparatus that can be seen outside of the Premises;
- v. any activity that will materially injure, obstruct or interfere with the rights of owners or occupants of adjacent properties, including the balance of the ZSFG campus, including rights of ingress and egress, to their properties, except to the extent necessary on a temporary basis to alter, modify, repair, maintain, restore or construct Improvements in accordance with all Laws;

- vi. any use that damages or unreasonably interferes with the Existing City Utility Facilities; and
- vii. use of the Premises for sleeping or personal living quarters.

(b) Restrictions on Signage. Tenant shall not allow the placement, construction or maintenance of any sign, advertisement, awning, canopy, banner or other exterior decoration on the exterior of the Research Facility Building without obtaining the prior written consent of the Director of Health or his or her designee. Any sign that Tenant is permitted to place, construct or maintain on the Premises shall comply with all Laws applicable to Tenant relating thereto. Tenant, at its sole cost and expense, shall remove all signs placed by it on the exterior of the Premises at the expiration or earlier termination of this Lease.

(c) Land Use Restrictions: Special Restrictions Regarding Former Street Property. Tenant shall not enter into agreements granting licenses, easements or access rights over the Premises if the same would be binding on City's reversionary interest in the Premises, or obtain changes in applicable land use Laws or conditional use permits for any uses not provided for hereunder, in each instance without City's prior written consent, which consent may be withheld in City's sole discretion.

4.9. Premises Must Be Used.

Tenant shall use the Premises continuously during the Term for the Permitted Uses and shall not allow the Premises to become abandoned, subject to Force Majeure and to Article 15 [Damage or Destruction] and Article 16 [Condemnation], and further subject to vacancies that are reasonably necessary to plan for and perform renovations or repairs to the Research Facility Building and customary vacancies of space that may arise from time to time in connection with changes in research projects or programming.

4.10. Report on Research Activities.

At the conclusion of each fiscal year, Tenant shall cause the UCSF Vice Dean at ZSFG to provide a written report to the San Francisco Health Commission on research activities conducted on the Premises during such period and how such research supported the patient care and teaching activities at ZSFG, continuation of ZSFG's status as a Level 1 trauma center, and advances in healthcare that will improve the lives of San Franciscans. Together with such report, Tenant shall confirm that Tenant, together with any Subtenants under Conforming Subleases (as defined in Article 7), if applicable, occupies at least three-quarters (3/4) of the space in the Research Facility Building for faculty research purposes, or if less space is used for such purposes shall provide the information required to calculate the reduction to the Administrative Cost Offset Rent Credit as provided in Section 7.14.

5. RENT

5.1. Tenant's Covenant to Pay Rent; Base Rent.

(a) Generally; Payment. Throughout the Term beginning on the Commencement Date, Tenant shall pay to City the annual Base Rent specified in the Basic Lease Information, provided that such sum shall be subject to adjustment pursuant to Section 5.2 (the "Base Rent"). The Base Rent shall be paid to City monthly in advance, without prior demand and without any deduction, setoff or counterclaim whatsoever, in equal consecutive monthly payments commencing on the Commencement Date and on or before the first day of each month thereafter. All sums payable by Tenant to City hereunder shall be paid in cash or by good (cashier's or certified) check to the City and County of San Francisco in care of the Director of Property at the address specified in the Basic Lease Information, or such other place as City may designate in writing. City reserves the right to direct Tenant, upon thirty (30) days written notice, to deposit all payments required under this Lease from Tenant's account into the City designated revenue account by bank or wire transfer. 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 Base Rent for such fractional month shall be prorated based on a thirty (30) day month.

(b) Administrative Cost Offset Rent Credit Required by Affiliation Agreement. City and the Regents are parties to Affiliation Agreement, dated August 1, 1994, describing certain of the responsibilities of the Parties at the ZSFG campus. As contemplated by the Affiliation Agreement, as of the date of this Lease, Tenant occupies approximately 85,000 square feet of space on the ZSFG campus for faculty research purposes, for which City charges no rent (the "Exchange Space"), to offset certain administrative costs incurred by The Regents at ZSFG. Upon completion of the Research Facility, all of Tenant's operations presently conducted in the Exchange Space will be moved from existing buildings into the Research Facility, as provided in Article 38, Tenant will surrender such space to City, and City will no longer provide rent-free research space to Tenant. The Base Rent set forth in the Basic Lease Information takes into consideration a credit (the "Administrative Cost Offset Rent Credit") equal to the annual fair rental value of such Exchange Space as of the date of this Lease, which is deemed by the Parties to be \$765,000 per annum in the Base Year.

(c) Elimination or Reduction in Administrative Cost Offset Rent Credit. If the Affiliation Agreement is terminated or is amended in a manner that eliminates or reduces City's obligation to provide 85,000 square feet of space on the ZSFG campus for no cost (or otherwise eliminates reduces the Administrative Cost Offset Rent Credit to be provided under this Lease), the requirement to provide the Administrative Cost Offset Rent Credit shall be eliminated or correspondingly reduced, as applicable, and the Base Rent (and any limits or caps on increases to the Base Rent) shall be adjusted accordingly. The Administrative Cost Offset Rent Credit shall also be reduced under the circumstances described in Section 7.14. No Administrative Cost Offset Rent Credit shall apply during the Extended Term or any other extension of the Term unless specifically authorized by the Commission and Board of Supervisors.

5.2. Adjustments in Base Rent.

(a) Regular Annual Adjustments. On each anniversary of the Commencement Date during the initial Term of this Lease, other than a Special Adjustment Date (each, an "Adjustment Date"), the Base Rent payable under this Lease shall be adjusted to an amount equal to 101.75% of the Base Rent payable immediately prior to such Adjustment Date.

(b) Prevailing Market Rate Resets on Each Special Adjustment Date; Cap on Increases. On each Special Adjustment Date described in the Basic Lease Information, the Base Rent payable under this Lease shall be adjusted to an amount equal to (A) the Prevailing Market Rate for the Premises determined in the manner described in Section 5.2(d), less (B) the Adjusted Administrative Cost Offset Rent Credit (other than for the Extended Term, for which no Administrative Cost Offset Rent Credit or other offset shall apply unless specifically authorized by the Commission and Board of Supervisors), calculated in the manner described in Section 5.2(c), provided that in no event shall the Base Rent as so adjusted be less than the Base Rent payable immediately prior to such adjustment, and in no event shall the Adjusted Administrative Cost Offset Rent Credit reduce the Base Rent below zero. Further, notwithstanding the foregoing, in no event shall the Base Rent established on any Special Adjustment Date be greater than the respective amounts set forth below:

Special Adjustment Date	Applicable Cap on Adjusted Base Rent
First Special Adjustment Date (20th anniversary of the Commencement Date)	200% of initial Base Rent
Second Special Adjustment Date (45th anniversary of the Commencement Date)	225% of Base Rent established on the First Special Adjustment Date
Third Special Adjustment Date (60th anniversary of the Commencement Date)	175% of Base Rent established on the Second Special Adjustment Date

(c) Determination of Adjusted Administrative Cost Offset Rent Credit. The “Adjusted Administrative Cost Offset Rent Credit” shall be the amount equal to (A) the Base Year Administrative Cost Offset Rent Credit Amount set forth in the Basic Lease Information, multiplied by (B) a fraction, the numerator of which is the Prevailing Market Rate for the Premises as of the applicable Special Adjustment Date, determined in the manner described in Section 5.2(d), and the denominator of which is the Base Year Deemed Annual Rental Value set forth in the Basic Lease Information.

(d) Determination of Prevailing Market Rate.

(i) City Determination of Prevailing Market Rate. No later than one hundred fifty (150) days prior to each Special Adjustment Date (or, if applicable, the commencement of the Extended Term), City shall notify Tenant in writing of City's determination made in good faith of the Prevailing Market Rate for the Premises to be used to calculate the adjustment in Base Rent and its justification for its determination. As used herein, the term "Prevailing Market Rate" for the Premises shall be calculated by (i) determining the value of the fee interest in the Property in accordance with the provisions of this Section (the "Fair Market Value") at the time of written determination by City described in this Section ("date of value"), without regard to the value of the Improvements or the Tenant's leasehold estate, and (ii) applying an appropriate rate of return to the Fair Market Value, taking into account in determining such rate of return the effect, if any, of the remaining Term of this Lease and the provisions of this Lease regarding subsequent adjustment of Base Rent as set forth in this Lease. During the Term (excluding the Extended Term), the Property shall be valued for its Permitted Uses under this Lease. For the Extended Term the Fair Market Value shall have the definition given in Section 3.2(d).

(ii) Tenant Response to City Determination. Within fifteen (15) days after receipt of City's determination of the Prevailing Market Rate, Tenant shall notify City in writing either of (i) Tenant's acceptance of such determination, in which case such determination shall constitute the new Base Rent as of the upcoming Special Adjustment Date or commencement of the Extended Term, as applicable, or (ii) Tenant's own good faith determination of the Prevailing Market Rate, including written justification for its determination.

(iii) Attempts to Resolve Disagreement Regarding Prevailing Market Rate. If Tenant provides City with its determination of the Prevailing Market Rate pursuant to Section 5.2(d)(ii), then within thirty (30) days following Tenant's notice to City, the parties shall attempt in good faith to meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve in good faith any such disagreement as to the Prevailing Market Rate. The parties may, by an instrument in writing, mutually agree to extend such thirty (30)-day consultation period for a reasonable period to resolve their disagreement if the parties are negotiating in good faith and would be unable to resolve their differences within such thirty (30)-day period.

(iv) Resolution by Appraisal. If within such consultation period City and Tenant cannot reach agreement as to the Prevailing Market Rate, then promptly after the end of such consultation period City and Tenant shall follow the procedures outlined in Section 39.7(d).

(v) Delay in Final Determination. If, either by agreement of the parties or by the arbitration procedure provided herein, the Prevailing Market Rate is not finally determined by the Special Adjustment Date, then Tenant shall pay the Prevailing Market Rate determined by City until such time as the Prevailing Market Rate is finally determined by agreement of the parties or by the appraisal procedure set forth in this Section, at which time City shall refund any excess amount to Tenant or Tenant shall pay any shortage to City, as the case may be. No such delay in the determination of Prevailing Market Rate shall be deemed to constitute a waiver by either party of the adjustment of Prevailing Market Rate as provided in this Section.

5.3. No Abatement or Setoff.

Tenant shall pay all Rent at the times and in the manner provided in this Lease without any abatement, setoff, deduction, or counterclaim.

5.4. Late Payments.

Tenant acknowledges and agrees that, in addition to and without limiting any of City's rights or remedies hereunder, if an installment of Base Rent or a payment of Additional Rent is not paid within thirty (30) days following the written notice from City such payment is due, then such unpaid amount shall bear interest from the date due until paid at the Default Rate, as defined in Article 1.

5.5. Additional Rent.

Except as otherwise provided in this Lease, all costs, fees, interest, charges, expenses, reimbursements and obligations of every kind and nature relating to the Premises that may arise or become due during or in connection with the Term of this Lease, whether foreseen or unforeseen, which are payable by Tenant to City pursuant to this Lease, shall be deemed Additional Rent. City shall have the same rights, powers and remedies, whether provided by Law or in this Lease, in the case of non-payment of Additional Rent as in the case of non-payment of Base Rent. Rent shall be due and payable at the times otherwise provided in this Lease, provided that if no date for payment is otherwise specified, or if payment is stated to be due "upon demand", "promptly following notice", "upon receipt of invoice", or the like, then such Additional Rent shall be due fifteen (15) business days following the giving by City of such demand, notice, invoice or the like to Tenant specifying that such sum is presently due and payable.

5.6. Net Lease.

It is the purpose of this Lease and intent of City and Tenant that all Rent shall be absolutely net to City, so that this Lease shall yield to City the full amount of the Rent at all times during the Term, without deduction, abatement or offset and at no cost to City, except as otherwise expressly set forth herein. Under no circumstances, whether now existing or hereafter arising, and whether or not beyond the present contemplation of the Parties, except as may be specifically set forth herein, shall City be expected or required to incur any expense or make any payment of any kind with respect to this Lease or Tenant's use or occupancy of the Premises, including any Improvements. Without limiting the foregoing, Tenant shall be solely responsible for paying each item of cost or expense of every kind and nature whatsoever, the payment of which City would otherwise be or become liable by reason of City's estate or interests in the Premises and any Improvements, any rights or interests of City in or under this Lease, or the ownership, leasing, operation, management, maintenance, repair, rebuilding, remodeling, renovation, use or occupancy of the Premises, any Improvements, or any portion thereof. Except

as otherwise expressly set forth herein, no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant from its liability to pay all of the sums required by any of the provisions of this Lease, or shall otherwise relieve Tenant from any of its obligations under this Lease, or shall give Tenant any right to terminate this Lease in whole or in part. Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease or to receive any abatement, diminution, reduction or suspension of payment of such sums, on account of any such occurrence or situation, provided that such waiver shall not affect or impair any right or remedy expressly provided Tenant under this Lease.

6. DEVELOPMENT OF PROJECT; OWNERSHIP OF IMPROVEMENTS

6.1. Scope of Project Development

(a) Construction. Tenant shall construct the Project in accordance with, and subject to all the terms, covenants, conditions and restrictions in, the LDDA.

(b) Warranty for Defects. City's acceptance of the ZSFG Campus Improvements pursuant to the LDDA shall not constitute a waiver of defects by the City. Tenant covenants that all materials and equipment furnished by Tenant for the ZSFG Campus Improvements shall be (i) new, (ii) of good and workmanlike quality, and (iii) in accordance with the Final Construction Documents (as defined in the LDDA) related to the ZSFG Campus Improvements at the time of completion, and warrants that all ZSFG Campus Improvements shall be free from defects in material or workmanship and shall perform satisfactorily for a period of one (1) year following City's acceptance of the ZSFG Campus Improvements, provided the warranty period for plant materials including trees shall be three (3) years (as applicable, the "Warranty Period"). Tenant's liability in connection with the warranty pertaining to the ZSFG Campus Improvements under this Section 6.1(b) shall not extend to ordinary wear and tear or harm or damage from improper maintenance, operation or use of the ZSFG Campus Improvements. During the Warranty Period, Tenant shall, as necessary, and upon receipt of a request in writing from City, cause any work that does not conform to the requirements set forth in the first sentence of this Section 6.1(b) to be corrected or repaired or cause any defects in the ZSFG Campus Improvements to be replaced, at its own expense. During the Warranty Period, should Tenant fail to act with reasonable promptness to make such correction, repair or replacement of the ZSFG Campus Improvements, or should an emergency require that correction, repair or replacement of such ZSFG Campus Improvements be made before Tenant can be notified (or prior to Tenant's ability to respond after notice) in order to circumvent an immediate and imminent threat to the health or safety of any person or substantial damage to property, City, at its option and provided that notice thereof is provided to Tenant, may make the necessary correction, repair, or replacement or otherwise perform the necessary work to such ZSFG Campus Improvements, and Tenant shall reimburse the City for the actual cost thereof.

6.2. Ownership of Improvements.

Title to the Improvements, including the Research Facility Building, and Subsequent Improvements constructed on the Property by Tenant and all appurtenant fixtures, machinery and equipment installed therein shall be owned by Tenant until expiration of the term or earlier termination of this Lease. All Improvements, including the Research Facility Building and Subsequent Improvements, on the Property at the expiration of the term or earlier termination of this Lease, including appurtenant fixtures (but, except as otherwise set forth in this Lease, excluding trade fixtures and, other Personal Property of Tenant and its Subtenants other than City), shall, without compensation to Tenant, then automatically and without any act of Tenant or any third party become City's property. Tenant shall surrender the Improvements to City at the expiration of the term or earlier termination of this Lease, free and clear of all liens and encumbrances, other than those, if any, permitted under this Lease or otherwise created or consented to by City. Tenant agrees to execute, acknowledge, and deliver to City any instrument

requested by Landlord as necessary in Landlord's opinion to perfect Landlord's right, title, and interest to the Improvements and the Premises.

6.3. Mitigation Measures; Improvement Measures.

(a) **Mitigation Measures.** In order to mitigate the significant environmental impacts of this Lease and operation of the Premises, Tenant adopted the Mitigation Measures attached to this Lease as Exhibit D-1 (the "Mitigation Measures"), and City relied on such Mitigation Measures in approving this Lease. Tenant agrees that the operation of the Premises shall be in accordance with the Mitigation Measures. As appropriate, Tenant shall incorporate such Mitigation Measures into any contract for the operation of the Improvements.

(b) **Improvement Measures.** In addition to the Mitigation Measures, Tenant shall comply with all of the Conditions to General Plan Referral contained in Exhibit D-2 ("Improvement Measures"). The Parties understand and agree that such Improvement Measures are not part of the Mitigation Measures and shall not be deemed to be measures to mitigate any significant environmental impacts associated with the Project. *[Delete this subsection from final lease if it is not applicable.]*

7. ASSIGNMENT AND SUBLETTING

7.1. Restriction on Assignment and Subletting.

This Lease is personal to Tenant as an affiliate in the operation of ZSFG, and City would not be willing to enter into this Lease on the terms and conditions set forth herein with any other party. Tenant shall not directly or indirectly, voluntarily or by operation of law, sell, assign, encumber, pledge or otherwise transfer any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder (collectively, an "Assignment"), or permit or license any portion of the Premises to be used or occupied by anyone other than itself, or sublet any portion of the Premises (including any use agreement or affiliation agreement that includes the right to use part or all of the Premises) (collectively, "Sublease"), without City's prior written consent in each instance, as provided in this Article 7. City shall not unreasonably withhold, condition or delay consent to a proposed Sublease, subject to City's rights under this Article 7. Tenant shall have limited rights to make an Assignment of its interest in this Lease in accordance with applicable provisions of Article 39 (Impact of Termination of Affiliation Agreement) below, subject to the provisions of this Article 7.

7.2. Conforming and Non-Conforming Subleases.

A Sublease that is necessary or desirable for Tenant to fulfill its obligations to City under the Affiliation Agreement, including without limitation, for recruitment and retention of ZSFG clinicians, is referred to herein as a "Conforming Sublease," and any other Sublease is referred to herein as a "Non-Conforming Sublease." Tenant shall not enter into any Non-Conforming Sublease unless Tenant determines in good faith that the subject space is not then necessary or desirable for Tenant to fulfill its obligations to City under the Affiliation Agreement, including without limitation, for recruitment and retention of ZSFG clinicians, and is unlikely to be necessary or desirable for such purpose during the term of the proposed Sublease (i.e., such space is "surplus").

7.3. Notice of Proposed Sublease.

(a) **Generally; Notice of Proposed Sublease.** If Tenant desires to enter into a Sublease, Tenant shall give written notice (a "Notice of Proposed Sublease") to City of its intention to do so, and shall describe the relevant facts.

Without limiting the foregoing, the Notice of Proposed Sublease shall:

- (i) identify the proposed Subtenant;
- (ii) state the terms and conditions of the proposed Sublease;
- (iii) state the proposed use of the Premises by the proposed Subtenant;
- (iv) state whether the proposed Sublease is a Conforming Sublease or a Non-Conforming Sublease;
- (v) explain why the space that is subject to a proposed Non-Conforming Sublease is surplus, if applicable; and
- (vi) include a copy of the proposed Sublease agreement.

(b) **Request for Additional Information; Cooperation in Resolving Disputes.** No later than fifteen (15) days after City's receipt of the Notice of Proposed Sublease, City shall notify Tenant in writing if City requires additional information, or if City disputes Tenant's determination that a proposed Sublease is a Conforming Sublease. Tenant shall promptly provide any requested additional documents or information reasonably related to the proposed transaction or Subtenant, and Tenant and City shall use good faith efforts to promptly resolve any dispute about whether a proposed Sublease is a Conforming Sublease or a Non-Conforming Sublease.

7.4. Conditions to Sublease.

Tenant may enter into any Sublease for a Permitted Use, subject to City's rights under Section 7.5 and Section 7.6 with respect to a Non-Conforming Sublease, and subject to the other terms and conditions of this Article 7, with the approval by the Director of Property of the proposed Sublease agreement, which approval shall not be unreasonably withheld, conditioned or delayed, subject to City's rights under Section 7.5(c) with respect to a Non-Conforming Sublease. Among other reasonable grounds for withholding approval to a Non-Conforming Sublease, approval may be withheld if the Director of Health, in his or her reasonable discretion, determines that the proposed Sublease is not consistent with the mission or best interests of ZSFG. If the proposed Sublease is a Non-Conforming Sublease, then Tenant shall not enter into such Non-Conforming Sublease until City and Tenant reach an agreement on the amount of the reduction in the Administrative Cost Offset Rent Credit, if any, required under the provisions of Section 7.14 in connection with such proposed Sublease.

7.5. City's Response to Notice of Proposed Sublease and Proposed Sublease Agreement.

(a) **Notice of Disapproval.** If City disapproves of the proposed Sublease (taking into account City's obligation not to unreasonably withhold its consent), City shall provide Tenant with written notice that City is withholding consent of such Sublease not later than thirty (30) days after City's receipt of the Notice of Proposed Sublease or, if applicable, receipt of the additional information requested by City under Section 7.3(b). City and Tenant shall use reasonable good faith efforts to promptly resolve any disagreement regarding such matters.

(b) **Notice of Non-Conforming Terms.** If City reasonably determines that a proposed Sublease agreement does not meet the requirements of this Article 7, including without limitation Section 7.6, City shall provide Tenant with written notice of such determination not later than thirty (30) days after City's receipt of the Notice of Proposed Sublease or, if applicable, receipt of the additional information requested by City under Section 7.3(b). City and Tenant shall use reasonable good faith efforts to promptly resolve any disagreement regarding such matters.

(c) **City's Option to Sublease in Case of Proposed Non-Conforming Sublease.** In the case of a proposed Non-Conforming Sublease, City shall provide Tenant with written notice of City's election to sublet from Tenant the portion of the Premises proposed by Tenant to be sublet, for the term for which such portion is proposed to be sublet, at the proposed sublease rent, not later than thirty (30) days after City's receipt of the Notice of Proposed Sublease or, if

applicable, receipt of the additional information requested by City. If City fails to notify Tenant in writing of such election within such period, City shall be deemed to have waived the option to sublet the space from Tenant.

7.6. Required Sublease Terms; Special City Requirements; Non-Conforming Use by Subtenant Allowed Under Lease Following City Approval.

In addition to any other requirement set forth in this Article 7, the following conditions must be satisfied with respect to any Sublease: (A) the permitted uses are consistent with this Lease, (B) the Subtenant and the Sublease are expressly subject to all the terms and provisions of this Lease, (C) the term of the Sublease, including any extension options, does not extend beyond the term of this Lease, (D) there exists no Event of Default or Unmatured Event of Default under the Lease, (E) to the extent Subtenant indemnifies Tenant, Subtenant shall also indemnify City, (F) Tenant remains liable under this Lease, (G) the Subtenant provides liability insurance as reasonably required by Tenant, and names City as an additional insured under policies where Tenant is an additional insured, and (H) the Sublease includes the provisions set forth in Exhibit E. In the event of a Non-Conforming Sublease, City may require that the Sublease include reasonable conditions on the non-conforming use of the subleased premises, and such non-conforming use by the Subtenant shall be an allowed use under this Lease for the term of the Non-Conforming Sublease.

7.7. Leasehold Profit; Share of Excess Rent Payable to City.

Upon a Sublease, Tenant shall pay to City as Additional Rent hereunder, fifty percent (50%) of the excess of the amount of rent paid for the sublet space by the Subtenant over (i) the amount of monthly Base Rent attributable to the sublet space for the corresponding month, and (ii) Tenant's costs and expenses of providing utilities and services to the Research Facility Building attributable to the sublet space for the corresponding month, (iii) Tenant's costs of constructing the Research Facility Building and the ZSFG Campus Improvements, that is proportionate to the portion of the Premises subject to such Sublease and attributable to the corresponding month, and (iv) Tenant's actual out of pocket costs incurred in effecting the Sublease, such as any reimbursement paid by Tenant to City in connection with City's review and approval of the Sublease, marketing costs, brokerage commissions paid by Tenant in connection with the Sublease (not to exceed commissions typically paid in the market at the time of such subletting), reasonable legal fees paid by Tenant in connection with such subletting, and any improvement allowance or construction costs incurred by Tenant in connection with the Sublease attributable to the corresponding month on an amortized basis over the term of the Sublease.

7.8. [Intentionally Omitted.]

7.9. Effect of Sublease or Assignment.

No Sublease or Assignment by Tenant nor any consent by City thereto shall relieve Tenant, or any guarantor, of any obligation to be performed by Tenant under this Lease. Any Sublease or Assignment not in compliance with this Article shall be void and, at City's option, shall constitute a material default by Tenant under this Lease. The acceptance of any Base Rent or other payments by City from a proposed Transferee shall not constitute consent to such Sublease or Assignment by City or a recognition of any Transferee, or a waiver by City of any failure of Tenant or other transferor to comply with this Section. If there is an Assignment or Sublease, whether in violation of or in compliance with this Section, in the event of default by any Transferee, or any successor of Tenant, or any Subtenant, in the performance or observance of any of the terms of this Lease or any Sublease or Assignment agreement, City may proceed directly against Tenant without the necessity of exhausting remedies against such Transferee, Subtenant or successor.

7.10. Assumption by Transferee.

As used in this Lease, “Transfer” means to sell, convey, assign, transfer, encumber, alienate or otherwise dispose (directly or indirectly, by one or more transactions, and by operation of law or otherwise) of all or any interest or rights in the Property, the Improvements, and/or this Lease, including but not limited to any right or obligation to develop the Property or operate the Improvements on the Property (other than pursuant to a Sublease made in the ordinary course), or otherwise do any of the above or make any contract or agreement to do any of the same, and a “Transferee” means the other party to a Transfer agreement. Each Transferee (other than City), shall assume all obligations of Tenant under this Lease with respect to the space or interest being assigned and shall be liable with Tenant for the payment of the Base Rent and Additional Charges, and for the performance of all the terms, covenants and conditions to be performed on Tenant’s part hereunder, in *pro rata* proportion to the percentage interest being assigned or transferred by an assignee Transferee. No Assignment shall be binding on City unless Tenant or Transferee has delivered to City a counterpart of the Assignment and an instrument in recordable form that contains a covenant of assumption by such Transferee satisfactory in form and substance to City. However, the failure or refusal of such Transferee to execute such instrument of assumption shall not release such Transferee from its liability as set forth above. A Transferee does not include a Subtenant.

7.11. No Relocation Benefits for Transferees.

Without limiting Section 7.10 (Assumption by Transferee), to the extent permissible by applicable Law Tenant shall cause any Transferee to expressly acknowledge the inapplicability of relocation assistance and benefits and agree that such Transferee will not be entitled to any such benefits in connection with this Lease. If such party is entitled to relocation benefits under applicable law, Tenant shall pay such relocation assistance.

7.12. Reimbursement of City Costs.

Tenant shall reimburse City on demand for any actual costs that may be reasonably incurred by City in connection with any proposed Sublease or Assignment, including, without limitation, the reasonable costs of making investigations as to the acceptability of the proposed Transferee and reasonable legal costs incurred in connection with the granting or documenting any requested consent. Upon Tenant’s written request, City shall provide Tenant with City’s good faith estimate of costs City anticipates in connection with the proposed Sublease or Assignment (based on the information then known by City with regard thereto); provided, however, that if City’s costs exceed City’s estimate, Tenant shall be responsible for such actual costs.

7.13. Documentation of Conforming Use of Premises.

On City’s written request made not more frequently than once each year Tenant shall provide City with a report listing all Subleases then in effect, which report shall indicate whether such Sublease is a Conforming or Non-Conforming Sublease, and shall provide the following information or such other information as is reasonably requested by City: expiration date, rent and other financial terms, and permitted and actual use.

7.14. Impact of Nonconforming Subleases on Administrative Cost Offset Rent Credit.

(a) Threshold for Reduction in Rent Credit. Tenant, alone or together with approved Subtenants under approved Nonconforming Subleases, may use up to one-quarter (1/4) of the space in the Research Facility Building for purposes other than faculty research purposes without any reduction in the Administrative Cost Offset Rent Credit. However, if at any time (i) the Research Facility Building are subject to one or more Nonconforming Subleases and (ii) Tenant (together with any Subtenants under Conforming Subleases, if applicable) occupies

and uses less than three-quarters (3/4) of the space in the Research Facility Building for faculty research purposes, such period shall be referred to as a "Reduced Credit Period," and the Administrative Cost Offset Rent Credit shall be reduced during such period as provided in Section 7.14(c).

(b) Additional Defined Terms. For the purposes of Section 7.14(c):

i. The number of square feet of space used for the purposes other than faculty research purposes is referred to as the "Total Non-Use Footage."

ii. The amount by which the Total Non-Use Footage exceeds one-quarter of the space in the Research Facility Building is referred to as the "Excess Non-Use Footage."

iii. The Applicable Administrative Cost Offset Rent Credit Amount is the Base Year Administrative Cost Offset Rent Credit Amount or Adjusted Administrative Cost Offset Rent Credit Amount applicable to the Reduced Credit Period, adjusted in the same manner as the regular annual adjustments to Base Rent described in Section 5.2(a).

(c) Calculation of Reduction in Rent Credit. During the Reduced Credit Period the Administrative Cost Offset Rent Credit will be reduced by an amount equal to (A) the Applicable Administrative Cost Offset Rent Credit Amount multiplied by (B) a fraction, the numerator of which is the lesser of (i) the Excess Non-Use Footage or (ii) the total square footage of space subject to Nonconforming Subleases, and the denominator of which is the total square footage of the Research Facility Building.

7.15. Assignment

(a) Standard Lease Provisions Applicable to Non-Governmental Entities. Certain standard contracting provisions otherwise required by the San Francisco Administrative Code for leases or permits to use property owned by the City were waived or modified in this Lease either on account of Tenant's status as a governmental agency or on account of Tenant's rights and obligations under the Affiliation Agreement. Any Transfer of Tenant's interest in this Lease to any Transferee not exempt from local regulations shall be conditioned on the Transferee's execution of an amendment to this Lease including the previously waived or modified provisions, as reasonably determined by City, including, without limitation, the provisions on the attached Exhibit L.

(b) Other Conditions. Any Transfer is further subject to the satisfaction of the following conditions precedent, each of which is hereby agreed to be reasonable as of the date hereof (the "Transfer Conditions"):

i. Any proposed Transferee, by instrument in writing, for itself and its successors and assigns, and expressly for the benefit of City, must expressly assume all of the obligations of Tenant under this Lease and the provisions of and any other agreements or documents entered into by and between City and Tenant relating to the Project first arising after the effective date of such Transfer.

ii. The Transfer is made for a legitimate business purpose and not to deprive City of the benefits of this Lease. It is the intent of this Lease, to the fullest extent permitted by law and equity and excepting only in the manner and to the extent specifically provided otherwise in this Lease, that no Transfer of this Lease, or any interest therein, however effected or occurring, and whether voluntary or involuntary, by operation of law or otherwise, foreseen or unforeseen, shall operate, legally or practically, to deprive or limit City of or with respect to any rights or remedies or controls provided in or resulting from this Lease with respect to the Premises and the construction of the Improvements that City would have had, had there been no such Transfer.

iii. All instruments and other legal documents effecting the Transfer shall have been submitted to City for review, including the agreement of sale, transfer, or

equivalent, and City shall have approved such documents, which approval shall not be unreasonably withheld, delayed or conditioned.

iv. Tenant shall have complied with the provisions of Section 7.14(c).

v. There shall be no Event of Default or Unmatured Event of Default on the part of Tenant under this Lease or any of the other documents or obligations to be assigned to the proposed transferee, or if not cured, Tenant or the proposed transferee have made provisions to cure the Event of Default, which provisions are satisfactory to City in its sole and absolute discretion.

vi. The proposed transferee (A) has demonstrated to City's reasonable satisfaction that it is reputable and capable, financially and otherwise, of performing each of Tenant's obligations under this Lease and any other documents to be assigned, (B) is not forbidden by applicable Law from transacting business or entering into contracts with City; and (C) is subject to the jurisdiction of the courts of the State of California.

vii. The proposed Transfer is not in connection with any transaction for the purposes of syndicating the Lease, such as a security, bond or certificates of participation financing as determined by City in its sole discretion.

(c) Delivery of Executed Assignment. No Assignment of Tenant's interest in this Lease will be effective unless and until there has been delivered to City an executed counterpart of the agreement affecting the Assignment together with an agreement, a memorandum of which shall be in recordable form, executed by Tenant and the transferee, wherein and whereby such transferee assumes performance of all of the obligations on Tenant's part to be performed under this Lease and the other assigned documents to and including the end of the Term (provided, however, that the failure of any transferee to assume this Lease, or to assume one or more of Tenant's obligations under this Lease, will not relieve such transferee from such obligations or limit City's rights or remedies under this Lease or under applicable Law). The form of such instrument shall be subject to City's approval, which approval shall not be unreasonably withheld, delayed or conditioned.

(d) No Release of Tenant's Liability or Waiver by Virtue of Consent. Tenant shall not be released from liability for obligations arising under this Lease, and consent by City to an assignment hereunder shall not in any way be construed to relieve any transferee of Tenant from its obligation to obtain the express consent in writing of City to any further transfer.

(e) Reports to City. If at any time this Lease is assigned to a non-governmental entity, then at such time or times as City may reasonably request, the then-Tenant must furnish City with a statement, certified as true and correct by an officer of Tenant, setting forth all of the constituent members or partners of Tenant and the extent of their respective holdings, and in the event any other persons or entities have a beneficial interest in Tenant, their names and the extent of such interest. Tenant's furnishing of such information, however, will not relieve Tenant from liability for its failure to comply with the provisions of this Lease.

8. TAXES; POTENTIAL EXEMPTION; REPORTING REQUIREMENTS

8.1. Tenant's Tax Exempt Status; Payment of Possessory Interest Taxes

(a) Tenant's Tax Exempt Status. The Parties anticipate that the Premises will be exempt from property taxes (including supplemental taxes, with the possible exception of special assessments and other ad valorem assessments), pursuant to Article XIII, Section 3 of the California Constitution, as a result of the University of California's exclusive use thereof or otherwise provided by law. Tenant acknowledges that, in recognition of such exemption, the City, as Landlord, has excluded property taxes from the rental rate herein provided. Therefore, Tenant will do all things reasonably necessary and appropriate to secure and maintain the said tax exemption during the term of this Lease and agrees to pay directly or reimburse City, as Landlord,

for any property taxes on the Premises (excluding special assessments or other ad valorem assessments) that may become due and payable during the Lease Term.

(b) Acknowledgment of the Potential of a Possessory Interest. Tenant specifically recognizes and agrees that a Sublease may create a possessory interest, which is subject to taxation. This Lease requires Tenant to pay any and all possessory interest taxes levied on the Premises or Personal Property located on the Premises pursuant to an assessment lawfully made by the City's Assessor (excluding taxes of any Sublessee whose interest is separately assessed). Tenant further acknowledges that a Sublease or assignment permitted under this Lease and any exercise of any option to renew or extend this Lease may constitute a change in ownership, within the meaning of the California Revenue and Taxation Code, and therefore may result in a reassessment of any possessory interest created hereunder in accordance with applicable Law.

(c) Reporting Requirements. San Francisco Administrative Code Sections 23.38 and 23.39 require that City report certain information relating to this Lease, and the creation, renewal, extension, assignment, sublease, or other transfer of any interest granted hereunder, to the County Assessor within sixty (60) days after any such transaction. Within thirty (30) days following the date of any transaction that is subject to such reporting requirements, and within thirty (30) days after City's request made from time to time but not more frequently than annually, Tenant shall provide such information as may be reasonably requested by City to enable City to comply with such requirements.

9. [INTENTIONALLY OMITTED]

10. COMPLIANCE WITH LAWS

10.1. Compliance with Laws and Other Requirements

(a) Tenant's Obligation to Comply. Tenant shall comply, at no cost to City, (i) with all Laws applicable to Tenant (including any Regulatory Approvals applicable to Tenant, subject to Section 10.2(c)), (ii) with all Mitigation Measures and Improvement Measures, and (iii) with the requirements of all policies of insurance required to be maintained pursuant to this Lease, and shall cause any Subtenant or Transferee to comply with all Laws applicable to such party. The foregoing sentence shall not be deemed to limit City's ability to act in its legislative or regulatory capacity, including the exercise of its police powers.

10.2. Regulatory Approvals

(a) City Approvals. Tenant understands and agrees that City is entering into this Lease in its proprietary capacity as the holder of fee title to the Property and not in its regulatory capacity. Tenant understands that the entry by City into this Lease shall not be deemed to imply that Tenant will be able to obtain any required approvals from agencies that have jurisdiction over the Project or the Premises. By entering into this Lease, City is in no way modifying Tenant's obligations to cause the Premises to be used and occupied in accordance with all Laws applicable to Tenant, Subtenants and Transferees, as provided herein.

(b) Approval of Other Agencies; Conditions. Tenant understands that the Project and Tenant's contemplated uses and activities on the Premises, any subsequent changes in Permitted Uses, and any alterations or Subsequent Construction to the Premises, may require that approvals, authorizations or permits be obtained from governmental agencies with jurisdiction. Tenant shall be solely responsible for obtaining applicable Regulatory Approvals as further provided in this Section. In any instance where City will be required to act as a co-permittee, or where Tenant proposes Subsequent Construction that requires City's approval under Article 13, Tenant shall not apply for any applicable Regulatory Approvals (other than a building permit from the City) without first obtaining the approval of City, which approval will not be unreasonably withheld, conditioned or delayed. Throughout the permit process for any Regulatory Approval, Tenant shall consult and coordinate with City in Tenant's efforts to obtain

such Regulatory Approval, and City shall cooperate reasonably with Tenant in its efforts to obtain such Regulatory Approval, provided that City shall have no obligation to make expenditures or incur expenses other than administrative expenses. However, Tenant shall not agree to the imposition of conditions or restrictions in connection with its efforts to obtain a permit from any regulatory agency other than City, if City is required to be a co-permittee under such permit or the conditions or restrictions could create any obligations on the part of City whether on or off the Property, unless in each instance City has previously approved such conditions in writing in City's sole and absolute discretion. No such approval by City shall limit Tenant's obligation to pay all the costs of complying with such conditions under this Section. Subject to the conditions of this Section, City shall join, where required, in any application by Tenant for a required Regulatory Approval, and in executing such permit, provided that City shall have no obligation to join in any such application or execute the permit if City does not approve the conditions imposed by any regulatory agency under such permit as provided herein. All costs associated with applying for and obtaining any necessary Regulatory Approval shall be borne by Tenant. Tenant shall be responsible for complying, at no cost to City, with any and all conditions imposed by any applicable regulatory agency as part of a Regulatory Approval. With the consent of City (which shall not be unreasonably withheld or delayed), Tenant shall have the right to appeal or contest in any manner permitted by Law any condition imposed upon any such Regulatory Approval. Tenant shall pay and discharge any fines, penalties or corrective actions imposed as a result of the failure of Tenant to comply with the terms and conditions of any Regulatory Approval and City shall have no liability for such fines and penalties. Without limiting the indemnification provisions of Article 18, Tenant shall Indemnify the Indemnified Parties from and against any and all such fines and penalties, together with Attorneys' Fees and Costs, for which City may be liable in connection with Tenant's failure to comply with, or cause its Subtenants or Transferees to comply with, any Regulatory Approval.

(c) Sovereignty. It is Tenant's position that the California Constitution generally exempts the Regents from compliance with local planning, zoning, redevelopment and land use regulations (collectively, "Local Regulations"). Accordingly, in constructing the Research Facility on the Premises, Tenant is not required to obtain any regulatory permits from the City, including building permits. Nothing in this Lease shall be construed, or deemed to be construed, as a waiver by the Regents of its constitutional status, sovereignty or exemptions available to it as a constitutional corporation regarding compliance with Local Regulations or other local Laws as applied to the Premises, all of which are hereby expressly preserved by the Regents and acknowledged by City. Notwithstanding the foregoing, (1) Tenant has agreed to the limitations on permitted uses of the Premises, and the initial construction and subsequent construction provisions as expressly set forth in this Lease (including the City approval rights as set forth in this Lease), and Tenant's agreement to these provisions are valid and binding and do not constitute a waiver of or limitation on Tenant's constitutional status, sovereignty or the exemptions available to Tenant, and (2) Tenant's right to preempt Local Regulations and other local Laws shall not apply to any Transferee or Subtenant, provided any Transferee or Subtenant may rely upon its own preemption, if applicable.

11. REPAIR AND MAINTENANCE

11.1. Covenants to Repair and Maintain the Premises.

(a) Tenant's Duty to Maintain. Throughout the Term of this Lease, Tenant shall maintain and repair the Premises as is, in Tenant's reasonable determination, appropriate to maintain a research facility building in compliance with all applicable Laws and the requirements of this Lease.

(b) Maintenance and Repair. Tenant shall promptly make (or cause others to make) all necessary or appropriate repairs, renewals and replacements, whether structural or non-structural, interior or exterior, ordinary or extraordinary, foreseen or unforeseen, including capital repairs and improvements that are reasonably required to preserve, repair or replace capital

improvements, fixtures or equipment located on or used in connection with the operation of the Premises, except as otherwise provided in Article 15 or Article 16 or Section 36.1. Tenant shall make such repairs to the exterior of the Improvements with materials, apparatus and facilities as originally installed and approved by City under this Lease, or, if not originally subject to City approval or not commercially available, with materials, apparatus and facilities at least equal in quality, design standards and durability to the materials, apparatus and facilities repaired, replaced or maintained. Tenant shall cooperate with City to ensure maintenance and repair data is provided promptly to City's Capital Planning Committee staff for inclusion in the master City property database currently known as Facility Renewal and Replacement Model (FRRM). Notwithstanding anything to the contrary contained herein, if the City or its Agents is responsible for damage to the Improvements, then the City shall be responsible for the repair costs that are not covered by insurance (including self-insurance) carried or required to be carried by Tenant under this Agreement.

(c) No Obligation of City; Waiver of Rights. As between City and Tenant, Tenant shall be solely responsible for the condition, repair, and maintenance of the Premises, including any and all Improvements, from and after the Commencement Date, excluding only such repairs as are necessitated by or from (i) the negligence or willful misconduct of City or its Agents or Invitees, or (ii) the actions of City or its Agents or Invitees acting under any other contract between Tenant and such party (such as a space lease), or (iii) damage for which City is responsible under the provisions of Section 36.1. City shall not, as a result of this Lease, have any obligation to make repairs or replacements of any kind or maintain the Premises or any portion of any of them. Tenant waives the benefit of any existing or future Law that would permit Tenant to make repairs or replacements at City's expense, or abate or reduce any of Tenant's obligations under, or terminate, this Lease, on account of the need for any repairs or replacements. Without limiting the foregoing, Tenant hereby waives any right to make repairs at City's expense as may be provided by Sections 1932(1), 1941 and 1942 of the California Civil Code, as any such provisions may from time to time be amended, replaced or restated. The foregoing waiver is specific to this Lease and shall not act to waive any rights Tenant may have under any other contract between Tenant and City, its Agents or Invitees (such as a space lease in which Tenant is the landlord and City is the tenant).

(d) Notice. Tenant shall deliver to City, promptly after receipt, a copy of any notice that Tenant may receive from time to time: (i) from any governmental authority (other than City) having responsibility for the enforcement of any applicable Laws (including Disabled Access Laws or Hazardous Material Laws), asserting that the Project is in violation of such Laws; or (ii) from the insurance company issuing or responsible for administering one or more of the insurance policies required to be maintained by Tenant under Article 24, asserting that the requirements of such insurance policy or policies are not being met.

11.2. Landscape Maintenance

Tenant shall maintain the exterior landscaping on the Property in good condition. Any replacement landscaping shall be selected in collaboration with the ZSFG gardening staff to maintain a landscaping plan for the Premises that is harmonious with the species of plants and landscaping scheme included in the ZSFG campus landscaping. If the City or its Agents is responsible for damage to the exterior landscaping, then the City shall be responsible for the repair costs.

12. [RESERVED]

13. SUBSEQUENT CONSTRUCTION

13.1. City's Right to Approve Subsequent Construction.

(a) Construction Requiring Approval. Tenant shall have the right, from time to time during the Term, to perform Subsequent Construction in accordance with the provisions of

this Article 13, provided that Tenant shall not do any of the following, without City's prior written approval (which approval may be withheld by City in its sole discretion):

- i. Construct additional buildings or other additional structures, other than to replace or Restore those previously existing, the approval and construction of which shall be governed by a separate instrument entered into with City;
- ii. Increase the bulk or height of any Improvements beyond the bulk or height approved for the Project, which was consistent with the depiction on Exhibit B-1;
- iii. Materially alter the exterior architectural design of any Improvements (other than changes reasonably required to conform to changes in applicable Law);
- iv. Materially increase the load of the Improvements on the Property;
- v. Perform Subsequent Construction involving replacement or reconstruction to the exterior of the Improvements that involves design, colors, or materials not originally approved by City in accordance with the Construction Documents under this Lease (unless materials originally installed are not reasonably available or do not meet current code requirements, and Tenant uses materials of equal quality, durability and design standards to the materials originally installed, as reasonably determined by City).

(b) Notice by Tenant. At least thirty (30) days before commencing any Subsequent Construction that requires City's approval under Section 13.1(a), Tenant shall notify City of such planned Subsequent Construction. City shall have the right to object to any such Subsequent Construction, to the extent that such Subsequent Construction requires City's approval, by providing Tenant with written notice of such objection within thirty (30) days after receipt of such notice from Tenant. If City does not approve or object to the proposed Subsequent Construction within the thirty (30) day period described above, then Tenant may submit a second written notice to City that such objection was not received within the period provided by this Section 13.1(b) and requesting City's response within five (5) business days after Tenant's second notice. If the City fails to object to such planned Subsequent Construction within such five (5) business day period, then Tenant shall proceed with compliance with the procedures for approval and performance of the Subsequent Construction as set forth below.

(c) Permits. Tenant acknowledges that the provisions of this Section are subject to Sections 10.1(a), Section 10.2(c), and 13.7.

13.2. Minor Alterations.

Unless otherwise required under Section 13.1(a), City's approval hereunder shall not be required for (a) the installation, repair or replacement of furnishings, fixtures, or equipment that do not materially affect the structural integrity of the Improvements, or (b) any other Subsequent Construction that does not require a building permit, approval from the Planning Department or other departments of the City (collectively, "Minor Alterations").

13.3. Tenant Improvements.

Except as otherwise specifically provided hereunder, City's approval hereunder shall not be required for the installation of tenant improvements and finishes to prepare portions of the Premises for occupancy or use by Subtenants, provided that the foregoing shall not alter Tenant's obligation to obtain any required Regulatory Approvals.

13.4. Construction Documents in Connection with Subsequent Construction.

(a) Preparation, Review and Approval of Construction Documents. With regard to any Subsequent Construction that requires City's approval under this Article 13, Tenant shall prepare and submit to City, for review and written approval hereunder, reasonably detailed Schematic Drawings, and following City's approval of such Schematic Drawings, Final

Construction Documents that are consistent with the approved Schematic Drawings (collectively, Schematic Drawings and Final Construction Documents are referred to as "Construction Documents"). City may waive the submittal requirement of Schematic Drawings if it determines in its discretion that the scope of the Subsequent Construction does not warrant such initial review. Construction Documents shall be prepared by a qualified architect or structural engineer duly licensed in California. City shall approve or disapprove Construction Documents submitted to it for approval within thirty (30) days after submission. Any disapproval shall state in writing the reasons for disapproval. If City deems the Construction Documents incomplete, City shall notify Tenant of such fact within thirty (30) days after submission and shall indicate which portions of the Construction Documents it deems to be incomplete. If City notifies Tenant that the Construction Documents are incomplete, such notification shall constitute a disapproval of such Construction Documents. If City disapproves Construction Documents, and Tenant revises or supplements, as the case may be, and resubmits such Construction Documents in accordance with the provisions of Section 13.5, City shall review the revised or supplemented Construction Documents to determine whether the revisions satisfy the objections or deficiencies cited in City's previous notice of rejection, and City shall approve or disapprove the revisions to the Construction Documents within fifteen (15) days after resubmission. If City fails to approve, conditionally approve or disapprove the Construction Documents (including Construction Documents that have been revised or supplemented and resubmitted) within the times specified within this Section 13.4, such failure shall not constitute a default under this Lease on the part of City, but such Construction Documents shall be deemed approved, provided that Tenant first submits a second written notice to City that such approval or disapproval was not received within the period provided by this Section 13.4 and requesting City's approval or disapproval within ten (10) days after Tenant's second notice prior written notice that Tenant intends to deem said Construction Documents so approved and City fails to respond within such ten (10) day period, provided that the original request met the requirements of this Section.

(b) Progress Meetings; Coordination. From time to time at the request of either Party during the preparation of the Construction Documents, City and Tenant shall hold regular progress meetings to coordinate the preparation, review and approval of the Construction Documents. City and Tenant shall communicate and consult informally as frequently as is necessary to ensure that the formal submittal of any Construction Documents to City can receive prompt and speedy consideration.

13.5. City Approval of Construction Documents.

Upon receipt by Tenant of a disapproval of Construction Documents from City related to Subsequent Construction, Tenant (if it still desires to proceed) shall revise such disapproved portions of such Construction Documents in a manner that addresses City's written objections. Tenant shall resubmit such revised portions to City as soon as possible after receipt of the notice of disapproval. City shall approve or disapprove such revised portions in the same manner as provided in Section 13.4 for approval of Construction Documents (and any proposed changes therein) initially submitted to City. If Tenant desires to make any substantial change in the Final Construction Documents after City has approved them, then Tenant shall submit the proposed change to City for its reasonable approval. City shall notify Tenant in writing of its approval or disapproval within fifteen (15) days after submission to City. Any disapproval shall state, in writing, the reasons therefor, and shall be made within such fifteen (15)-day period.

13.6. Construction Schedule.

(a) Performance. Tenant shall prosecute all Subsequent Construction with reasonable diligence, subject to Force Majeure.

(b) Reports and Information. During periods of construction, Tenant shall submit to City written progress reports when and as reasonably requested by City.

13.7. Construction.

(a) Commencement of Construction. Tenant shall not commence any Subsequent Construction until the following conditions have been satisfied or waived by City:

i. City shall have approved the Final Construction Documents (or those aspects of the Final Construction Documents as to which City has an approval right under Section 13.1);

ii. Tenant shall have obtained all permits and other Regulatory Approvals necessary to commence such construction in accordance with Article 10;

iii. Tenant shall have submitted to City in writing its good faith estimate of the anticipated total construction costs of the Subsequent Construction. If such good faith estimate exceeds One Million Dollars (\$1,000,000), Tenant shall also submit evidence reasonably satisfactory to City of Tenant's ability to pay such costs as and when due; provided, however, that the threshold amount set forth in this Section 13.7(iii) shall be increased annually by the same percentage as the increase, if any, in the Consumer Price Index Urban Wage Earners and Clerical Workers (base years 1982-1984=100) for San Francisco-Oakland-San Jose area published by the United States Department of Labor, Bureau of Statistics (the "Index") that is published most immediately preceding the most recent anniversary of the Commencement Date over the Index in effect on the Commencement Date.

(b) Construction Standards. All Subsequent Construction shall be accomplished expeditiously, diligently and in accordance with good construction and engineering practices and Laws applicable to Tenant related to the Subsequent Construction. Tenant 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. Dust, noise and other effects of such work shall be controlled using commercially accepted methods customarily used to control deleterious effects associated with construction projects in populated or developed urban areas. In addition, in the case of Subsequent Construction that begins after the Improvements have opened for business to the general public, Tenant shall erect construction barricades substantially enclosing the area of such construction and maintain them until the Subsequent Construction has been substantially completed, to the extent reasonably necessary to minimize the risk of hazardous construction conditions.

(c) Costs of Construction. City shall have no responsibility for costs of any Subsequent Construction. Tenant shall pay (or cause to be paid) all such costs.

(d) Rights of Access. During any period of Subsequent Construction, City and its Agents shall have the right to enter areas in which Subsequent Construction is being performed, on reasonable prior notice during customary construction hours, subject to the rights of Subtenants and to Tenant's right of quiet enjoyment under this Lease, to inspect the progress of the work. The City and its Agents shall conduct their activities in such a way as to minimize interference with operations of Tenant and its Subtenants to the extent reasonably practicable. Nothing in this Lease, however, shall be interpreted to impose an obligation upon City to conduct such inspections or any liability in connection therewith.

(e) Wages and Working Conditions. The provisions of Section 41.2 shall apply to any Subsequent Construction.

(f) Substitute for City's Apprenticeship and Local Hiring Ordinance for Tenant and Close Regents Affiliates. Tenant, as the second largest employer in San Francisco and a critical component of San Francisco's important health and life science sectors, recognizes its ability to provide job training and opportunity to San Francisco residents. Tenant and City have agreed to work together to ensure resident workers are made aware of construction employment opportunities, and are fairly and equitably considered for hire at the time job opportunities

become available in connection with Project and Subsequent Construction by Tenant and Close Regent Affiliates, in the manner described in Exhibit H.

(g) Local Hire for Transferees that are Not Close Regents Affiliates. Any undefined, initially-capitalized term used in this section shall have the meaning given to such term in San Francisco Administrative Code Section 23.62 as may be amended (the "Local Hiring Requirements"). Subsequent Construction performed by any Transferee that is not part of the State of California or a Close Regents Affiliate will be subject to the Local Hiring Requirements unless the work fits within an exemption as set forth in the Local Hiring Requirements. Each such Transferee shall comply with the Local Hiring Requirements to the extent applicable. Before starting any Subsequent Construction, any such Transferee shall contact City's Office of Economic Workforce and Development ("OEWD") to verify if the Local Hiring Requirements apply to the work (i.e., whether the work is a "Covered Project"). If applicable, Tenant shall include, and shall require any such Transferees to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Administrative Code Section 23.62. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Tenant shall cooperate, and require its Transferees subtenants to cooperate, with the City in any action or proceeding against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. 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 23.62 against the breaching contractor or subcontractor.

13.8. Safety Matters.

Tenant, while performing any Subsequent Construction or maintenance or repair of the Improvements (for purposes of this Section only, "Work"), shall undertake commercially reasonable measures in accordance with good construction practices to minimize the risk of injury or damage to adjoining portions of the Premises and Improvements and the surrounding property, or the risk of injury to members of the public, caused by or resulting from the performance of its Work.

13.9. As-Built Plans and Specifications.

With respect to any Subsequent Construction costing One Hundred Thousand and No/100 Dollars (\$100,000.00) as indexed, or more, for which City's approval was required under Article 13, Tenant shall furnish to City one set of as-built plans and specifications with respect to such Subsequent Construction (reproducible transparencies and CAD files) within one hundred twenty (120) days following completion. If Tenant fails to provide such as-built plans and specifications to City within the time period specified herein, and such failure continues for an additional thirty (30) days following written request from City, City will thereafter have the right to cause an architect or surveyor selected by City to prepare as-built plans and specifications showing such Subsequent Construction, and the reasonable cost of preparing such plans and specifications shall be reimbursed by Tenant to City as Additional Rent. Nothing in this Section shall limit Tenant's obligations, if any, to provide plans and specifications in connection with Subsequent Construction under applicable regulations adopted by City in its regulatory capacity.

14. UTILITY SERVICES

City, in its proprietary capacity as fee owner of the real property comprising the Property and landlord under this Lease, shall not be required to provide any utility services to the Premises or any portion of the Premises. Tenant shall be responsible for contracting with, and obtaining, all necessary utility and other services, as may be necessary and appropriate to the uses to which the Premises are put. The San Francisco Public Utility Commission ("SFPUC") is the provider of electric services to City property, and the SFPUC's Interconnection Services Department coordinates with Pacific Gas and Electric Company and others to implement such

service. Tenant shall contract with SFPUC for electrical service for the Premises, unless SFPUC determines that it is not feasible for SFPUC to provide such service and provided that service shall be provided by SFPUC at then prevailing market rates for comparable types of load. City acknowledges that nothing in this Lease, including, without limitation, any indemnity and any release or waiver of rights (including the right to recover Losses), by Tenant under this Lease is intended to or shall apply to or benefit City in its capacity as a utility provider, and Tenant shall have in any and all respects the same rights and privileges with respect to City in City's capacity as a utility provider as any other user of such utility from City in its capacity as a utility provider. Tenant will pay or cause to be paid as the same become due all deposits, charges, meter installation fees, connection fees and other costs for all public or private utility services at any time rendered to the Premises or any part of the Premises, and will do all other things required for the maintenance and continuance of all such services. Tenant agrees, with respect to any public utility services provided to the Premises by City, that no act or omission of City in its capacity as a provider of public utility services, shall abrogate, diminish, or otherwise affect the respective rights, obligations and liabilities of Tenant and City under this Lease, or entitle Tenant to terminate this Lease or to claim any abatement or diminution of Rent. Further, Tenant covenants not to raise as a defense to its obligations under this Lease, or assert as a counterclaim or cross-claim in any litigation or arbitration between Tenant and City relating to this Lease, any Losses arising from or in connection with City's provision (or failure to provide) public utility services, except to the extent that failure to raise such claim in connection with such litigation would result in a waiver of such claim. The foregoing shall not constitute a waiver by Tenant of any claim it may now or in the future have (or claim to have) against any such public utility provider relating to the provision of (or failure to provide) utilities to the Premises. All utility services and points of connection must be reviewed and accepted by the ZSFG Facilities department. Emergency power for the Research Facilities Building will be self-contained.

15. DAMAGE OR DESTRUCTION

15.1. General; Notice; Waiver.

(a) General. If at any time during the Term any damage or destruction occurs to all or any portion of the Premises, including the Improvements, and including, but not limited to, any Major Damage or Destruction, the rights and obligations of the Parties shall be as set forth in this Section. For purposes hereof, "damage or destruction" shall not include a Release of Hazardous Material at or affecting the Premises to the extent that such release is not covered by insurance carried (or required to be carried) by Tenant.

(b) Notice. If there is any damage to or destruction of the Premises or of the Improvements thereon or any part thereof, (i) that would materially impair use or operation of any material portion of the Improvements for their intended purposes for a period of thirty (30) days or longer, or (ii) exceeds in an individual instance the amount of Fifty Thousand Dollars (\$50,000) or, over the course of one calendar year, an aggregate amount of Two Hundred Fifty Thousand Dollars (\$250,000), Tenant shall promptly, but not more than thirty (30) days after the occurrence of any such damage or destruction, give written notice thereof to City describing with as much specificity as is reasonable the nature and extent of such damage or destruction.

(c) Waiver. The Parties intend that this Lease fully govern all of their rights and obligations in the event of any damage or destruction of the Premises. Accordingly, City and Tenant each hereby waive the provisions of Sections 1932(2) and 1933(4) of the California Civil Code, as such sections may from time to time be amended, replaced, or restated.

15.2. Tenant's Obligation to Restore.

If all or any portion of the Improvements are damaged or destroyed and Tenant does not or may not elect to terminate this Lease under Section 15.3, then Tenant shall, within a reasonable period of time, commence and diligently, subject to Force Majeure, restore the Improvements to the condition they were in immediately before such damage or destruction, to

the extent possible in accordance with then applicable Laws (including, but not limited to, any required code upgrades), without regard to the amount or availability of insurance proceeds. All Restoration performed by Tenant shall be in accordance with the procedures set forth in Article 13 relating to Subsequent Construction and shall be at Tenant's sole expense. Such destruction, in and of itself, shall not terminate this Lease. Notwithstanding anything to the contrary contained herein, if City or its Agents is responsible for the damage or destruction, then City shall be responsible for the restoration costs that are not covered by insurance (including self-insurance) carried or required to be carried by Tenant under this Lease.

15.3. Major Damage and Destruction.

(a) Tenant's Election to Restore or Terminate. If an event of Major Damage or Destruction occurs, or if, a change in Laws has occurred that prohibits the Premises from being rebuilt as a research facility, then Tenant shall provide City with a written notice (the "Casualty Notice") either (i) electing to commence and complete Restoration of the Improvements substantially to the condition they were in immediately before such Major Damage or Destruction to the extent possible in accordance with then applicable Laws (including any required code upgrades); or (ii) electing to terminate this Lease (subject to Section 15.3(b)). Tenant shall provide City with the Casualty Notice no later than the date that is ninety (90) days following the occurrence of such Major Damage or Destruction. If Tenant elects to Restore the Improvements, all of the provisions of Article 13 that are applicable to Subsequent Construction of the Improvements shall apply to such Restoration of the Improvements substantially to the condition they were in prior to such Major Damage or Destruction as if such Restoration were Subsequent Construction.

(b) Conditions to Termination. As a condition precedent to Tenant's right to terminate the Lease upon the occurrence of either of the events set forth in Section 15.3(a) above, Tenant shall do all of the following:

i. In Tenant's Casualty Notice electing to terminate described in Section 15.3(a), Tenant shall provide evidence of the estimated cost of Restoration; and

ii. Upon written instructions from City, Tenant shall, at no cost to the City except as set forth in Section 15.2 (and subject to any right Tenant may have to use the Property Related Insurance proceeds), demolish the Improvements, or such portion thereof as City shall instruct, and return the Premises to City in a clean and reasonably flat graded condition. Such demolition shall be conducted in accordance with the provisions of this Lease relating to Subsequent Construction on the Premises, to the extent applicable); and

iii. Tenant shall pay to City all accrued and unpaid Rent owed by Tenant to City under this Lease up to the effective date of such termination (to the extent such amounts are not paid from insurance proceeds as described in this Section); and

iv. Upon termination, Tenant shall deliver possession of the Premises to City in accordance with Section 33 and quitclaim to City all right, title and interest in the Premises and any remaining Improvements, as described in Section 15.4.

(c) Balance of Insurance Proceeds. The balance of Property Related Insurance proceeds arising out of or in connection with such casualty shall be divided as follows:

i. to Tenant to reimburse Tenant for any reasonable and actual, out-of-pocket third party costs reasonably incurred by Tenant for demolition and removal work undertaken pursuant to the casualty; and

ii. the balance shall be divided between City and Tenant in accordance with the ratio of City's Percentage Interest to Tenant's Percentage Interest.

For purposes of this Lease: (1) "City's Percentage Interest" shall mean the ratio, expressed as a percentage, that the value of City's reversionary interest in the Improvements (with such

reversion to be based on the assumption that the Term would expire on the original scheduled expiration date, excluding the Extended Term) bears to the total then-current value of the Improvements; and (2) "Tenant's Percentage Interest" shall mean the ratio, expressed as a percentage, that the value of Tenant's interest in the Improvements for the remaining unexpired portion of the Term of this Lease (assuming that the Term would expire on the original scheduled expiration date, and not at the expiration of the Extended Term) bears to the total then-current value of the Improvements.

15.4. Effect of Termination.

Provided that no Event of Default (or Unmatured Event of Default) under this Lease that has not been waived in writing by City is then continuing, if Tenant elects to terminate the Lease under Section 15.3(a) above, then, on the date that Tenant shall have fully complied with all other provisions of Section 15.3(b) to the reasonable satisfaction of City, this Lease shall terminate. Upon such termination, except otherwise set forth in this Lease, the Parties shall be released thereby without further obligations to the other Party as of the effective date of such termination; provided, however, that the following provisions shall survive such termination: (i) all indemnification provisions contained in this Lease with respect to matters arising before the effective date of any such termination only, and (ii) any rights of the Parties to receive insurance proceeds in accordance with this Lease. At City's request following any termination, Tenant shall promptly deliver to City a duly executed and acknowledged quitclaim deed with respect to all of Tenant's interests related to this Lease and the Premises suitable for recordation and in form and content satisfactory to City.

15.5. Distribution Upon Lease Termination.

If Tenant is obligated to and fails to Restore the Improvements as provided herein and this Lease is terminated, all insurance proceeds held by City and Tenant or not yet collected, shall be paid to and retained by the party entitled thereto in accordance with this Lease.

15.6. Event of Default.

If an Event of Default (or Unmatured Event of Default) under this Article 15 that has not been waived in writing by City is continuing, City shall receive all Property Related Insurance proceeds to the extent required to satisfy Tenant's obligations under this Article 15.

15.7. Use of Insurance Proceeds.

(a) Restoration. Except in the event of termination of this Lease, all Property Related Insurance proceeds paid to Tenant by reason of damage to or destruction of any Improvements, if any, must be used by Tenant for the repair or rebuilding of such Improvements except as specifically provided to the contrary in this Article 15 or as otherwise approved by the City.

(b) Payment to Trustee. Except as otherwise expressly provided to the contrary in this Article 15, and if Tenant Restores the Improvements, any insurer paying compensation under any Property Related Insurance policy required to be carried hereunder shall pay such proceeds to a trustee (which shall be a bank or trust company, designated by City within thirty (30) days after written request by Tenant, having an office in San Francisco). However, such trustee shall pay to Tenant, from time to time as the work of Restoration shall progress, in amounts designated by certification, by architects licensed to do business in the State, showing the application of such amounts as payment for such Restoration. The trustee shall be required to make such payments upon satisfaction that the amount necessary to provide for Restoration of any buildings and other Improvements destroyed or damaged, which may exceed the amount received upon such policies, has been provided by the insured for such purposes and its application for such purposes is assured.

Payment to Tenant shall not be construed as relieving the Tenant from the necessity of repairing such damage promptly in accordance with the terms of this Lease. Tenant shall pay all

reasonable fees of the trustee, bank or trust company for its services. If any proceeds are held by a trustee pursuant to this Section 15.7(b), the trustee shall hold all insurance proceeds in an interest-bearing, federally insured account, and all interest thereon shall be added to the proceeds. Provided that no Event of Default (or Unmatured Event of Default) that has not been waived by City shall exist on the date of such Restoration, the Improvements shall have been Restored in accordance with the provisions of this Section 15.7(b) and all sums then due under this Lease shall have then been paid in full, and any excess of monies received from insurance remaining with the trustee after the Restoration or repair of the Improvements as required by this Section shall be paid to Tenant.

City's Risk Manager shall waive the requirement that the proceeds of Property Related Insurance be paid to a trustee if Tenant under this Lease is the Regents or a Close Regent Affiliate and Tenant confirms that it will promptly commence and complete the Restoration.

15.8. No Release of Tenant's Obligations.

No damage to or destruction of the Premises or Improvements or any part thereof by fire or any other cause shall permit Tenant to surrender this Lease or relieve Tenant from any obligations, including, but not limited to, the obligation to pay Rent, except as otherwise expressly provided herein. Notwithstanding the foregoing, if there is Major Damage and Destruction caused by the City or its Agents, and Tenant elects to rebuild the Improvements instead of terminating this Lease, then Tenant's Rent obligation shall be reduced, to the extent not covered by insurance (including self-insurance), pro rata based on the portion of the Research Facility Site that remains unusable by Tenant during the reconstruction.

16. CONDEMNATION

16.1. Lease Governs.

In the event of any Taking during the Term, the rights and obligations of the parties with respect to such appropriation and any Net Awards and Payments in connection therewith shall be as provided in this Article.

(a) Net Awards and Payments Defined. The term "Net Awards and Payments" shall mean any awards and other payments or compensation payable to either City or Tenant, as the case may be, in connection with a Taking, less reasonable costs, fees and expenses of either City or Tenant (including, without limitation, reasonable attorneys' fees and costs) incurred in the collection thereof.

(b) Taking Defined. "Taking" shall mean any acquisition or taking of all or any portion of the Premises, including any of the Improvements, or any interest therein or right accruing thereto, pursuant to or in anticipation of the exercise of the power of condemnation or eminent domain, or by reason of the temporary requisition of the use or occupancy of the Premises, including any of the Improvements, or any part thereof, by any governmental or quasi-governmental authority, civil or military, or any other agency empowered by law to take property in the State of California or under the laws of the United States of America under the power of eminent domain. A Taking may occur pursuant to the recording of a final order of condemnation, or by a voluntary sale of all or any part of any property right to any entity having the power of eminent domain (or to a designee of any such entity), provided that the property interest is then under the threat of condemnation or such sale occurs by way of settlement of a condemnation action.

(c) Total Taking Defined. A "Total Taking" shall mean:

- i. a Taking of all of the Premises other than for a temporary purpose;
- or
- ii. at the option of Tenant, a Taking of so much of the Premises or Tenant's leasehold interest therein, as to substantially impair, or to render uneconomical, in

Tenant's sole and absolute discretion, the development and operation of the Improvements on the Premises.

(d) Partial Taking Defined. A "Partial Taking" shall mean a Taking that does not constitute a Total Taking, as defined in Section 16.1(c) above.

(e) Temporary Taking Defined. A "Temporary Taking" shall mean a Taking for temporary use or occupancy.

(f) Request for Separate Awards. If the Improvements or the Land or any part thereof shall be taken or condemned, City and Tenant shall request that awards and other payments on account of a Taking (less costs, fees and expenses incurred by City and Tenant in connection with the collection thereof) shall be divided by the presiding court between loss of value of the fee interest and leasehold interest in the Land and loss of value of the Improvements.

16.2. Total Taking; Termination of Lease; Distribution of Award.

In the event of a Total Taking, this Lease shall terminate effective on the date of surrender of possession of the Premises and/or Improvements, or so much thereof or interest therein as has been taken, to the condemning authority. Tenant shall continue to pay all amounts due hereunder and, in all respects, keep, observe and perform all of the terms, covenants, agreements and conditions of this Lease to be kept, observed and performed by Tenant until the date of such termination. Notwithstanding the foregoing, Tenant hereby acknowledges and agrees that all Rents are fully earned and received by City on the date paid and there shall be no refund, apportioning or reimbursement of any Rent or other sums paid to City pursuant to this Lease prior to the date of any such Total Taking. Tenant and City shall each be entitled to prosecute claims in such condemnation proceeding for the value of its respective interest in the Premises and/or Improvements, or portion thereof, being so Taken. The Net Awards and Payments attributable to the Improvements shall be first paid to Tenant until Tenant has received an amount equal to the Amortized Remaining Value of Improvements and related financing costs, and thereafter the remaining amount of the Net Awards and Payments shall be divided *pari passu* between City and Tenant based upon the value of their respective interests. The values of City's and Tenant's respective interests shall be established by the court of law that establishes the Award. As used herein, the term "Amortized Remaining Value of Improvements" shall mean the product of (i) an amount equal to Tenant's total actual costs incurred in the construction of the Research Facility Building and the ZSFG Campus Improvements and any other Improvements then located upon the Premises, multiplied by (ii) a fraction, the numerator of which is the number of years remaining in the useful life of such Improvements (amortization to be separated between: (a) physical structure and other improvements and (b) fixed equipment and shall exclude removable FF&E, and the denominator of which is the useful life of such Improvements, separated between: (a) physical structure and other improvements and (b) fixed equipment and shall exclude removable FF&E; provided that, if the remaining Term of the Lease measured at the time of completion of construction of any such Improvements is less than the computed useful life of the Improvements, then the remaining Term of the Lease measured at the time of completion of construction of such Improvements shall constitute the "useful life" of such Improvements for purposes of computing the numerator in the fraction in this item (ii). If such Taking has resulted in any damage to or destruction of the Improvements that could cause an immediate threat to public safety, Tenant shall cause the Improvements to be repaired to the extent required to alleviate such condition ("Safety Restoration Work").

16.3. Partial Taking; Effect; Restoration; Distribution of Award.

In the event of a Partial Taking, this Lease shall remain in full force and effect with respect to that portion of the Premises not so taken. Tenant shall promptly commence and proceed with due diligence to effect Restoration of the Improvements on the remaining portion of the Premises as nearly as practicable to their condition and character immediately prior to such Taking. Any Award for the Improvements in the event of a Partial Taking shall be paid to

Tenant. Any remaining amount of the Net Awards and Payments shall be divided *pari passu* between City and Tenant based upon the value of their respective interests in the portion of the Premises so Taken (taking into account, to the extent applicable, the Administrative Cost Offset Rent Credit attributable to the space Taken). The values of City's and Tenant's respective interests in the Premises shall be established by the court of law that establishes the Award. Notwithstanding anything to the contrary set forth above, prior to any allocation of the Net Awards and Payments, both Tenant and City shall each be entitled to receive its respective reasonable costs, fees and expenses (including, without limitation, reasonable attorneys' fees and costs) incurred in the collection of any awards and other payments or compensation arising from such Taking.

16.4. Temporary Taking; Effect; Distribution of Award.

In the event of a Temporary Taking, this Lease shall remain in full force and effect. Tenant shall be entitled to claim, recover and retain any Net Awards and Payments made on account of such Temporary Taking; provided, however, that (i) if the period of such Temporary Taking extends beyond the Term or extended Term if the option has been exercised and such Temporary Taking involves all of the Premises or, at the option of Tenant, a Taking of so much of the Premises as to substantially impair, or to render uneconomical, in Tenant's reasonable judgment, the development and/or operation of the Improvements, then the Temporary Taking shall be treated as a Total Taking, this Lease shall terminate, the Net Awards and Payments shall be disbursed according to Section 16.2, and from and after the date of such Taking, Tenant shall have no further right, title or interest in the Premises; and (ii) if the period of such Temporary Taking extends beyond the Term or extended Term as the case may be, but such Temporary Taking does not fall within the provisions of preceding item (i), then the Temporary Taking shall be treated as a Partial Taking, this Lease shall terminate with respect to the portion of the Premises that is the subject of such Taking, the Net Awards and Payments shall be disbursed according to Section 16.3, Tenant shall complete the Restoration of the Improvements as required hereunder, and from and after the date of such Taking, Tenant shall have no further right, title or interest in the portion of the Premises that is the subject of such Temporary Taking.

16.5. Notice.

Upon any party receiving notice of or becoming aware of any condemnation proceedings, or threat thereof, such party shall promptly give written notice to the other party in the manner specified in this Lease.

16.6. Landlord as Condemning Authority; Condemning Authority Acting Consistent with Agreement with Landlord or Party That Has Executed an Agreement with Landlord to Use the Premises Following Such Condemnation.

Notwithstanding the foregoing, including without limitation Section 16.2 above, if there is a Total Taking by Landlord, then the Award payable by Landlord to Tenant shall be the greater of the Net Awards and Payments attributable to the Improvements, calculated in accordance with the Eminent Domain Law of State of California, California Code of Civil Procedure Section 1230.010 *et seq.*, as it may be amended, replaced or restated, or the Fair Market Purchase Price for the Improvements calculated pursuant to the provisions of Article 39 below. Further notwithstanding the foregoing, including without limitation Section 16.2 above, if there is a Total Taking (1) by any other local, State or Federal authority that has entered into an agreement with Landlord providing for the transfer of control of Tenant's interests in the condemned property (i) to Landlord or (ii) for the benefit of Landlord in whole or in part, or (2) by any public entity acting pursuant to any existing agreement with any party providing for the transfer of control of Tenant's interests in the condemned property following such condemnation to any private party or public entity that would operate any activity upon the condemned Premises pursuant to an existing agreement with Landlord that provides that such activity will be conducted on the condemned Premises, then Landlord shall pay to Tenant the

shortfall, if any, between the Fair Market Purchase Price, computed pursuant to Article 39 below, and the Net Awards and Payments payable by the condemnor to Tenant.

16.7. No Obligation to Provide Exchange Space During Taking.

Tenant acknowledges that notwithstanding any provision of the Affiliation Agreement to the contrary City shall have no obligation to provide Exchange Space to the extent Tenant has been compensated for the value of such Exchange Space on account of a Taking.

17. LIENS

17.1. Liens.

Tenant shall not create or permit the attachment of, and shall promptly following notice, discharge at no cost to City (unless caused by City, its Agents or its Invitees), any lien, security interest, or encumbrance on the Premises or Tenant's leasehold estate, other than the following (collectively, the "Permitted Title Exceptions"): (i) this Lease, other permitted Subleases and any exceptions to title existing as of the Effective Date and not caused or suffered to arise by Tenant or Tenant's use and occupancy of the Premises, (ii) liens for non-delinquent real property taxes and assessments (excluding any such taxes and assessments that may be separately assessed against the interests of Subtenants), and (iii) liens of mechanics, material suppliers or vendors, or rights thereto, for sums that under the terms of the related contracts are not at the time due or that are being contested as permitted by Article 17. The provisions of this Section do not apply to liens created by Tenant on its Personal Property.

17.2. Mechanics' Liens.

Nothing in this Lease shall be deemed or construed in any way as constituting the request of City, express or implied, for the performance of any labor or the furnishing of any materials for any specific improvement, alteration or repair of or to the Premises or the Improvements, or any part thereof. Tenant agrees that at all times when the same may be necessary or desirable, Tenant shall take such action as may be required by City or under any Law in existence or hereafter enacted that will prevent the enforcement of any mechanics' or similar liens against the Premises, Tenant's leasehold interest, or City's fee interest in the Premises for or on account of labor, services or materials furnished to Tenant, or furnished at Tenant's request. Tenant shall provide such advance written notice of any Subsequent Construction such as shall allow City from time to time to post a notice of non-responsibility on the Premises. If Tenant does not, within sixty (60) days following the imposition of any such lien, cause the same to be released of record or bonded over, it shall be a material default under this Lease, and City shall have, in addition to all other remedies provided by this Lease or by Law, the right but not the obligation to cause the same to be released by such means as it shall deem proper, including without limitation, payment of the claim giving rise to such lien. All sums paid by City for such purpose and all reasonable expenses incurred by City in connection therewith shall be payable to City by Tenant within thirty (30) days following written demand by City. City shall include reasonable supporting documentation with any such demand.

18. INDEMNIFICATION

18.1. Indemnification by Tenant.

Except to the extent caused by the intentional wrongful acts or negligence of City or any of its Agents (collectively, the "City Indemnified Parties"), Tenant agrees to and shall Indemnify the City Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any such City Indemnified Party, the Premises or City's interest therein, arising in connection with Tenant's use or operation of the Premises, including without limitation, the occurrence or existence of any of the following: (i) any accident, injury to or death of persons or loss of or damage to property occurring on the Premises or any part thereof; (ii) any accident, injury to or death of persons or loss of or damage to property occurring on the Utility Easement

Area or Access License Area, to the extent caused directly or indirectly by Tenant or any of Tenant's Agents or Invitees; (iii) any latent, design, construction or structural defect relating to the Project and any Subsequent Improvements constructed by or on behalf of Tenant or Tenant's Invitees, and any other matters relating to the condition of the Premises caused by Tenant or any of its Agents or Invitees; (iv) any failure on the part of Tenant or its Agents or Invitees, as applicable, to perform or comply with any of the terms of this Lease (including any Mitigation Measures that are the responsibility of Tenant under this Lease) or any failure on the part of Tenant to comply with any terms of the LDDA with respect to construction of the Project; or (v) resulting from or arising, directly or indirectly out of the negligence or willful misconduct of Tenant, its contractors, subcontractors, or their officers, agents or employees in connection with maintenance or repair of any equipment, facilities, or structures constituting the Sidewalk Improvements, as defined in Article 37 below. Notwithstanding the foregoing, however, Tenant shall not be required to Indemnify the City Indemnified Parties in the event that any indemnification required hereunder is held to be void or otherwise unenforceable under any applicable Laws or against Losses to the extent caused by the negligence or willful misconduct of City, its Agents, its Invitees or a City Indemnified Party(ies) being so indemnified. If any action, suit or proceeding is brought against any Indemnified Party by reason of any occurrence for which Tenant is obliged to Indemnify such City Indemnified Party, such City Indemnified Party will notify Tenant of such action, suit or proceeding. Tenant may, and upon the request of such City Indemnified Party will, at Tenant's sole expense, resist and defend such action, suit or proceeding, or cause the same to be resisted and defended by counsel designated by Tenant and reasonably approved by such City Indemnified Party in writing.

18.2. Indemnification by City.

Except to the extent caused by the intentional wrongful acts or negligence of Tenant or any of its Agents (collectively, the "Tenant Indemnified Parties"), City agrees to and shall Indemnify the Tenant Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any such Tenant Indemnified Party, the Premises or Tenant's interest therein, arising in connection with City's use of the Premises, including without limitation, the occurrence or existence of any of the following: (i) any accident, injury to or death of persons or loss of or damage to property occurring on the Premises or any part thereof arising in connection use of the Premises by City or its Agents; (ii) any accident, injury to or death of persons or loss of or damage to property occurring on the Utility Easement Area or Access License Area, which is caused directly or indirectly by City or any of City's Agents or Invitees; (iii) any latent, design, construction or structural defect relating any Subsequent Improvements constructed by or on behalf of City, if any, and any other matters relating to the condition of the Premises caused by City or any of its Agents or Invitees; or (iv) any failure on the part of City or its Agents or Invitees, as applicable, to perform or comply with any of the terms of this Lease (including any Mitigation Measures that are the responsibility of City under this Lease) or any failure on the part of City to comply with any terms of the LDDA with respect to construction of the Project. Notwithstanding the foregoing, however, City shall not be required to Indemnify the Tenant Indemnified Parties in the event that any indemnification required hereunder is held to be void or otherwise unenforceable under any applicable Laws or against Losses to the extent caused by the negligence or willful misconduct of Tenant, its Agents, its Invitees or any Tenant Indemnified Party(ies) being so indemnified. If any action, suit or proceeding is brought against any Tenant Indemnified Party by reason of any occurrence for which City is obliged to Indemnify such Tenant Indemnified Party, such Tenant Indemnified Party will notify City of such action, suit or proceeding. City may, and upon the request of such Tenant Indemnified Party will, at City's sole expense, resist and defend such action, suit or proceeding, or cause the same to be resisted and defended by counsel designated by City and reasonably approved by such Tenant Indemnified Party in writing. In the event of a Transfer to a Transferee other than Close Regents Affiliate, this Section 18.2 and Section 18.4 below shall terminate with respect to such Transferee and its Agents and their respective successors and

assigns only, and City shall have no indemnification obligations to such Transferee or its Agents or their respective successors and assigns.

18.3. Tenant's Immediate Obligation to Defend.

Tenant specifically acknowledges that it has an immediate and independent obligation to defend the Indemnified Parties from any claim that is actually or potentially within the scope of the indemnity provision of Section 18.1 or any other indemnity provision under this Lease, even if such allegation is or may be groundless, fraudulent or false, and such obligation arises at the time such claim is tendered to Tenant by an Indemnified Party and continues at all times thereafter. In the event that it is determined conclusively by a court of law with jurisdiction (and all possible periods for appeal have expired) that no Indemnified Party is entitled to the indemnification provided in Section 18.1 above, and provided that the provision of the defense of such Indemnified Party is not provided by any policy of insurance that Tenant is required to carry under the terms of this Lease (or would not have been provided but for Tenant's default in its obligations to maintain such insurance), then Tenant may offset from the next installments of Base Rent the reasonable and actual out-of-pocket expenses incurred by Tenant in connection with the defense of the Indemnified Party following Tenant's notification of such amounts owed, which notification shall be accompanied by detailed paid statements supporting such amounts.

18.4. City's Immediate Obligation to Defend.

City specifically acknowledges that it has an immediate and independent obligation to defend the Tenant Indemnified Parties from any claim which is actually or potentially within the scope of the indemnity provision of Section 18.2 or any other indemnity provision under this Lease, even if such allegation is or may be groundless, fraudulent or false, and such obligation arises at the time such claim is tendered to City by a Tenant Indemnified Party and continues at all times thereafter. In the event that it is determined conclusively by a court of law with jurisdiction (and all possible periods for appeal have expired) that no Tenant Indemnified Party is entitled to the indemnification provided in Section 18.2 above, and provided that the provision of the defense of such Tenant Indemnified Party is not provided by any policy of insurance that City is required to carry under the terms of this Lease, if any (or would not have been provided but for City's default in its obligations to maintain such insurance), then Tenant shall be required to pay the reasonable and actual out-of-pocket expenses incurred by City in connection with the defense of the Tenant Indemnified Party following Tenant's notification of such amounts owed, which notification shall be accompanied by detailed paid statements supporting such amounts.

18.5. Not Limited by Insurance.

None of the other provisions of this Lease shall limit the indemnification obligations under Section 18.1 or Section 18.2 or any other indemnification provision of this Lease.

18.6. Survival.

Tenant's and City's indemnity obligations under this Lease shall survive the expiration or sooner termination of this Lease.

18.7. Other Obligations.

The agreement to Indemnify set forth in this Article 18 and elsewhere in this Lease is in addition to, and in no way shall be construed to limit or replace, any other obligations or liabilities that Tenant may have to City under this Lease.

18.8. Defense.

(a) With respect to matters covered by Tenant's indemnifications in this Lease, Tenant shall, at its option but subject to the reasonable consent and approval of City, be entitled to control the defense, compromise, or settlement of any such matter through counsel of Tenant's own choice; provided, however, in all cases City shall be entitled to participate in such defense, compromise, or settlement at its own expense. If Tenant shall fail, however, in City's reasonable

judgment, within a reasonable time following notice from City alleging such failure, to take reasonable and appropriate action to defend, compromise, or settle such suit or claim, City shall have the right promptly to use the City Attorney or hire outside counsel, at Tenant's sole expense, to carry out such defense, compromise, or settlement, which expense shall be due and payable to City twenty (20) business days after receipt by Tenant of an invoice therefor.

(b) With respect to matters covered by City's indemnifications in this Lease, City shall, at its option but subject to the reasonable consent and approval of Tenant, be entitled to control the defense, compromise, or settlement of any such matter through counsel of City's own choice; provided, however, in all cases Tenant shall be entitled to participate in such defense, compromise, or settlement at its own expense. If City shall fail, however, in Tenant's reasonable judgment, within a reasonable time following notice from Tenant alleging such failure, to take reasonable and appropriate action to defend, compromise, or settle such suit or claim, Tenant shall have the right promptly to use the Tenant's internal counsel or hire outside counsel, at City's sole expense, to carry out such defense, compromise, or settlement, which expense shall be due and payable to Tenant twenty (20) business days after receipt by City of an invoice therefor.

18.9. Release of Claims Against City; Exceptions to Release.

Tenant, as a material part of the consideration of this Lease, hereby waives and releases any and all claims against the City and any and all Indemnified Parties from any Losses, including damages to goods, wares, goodwill, merchandise, equipment or business opportunities and by persons in, upon or about the Premises arising from the City's or any Indemnified Party's valid exercise of any of their rights or obligations in connection with this Lease, to the extent such party was acting solely in the capacity of Landlord under this Lease, and except to the extent of the indemnification by City under Section 18.2.

19. INSURANCE

19.1. Property and Liability Coverage.

(a) Required Types and Amounts of Insurance. Tenant shall, at no cost to City, obtain, maintain and cause to be in effect at all times from the Commencement Date to the later of (i) the last day of the Term, or (ii) the last day Tenant (A) is in possession of the Premises or (B) has the right of possession of the Premises (except as otherwise specified in this Section 19.1(a)), the following types and amounts of insurance:

i. Builders Risk Insurance. At all times prior to completion of the Project, and during any period of Subsequent Construction, Tenant shall maintain, on a form reasonably approved by City, builders' risk insurance in the amount of 100% of the completed value of all new construction, insuring all new construction with no coinsurance penalty provision, including all materials and equipment incorporated into the Improvements, and in transit or storage off-site, against hazards including earthquake (subject to the provisions of Section 19.1(b)(iii)), water damage (including, if appropriate and if available at commercially reasonable rates, groundwater damage and water damage resulting from backed up sewers and drains) and flood insurance (subject to the provisions of Section 19.1(b)(iv)), the Builder's Risk policy shall identify the City as the sole payee, with any deductible not to exceed Ten Thousand Dollars (\$10,000) or such higher amount as may be reasonably agreed to by City's Risk Manager following consultation with Tenant's Risk Manager (except as to earthquake insurance and flood insurance); provided, however, that as to both earthquake insurance and flood insurance separate sublimits of the insurance required under this Section 19.1(a)(i) and the insurance required under Section 19.1(a)(vii) may be required in order to comply with the requirements of Section 19.1(b)(iii) and Section 19.1(b)(iv).

ii. Property Insurance; Earthquake and Flood Insurance. Tenant shall maintain property insurance policies with coverage at least as broad as Insurance Services Office ("ISO") form CP 10 30 06 07 ("Causes of Loss - Special Form"), including earthquake,

subject to the provisions of Section 19.1(b)(iii), and flood, subject to the provisions of Section 19.1(b)(iv), in an amount not less than 100% of the then-current full replacement cost of the Improvements and other property being insured pursuant thereto (including building code upgrade coverage) with any deductible not to exceed Ten Thousand Dollars (\$10,000) or such higher amount as may be reasonably agreed to by City's Risk Manager following consultation with Tenant's Risk Manager (except as to earthquake insurance and flood insurance); provided, however, that as to both earthquake insurance and flood insurance separate sublimits of the insurance required under this Section 19.1(a)(ii) and the insurance required under Section 19.1(a)(vii) may be required in order to comply with the requirements of Section 19.1(b)(iii) and Section 19.1(b)(iv). In addition to the foregoing, Tenant shall insure its Personal Property in such amounts as Tenant deems reasonably appropriate and City shall have no interest in the proceeds of such Personal Property insurance.

iii. Commercial General Liability Insurance. Tenant shall maintain "Commercial General Liability" insurance policies with coverage at least as broad as ISO form CG 00 01 12 07, insuring against claims for bodily injury (including death), property damage, personal injury, advertising liability, contractual liability and products and completed operations, occurring upon the Premises (including the Improvements), and operations incidental or necessary thereto, such insurance to afford protection in the following amounts: (A) during construction in an amount not less than Five Million Dollars (\$5,000,000) each occurrence covering bodily injury and broad form property damage including contractual liability (which includes coverage of the indemnity in Section 18.1 and any other indemnity of City by Tenant) independent contractors, explosion, collapse, underground (XCU), and products and completed operations coverage, with an umbrella policy of Ten Million Dollars (\$10,000,000); (B) from and after Completion in an amount not less than One Million Dollars (\$1,000,000) each occurrence and Two Million Dollars (\$2,000,000) in the aggregate, with an umbrella policy of Two Million Dollars (\$2,000,000) (the "Umbrella Policy"); (C) if Tenant has (or is required under Laws to have) a liquor license and is selling or distributing alcoholic beverages on the premises, or is selling or distributing food products on the Premises, then from and after Completion, liquor liability coverage with limits not less than One Million Dollars (\$1,000,000) each occurrence, with excess coverage provided by the Umbrella Policy, and food products liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence, with excess coverage provided by the Umbrella Policy, as applicable, and (D) Tenant shall require any Subtenant who has (or is required under Laws to have) a liquor license and who is selling or distributing alcoholic beverages and food products on the Premises, to maintain coverage in amounts at least comparable to Tenant's base policies.

iv. Workers' Compensation Insurance. During any period in which Tenant has employees as defined in the California Labor Code, Tenant shall maintain policies of workers' compensation insurance, including employer's liability coverage with limits not less than the greater of those limits required under applicable Law, and One Million Dollars (\$1,000,000) each accident (except that such insurance in excess of One Million Dollars (\$1,000,000) each accident may be covered by a so-called "umbrella" or "excess coverage" policy, covering all persons employed by Tenant in connection with the use, operation and maintenance of the Premises and the Improvements.

v. Boiler and Machinery Insurance. Tenant shall maintain boiler and machinery insurance covering damage to or loss or destruction of machinery and equipment located on the Premises or in the Improvements that is used by Tenant for heating, ventilating, air-conditioning, power generation and similar purposes, in an amount not less than one hundred percent (100%) of the actual replacement value of such machinery and equipment.

vi. Business Automobile Insurance. Tenant shall maintain policies of business automobile liability insurance covering all owned, non-owned or hired motor vehicles to be used in connection with Tenant's use and occupancy of the Premises, affording protection for bodily injury (including death) and property damage in the form of Combined Single Limit

Bodily Injury and Property Damage policy with limits of not less than One Million Dollars (\$1,000,000) per occurrence.

vii. Business Interruption Insurance. Tenant shall maintain business interruption insurance for loss caused by any of the perils or hazards set forth in and required to be insured pursuant to the Property Related Insurance provisions, with a coverage period of not less than twelve (12) months, and with an annual limit of not less than Five Million Dollars (\$5,000,000).

viii. Environmental Liability Insurance. During the course of any Hazardous Material Remediation activities, Tenant shall maintain, or cause its contractor or consultant to maintain, environmental pollution or contamination liability insurance, on an occurrence form, with limits of not less than Two Million Dollars (\$2,000,000) each occurrence combined single liability for Bodily Injury, Property Damage and clean-up costs, with the prior written approval of City (such approval not to be unreasonably withheld, conditioned or delayed).

ix. Professional Liability. Tenant shall maintain or require to be maintained, professional liability (errors or omissions) insurance, with limits not less than One Million Dollars (\$1,000,000) each claim and Two Million Dollars (\$2,000,000) in the aggregate, with respect to all professional services, including, without limitation, architectural, engineering, geotechnical, and environmental, reasonably necessary or incidental to Tenant's activities under this Lease, with any deductible not to exceed Ten Thousand Dollars (\$10,000) or such higher amount as may be reasonably agreed to by City's Risk Manager following consultation with Tenant's Risk Manager for each claim during any period for which such professional services are engaged and for five (5) years following the completion of any such professional services.

x. Other Insurance. Tenant shall obtain such other insurance as is reasonably requested by City's Risk Manager and is customary for a first class medical research facility in San Francisco.

(b) General Requirements. All insurance required under this Lease:

i. Shall be carried under a valid and enforceable policy or policies issued by insurers of recognized responsibility that are rated Best A-:VIII or better (or a comparable successor rating) and legally authorized to sell such insurance within the State of California;

ii. As to property and boiler and machinery insurance shall name City as loss payee as its interest may appear, and as to both property and liability insurance, shall name as additional insureds the following: "THE CITY AND COUNTY OF SAN FRANCISCO AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS." Tenant shall cause such additional insured endorsements to be issued on Form CG2010(1185).

iii. As to earthquake insurance only:

(1) during the Term of this Lease; unless City reasonably agrees with Tenant that earthquake insurance is not generally commercially available at commercially reasonable rates, such insurance shall be in an amount at least equal to the lesser of (i) the maximum amount as is available at commercially reasonable rates from recognized carriers (with a deductible of up to but not to exceed five percent (5%) of the then-current, full replacement cost of the Improvements or other property being insured pursuant thereto (including building code upgrade coverage and the cost of any foundations, excavations and footings and without any deduction being made for depreciation), except that a greater deductible will be permitted to the extent that such coverage is not available from recognized insurance carriers or at commercially reasonable rates or to the extent City's Risk Manager reasonably agrees to a higher deductible following consultation with Tenant's Risk Manager), and (ii) one hundred percent

(100%) of the maximum probable loss that would be sustained by the Premises (based on the full value of the Improvements) as a result of the occurrence of an earthquake measuring 8.3 on the Richter scale (which maximum probable loss shall be determined not less frequently than every five (5) years by a consultant chosen and paid for by Tenant who is reasonably satisfactory to City), with a deductible of up to but not to exceed five percent (5%) of the then-current, full replacement cost of the Improvements or other property being insured pursuant thereto (including building code upgrade coverage and the cost of any foundations, excavations and footings and without any deduction being made for depreciation);

(2) rates for all earthquake insurance required under this Lease shall be deemed to be commercially reasonable in the event that they are less than or equal to one third of one percent (.33%) of the then-current full replacement cost of the Improvements;

iv. As to flood insurance only, unless City reasonably agrees with Tenant in writing that flood insurance is not generally available at commercially reasonable rates:

(1) during construction of the Project or any other Improvement, such insurance shall be in an amount at least equal to the maximum amount as is available at commercially reasonable rates from recognized insurance carriers (with a deductible up to, but not to exceed fifteen percent (15%) of the then-current, full replacement cost of the Improvements or other property being insured pursuant thereto (including building code upgrade coverage and the cost of any foundations, excavations and footings and without any deduction being made for depreciation) except that a greater deductible will be permitted to the extent that such coverage is not available from recognized insurance carriers or at commercially reasonable rates or if otherwise reasonably agreed to by City's Risk Manager following consultation with Tenant's Risk Manager);

(2) from and after completion of the Project, such insurance shall be in an amount at least equal to the amount available at commercially reasonable rates from recognized insurance carriers, with a deductible of up to but not to exceed an amount that is necessary to make such flood insurance available at commercially reasonable rates, or such higher amount as may be reasonably agreed to by City's Risk Manager following consultation with Tenant's Risk Manager.

(3) rates for all flood insurance required under this Lease shall be deemed to be commercially reasonable in the event that they are less than or equal to one tenth of one percent (.1%) of the then-current full replacement cost of the Improvements;

v. Shall be evaluated by City and Tenant for adequacy not less frequently than every five (5) years. Following consultation with Tenant, City may, upon not less than ninety (90) days prior written notice, require Tenant to increase the insurance limits for all or any of its general liability policies if in the reasonable judgment of the City's Risk Manager it is the general commercial practice in San Francisco or in other cities or counties around the country to carry insurance for facilities similar to the Premises in amounts substantially greater than the amounts carried by Tenant with respect to risks comparable to those associated with use of the Premises. If the City's Risk Manager determines that insurance limits required under this Section may be decreased in light of such commercial practice and the risks associated with use of the Premises, City shall notify Tenant of such determination, and Tenant shall have the right to decrease the insurance coverage required under this Lease accordingly. In any such event, Tenant shall promptly deliver to City a certificate evidencing such new insurance amounts and meeting all other requirements under this Lease with respect thereto.

vi. [Intentionally omitted.]

vii. As to Commercial General Liability only, shall provide that it constitutes primary insurance to any other insurance available to additional insureds specified

hereunder, with respect to claims insured by such policy, and that insurance applies separately to each insured against whom claim is made or suit is brought;

viii. Shall provide for waivers of any right of subrogation that the insurer of such Party may acquire against each Party hereto with respect to any losses and damages that are of the type covered under the policies required by Sections 19.1(a)(i), (ii) and (v);

ix. Shall be subject to the approval of City, which approval shall be limited to whether or not such insurance meets the terms of this Lease; and

x. Except for professional liability insurance, which shall be maintained in accordance with Section 19.1(a)(ix), if any of the insurance required hereunder is provided under a claims-made form of policy, Tenant shall maintain such coverage continuously throughout the Term, and following the expiration or termination of the Term, Tenant shall maintain, without lapse for a period of two (2) years beyond the expiration or termination of this Lease, coverage with respect to occurrences during the Term that give rise to claims made after expiration or termination of this Lease.

xi. Shall for Property Related Insurance only, provide that all losses payable under all such policies that are payable to City shall be payable notwithstanding any act or negligence of Tenant.

(c) Certificates of Insurance; Right of City to Maintain Insurance. Tenant shall furnish City certificates with respect to the policies required under this Section, together with (if City so requests) copies of each such policy within thirty (30) days after the Commencement Date and, with respect to renewal policies, at least thirty (30) business days prior to the expiration date of each such policy. Tenant shall provide City with thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to the City. If at any time Tenant fails to maintain the insurance required pursuant to Section 19.1, or fails to deliver certificates or policies as required pursuant to this Section, then, upon five (5) business days' written notice to Tenant, City may obtain and cause to be maintained in effect such insurance by taking out policies with companies satisfactory to City. Within ten (10) business days following demand, Tenant shall reimburse City for all amounts so paid by City, together with all costs and expenses in connection reasonably incurred by City therewith and interest thereon at the Default Rate.

(d) Insurance of Others. Tenant shall require that liability insurance policies that Tenant requires to be maintained by Subtenants, contractors, subcontractors or others in connection with their use or occupancy of, or their activities on, the Premises, include Tenant and City (using the wording described in Section 19.1(b)(ii)) as additional insureds, as their respective interests may appear.

(e) Self-Insurance. Tenant may, at Tenant's election, meet any and all of the insurance requirements of this Section 19.1 through its self-insurance program. 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, Tenant shall provide to City's Risk Manager such information as is reasonably necessary to permit a review and analysis of Tenant's self-insurance program, and, with respect to Workers' Compensation coverage, shall provide evidence of consent to self-insure from the State of California Division of Industrial Relations. If, as a supplement to Tenant's self-insurance program, Tenant obtains an insurance policy or policies from an insurance company, the provisions of this Section 19.1 shall apply in full to such insurance policy or policies, and if Tenant ceases to self-insure Tenant shall give notice thereof to City and shall immediately comply with the provisions of this Section 19.1 relating to the policy of insurance required. This right to self-insure are personal to The Regents of the University of California and shall not inure to the benefit of any other successor, assign or subtenant of Tenant other than the State of California,

including, without limitation, any other subtenant or assignee, and any such party shall have the right to self-insure only if and to the extent such right is approved in writing by City's Risk Manager, in his or her sole discretion.

19.2. City Entitled to Participate.

With respect to Property Related Insurance, City shall be entitled to participate in and consent to any settlement, compromise or agreement with respect to any claim for any loss in excess of Five Million Dollars (\$5,000,000) covered by the insurance required to be carried hereunder; provided, however, that City's consent shall not be unreasonably withheld, conditioned or delayed.

19.3. Release and Waiver.

Notwithstanding anything in this Lease to the contrary, each Party hereby waives all rights of recovery and causes of action, and releases each other Party (and its Agents and Invitees) from any liability, losses and damages occasioned to the property of each such Party, which losses and damages are of the type covered under the property policies required by Sections 19.1(a)(i), (ii) or (v) to the extent that such loss is reimbursed by an insurer (or would have been reimbursed by an insurer if Tenant had obtained the required insurance, either through a third party company or through Tenant's self-insurance program).

20. HAZARDOUS MATERIAL

20.1. Hazardous Material Compliance.

(a) Tenant's Right to Terminate on Account of Excess Clean Up Costs. During the term of the LDDA, Tenant shall have the option to terminate this Lease and the LDDA and any related agreement between Tenant and City for the Project in accordance section 3.4 of the LDDA.

(b) Compliance with Hazardous Materials Laws. Tenant shall comply and cause (i) all persons or entities under any Sublease, (ii) all Invitees or other persons or entities entering upon the Premises, and (iii) the Premises and the Improvements, to comply with all applicable Hazardous Material Laws and prudent business practices, including, without limitation, any deed restrictions, deed notices, soils management plans or certification reports required in connection with the approvals of any regulatory agencies in connection with the Project. Without limiting the generality of the foregoing, Tenant covenants and agrees that it will not Handle, nor will it permit the Handling of Hazardous Material on or under the Premises, nor will it transport or permit the transport of Hazardous Material to or from the Premises, except in compliance with all applicable Laws.

(c) Notice. Except for Hazardous Material permitted by Section 20.1(b), Tenant shall advise City in writing promptly (but in any event within five (5) business days) upon learning or receiving notice of (i) the presence of any Hazardous Material on or under the Premises, (ii) any action taken by Tenant in response to any (A) Hazardous Material on or under the Premises or (B) Hazardous Material Claims, and (iii) Tenant's discovery of the presence of Hazardous Material on or under the Premises. Tenant shall inform City orally as soon as possible of any emergency or non-emergency regarding a Release or discovery of Hazardous Material. In addition, Tenant shall provide City with copies of all communications with federal, state and local governments or agencies relating to Hazardous Material Laws (other than privileged communications, provided, however, such non-disclosure of such privileged communication shall not limit or impair Tenant's obligation to otherwise comply with each of the terms and provisions of this Article 20) and all communication with any person or entity relating to Hazardous Material Claims (other than privileged communications; provided, however, such non-disclosure of such privileged communication shall not limit or impair Tenant's obligation to otherwise comply with each of the terms and provisions of this Lease, including, without limitation, this Article 20).

(d) City's Approval of Remediation. Except as required by Law or to respond to an emergency, Tenant shall not take any Remediation in response to the presence, Handling, transportation or Release of any Hazardous Material on or under the Premises unless Tenant shall have first submitted to City for City's approval, which approval shall not be unreasonably withheld, conditioned or delayed, a written Hazardous Material Remediation plan and the name of the proposed contractor that will perform the work. City shall not condition its approval of the Hazardous Material Remediation plan in any manner that would conflict with any Law. City shall approve or disapprove of such Hazardous Material Remediation plan and the proposed contractor promptly, but in any event within thirty (30) days after receipt thereof. If City disapproves of any such Hazardous Material Remediation plan, City shall specify in writing the reasons for its disapproval. Any such Remediation undertaken by Tenant shall be done in a manner so as to minimize any impairment to the Premises. In the event Tenant undertakes any Remediation with respect to any Hazardous Material on or under the Premises, Tenant shall conduct and complete such Remediation (x) in compliance with all applicable Hazardous Material Laws, (y) to the reasonable satisfaction of City, and (z) in accordance with the orders and directives of all federal, state and local governmental authorities, including, but not limited to the California State Department of Health Services, the State or any Regional Water Quality Control Board, the Bay Area Air Quality Management district, and the San Francisco Department of Public Health.

20.2. Hazardous Material Indemnity.

Without limiting the indemnity in Section 18.1, Tenant shall Indemnify the Indemnified Parties from and against any and all Losses that arise out of or relate in any way to any use, Handling, production, transportation, disposal, storage or Release of any Hazardous Materials in or on the Premises at any time during the Term of the Lease and before the surrender of the Premises by Tenant, whether by Tenant, any Subtenants or any other person or entity directly or indirectly arising out of (A) the Handling, transportation or Release of Hazardous Material by Tenant, its Agents, Invitees or any Subtenants or any person or entity on or about the Premises (other than City and its Agents and Invitees), (B) any failure by Tenant, its Agents, Invitees or Subtenants (other than City and its Agents and Invitees) to comply with Hazardous Materials Laws, or (C) any failure by Tenant to comply with the obligations contained in Section 20.1(b). All such Losses within the scope of this Section shall constitute Additional Rent owing from Tenant to City hereunder and shall be due and payable from time to time immediately upon City's request, as incurred. Tenant understands and agrees that its liability to the Indemnified Parties shall arise upon the earlier to occur of (a) discovery of any such Hazardous Materials on or under the Premises, or (b) the institution of any Hazardous Material Claim with respect to such Hazardous Material, and not upon the realization of loss or damage. Tenant acknowledges and agrees that it has an immediate obligation to defend City as set forth in Section 18.3.

21. CITY'S RIGHT TO PERFORM TENANT'S COVENANTS

21.1. City May Perform in Emergency.

Without limiting any other provision of this Lease, and in addition to any other rights or remedies available to City for any default on the part of Tenant under this Lease, if Tenant fails to perform any maintenance or repairs required to be performed by Tenant hereunder within the time provided for such performance, which failure gives rise to an emergency that creates an imminent danger to public health or safety, as reasonably determined by City, City may at its sole option, but shall not be obligated to, perform such obligation for and on behalf of Tenant, provided that, if there is time, City first gives Tenant such notice and opportunity to take corrective action as is reasonable under the circumstances. Nothing in this Section shall be deemed to limit City's ability to act in its legislative or regulatory capacity, including the exercise of its police powers, nor to waive any claim on the part of Tenant that any such action on the part of City constitutes a Condemnation or an impairment of Tenant's contract with City.

21.2. City May Perform Following Tenant's Failure to Perform.

Without limiting any other provision of this Lease, and in addition to any other rights or remedies available to City for any default on the part of Tenant under this Lease, if at any time Tenant fails to pay any sum required to be paid by Tenant pursuant to this Lease to any party other than City (other than any property taxes or assessments, with respect to which the provisions of Section 8.1 shall apply), or if Tenant fails to perform any obligation on Tenant's part to be performed under this Lease, which failure continues without cure following written notice from City for a period of thirty (30) days (or such longer period as is provided under Article 22), subject to Force Majeure (or, if Section 19.1(c) is applicable, which failure continues for five (5) business days after written notice from City), and is not the subject of a contest under Article 9, then, City may, at its sole option, but shall not be obligated to, pay such sum or perform such obligation for and on behalf of Tenant.

21.3. Tenant's Obligation to Reimburse City.

If pursuant to the terms of this Lease, City pays any sum or performs any obligation required to be paid or performed by Tenant hereunder, Tenant shall reimburse City within thirty (30) days following demand (or by such earlier date specifically provided herein with respect to a particular cost or expense), as Additional Rent, the sum so paid, or the reasonable expense incurred by City in performing such obligation, together with interest thereon at the Default Rate, if such payment is not made within such period, computed from the date of City's demand until payment is made. City's rights under this Article 21 shall be in addition to its rights under any other provision of this Lease or under applicable Laws.

22. EVENTS OF DEFAULT; TERMINATION

22.1. Events of Default.

Any default of this Lease by Tenant shall be governed by this Article and the cure periods provided herein. The occurrence of any one or more of the following events shall constitute an "Event of Default" under the terms of this Lease (following the applicable notice and grace period provided):

(a) Tenant fails to pay any Rent to City when due, which failure continues for thirty (30) days following written notice from City (it being understood and agreed that the notice required to be given by City under this Section 22.1(a) shall also constitute the notice required under Section 1161 of the California Code of Civil Procedures or its successor, and shall satisfy the requirements that notice be given pursuant to such section provided the same is served in the manner required under Section 1162 of the California Code of Civil Procedure);

(b) Tenant files a petition for relief, or an order for relief is entered against Tenant, in any case under applicable bankruptcy or insolvency Law, or any comparable Law that is now or hereafter may be in effect, whether for liquidation or reorganization, which proceedings if filed against Tenant are not dismissed or stayed within one hundred twenty (120) days;

(c) A writ of execution is levied on the leasehold estate that is not released within one hundred twenty (120) days, or a receiver, trustee or custodian is appointed to take custody of all or any material part of the property of Tenant, which appointment is not dismissed within one hundred twenty (120) days;

(d) Tenant makes a general assignment for the benefit of its creditors;

(e) Tenant abandons the Premises, within the meaning of California Civil Code Section 1951.2, which abandonment is not cured within sixty (60) days after notice of belief of abandonment from City;

(f) Tenant fails to maintain any insurance required to be maintained by Tenant under this Lease, which failure continues without cure for thirty (30) days after written notice from City;

(g) Tenant suffers or permits a Sublease or other Transfer of this Lease or any interest therein to occur in violation of this Lease, or sublets all or any portion of the Premises in violation of this Lease, and such violation is not cured by rescission or other means within thirty (30) days after written notice from City specifying the nature of such violation or failure, or, if such cure cannot reasonably be completed within such thirty (30)-day period, if Tenant does not within such thirty (30)-day period commence such cure, or having so commenced, does not prosecute such cure with diligence and dispatch to completion within a reasonable period, with the goal of completing such cure at the earliest date practicable and in all events within ninety (90) days after such written notice from City;

(h) Tenant engages in or allows any use not permitted hereunder or engages in any activity prohibited by Section 4.8(a)(ii), and such activity continues without cure for more than fifteen (15) days after written notice from City specifying the nature of such violation or failure, or, if such cure cannot reasonably be completed within such fifteen (15)-day period, if Tenant does not within such fifteen (15)-day period commence such cure, or having so commenced, does not prosecute such cure with diligence and dispatch to completion within thirty (30) days after such written notice from City; or

(i) Tenant violates any other covenant, or fails to perform any other obligation to be performed by Tenant under this Lease (including, but not limited to, any Mitigation Measures and Improvement Measures) at the time such performance is due, and such violation or failure continues without cure for more than thirty (30) days after written notice from City specifying the nature of such violation or failure, or, if such cure cannot reasonably be completed within such thirty (30)-day period, if Tenant does not within such thirty (30)-day period commence such cure, or having so commenced, does not prosecute such cure with diligence and dispatch to completion within a reasonable time thereafter.

23. REMEDIES

23.1. City's Equitable Relief; City's Remedies Generally.

City shall be first required at any time after an Event of Default by Tenant to seek injunctive relief or an order for specific performance and/or damages, as applicable. Upon the occurrence and during the continuance of an Event of Default under this Lease, City shall have all rights and remedies provided in this Lease or available at law or equity, including such equitable relief that may be appropriate to the circumstances of such Event of Default, provided, for so long as the Regents or a Close Regents Affiliate is the Tenant, (1) City shall first seek injunctive relief, an order for specific performance, and/or damages, and (2) City shall not have the right to terminate this Lease except (i) following a material breach for which termination is a permitted remedy under California law; (ii) which has been finally adjudicated by the Superior Court of California, County of San Francisco, with jurisdiction the Parties and this Lease as the appropriate remedy and The Regents or any Close Regents Affiliate, as applicable, has either exhausted all appeals or failed to file an appeal thereof within the required time frame (including any available extensions), and (iii) the breach cannot be remedied by money or by some other non-termination remedy (as set forth in Section 23.3(c)). All of City's rights and remedies shall be cumulative, and except as may be otherwise provided by applicable Law, the exercise of any one or more rights shall not preclude the exercise of any others. Without limiting the foregoing, upon a termination of the LDDA by City, this Lease shall simultaneously terminate, and upon a termination of this Lease by City, the LDDA shall simultaneously terminate.

23.2. Right to Keep Lease in Effect.

(a) Continuation of Lease. Upon the occurrence of an Event of Default hereunder,

City may continue this Lease in full force and effect, as permitted by California Civil Code Section 1951.4 (or any successor provisions). Specifically, City has the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations). In the event City elects this remedy, City shall have the right to enforce by suit or otherwise, all covenants and conditions hereof to be performed or complied with by Tenant and exercise all of City's rights, including the right to collect Rent, when and as such sums become due, even though Tenant has breached this Lease and is no longer in possession of the Premises or actively managing or operating the Premises. Tenant shall be liable immediately to City for all costs City reasonably incurs in enforcing this Lease, whether or not any action or proceeding is commenced, including, without limitation, Attorneys' Fees and Costs, brokers' fees or commissions, the costs of removing and storing the Personal Property of Tenant, costs incurred by City in connection with reletting the Premises, or any portion thereof, and altering, installing, modifying and constructing tenant improvements required for a new tenant, and the costs of Restoration and of repairing, securing, servicing, maintaining and preserving the Premises or the Improvements, or any portion thereof.

(b) No Termination without Notice. No act by City allowed by this Section 23.2, nor any appointment of a receiver upon City's initiative to protect its interest under this Lease, nor any withholding of consent to a subletting or assignment or termination of a subletting or assignment in accordance herewith, shall terminate this Lease, unless and until City notifies Tenant in writing that City elects to terminate this Lease.

23.3. Right to Terminate Lease.

(a) Termination; Damages. Subject to the provisions and limitations of Section 23.1 and Section 23.3(c), City may terminate this Lease at any time after the occurrence (and during the continuation) of an Event of a Default by giving written notice of such termination and termination of this Lease shall thereafter occur on the date set forth in such notice. Acts of maintenance or preservation, and any appointment of a receiver upon City's initiative to protect its interest hereunder shall not in any such instance constitute a termination of Tenant's right to possession. No act by City other than giving notice of termination to Tenant in writing shall terminate this Lease. On termination of this Lease, City shall have the right to recover from Tenant all sums allowed under California Civil Code Section 1951.2, including, without limitation, the following:

i. The worth at the time of the award of the unpaid Rent that had been earned at the time of termination of this Lease;

ii. The worth at the time of the award of the amount by which the unpaid Rent that would have been earned after the date of termination of this Lease until the time of the award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided;

iii. The worth at the time of the award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided; and

iv. Any other amount necessary to compensate City for all detriment proximately caused by the default of Tenant, or that in the ordinary course of things would be likely to result therefrom.

v. "The worth at the time of the award", as used in Section 23.3(a)(i) and (ii) shall be computed by allowing interest at a rate per annum equal to the Default Rate. "The worth at the time of the award", as used in Section 23.3(a)(iii), shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%).

(b) Interest. Rent not paid when due shall bear interest from the date due until paid at the Default Rate.

(c) Prior City Action. Notwithstanding City's right to seek to terminate this Lease under Section 23.3(a), so long as The Regents of the University of California or any Close Regents Affiliate (as defined) below is the tenant under this Lease and Tenant's interest in the Lease has not been assigned or otherwise transferred in full to any party other than a Close Regents Affiliate, City shall first seek equitable remedies including specific performance or injunctive relief, and/or monetary damages from the Superior Court of California, County of San Francisco, before seeking to terminate this Lease. If the Superior Court determines that specific performance, injunctive relief, and/or monetary damages are not available, appropriate or cannot make City whole for the damages, or Tenant fails to comply with a previously-ordered remedy, then City can seek to terminate this Lease. As used in this Lease a "Close Regents Affiliate" means (i) the State of California, or (ii) a public or nonprofit entity, the primary purpose of which is to support, benefit or further charitable, scientific, research, educational and public service purposes materially similar to those supported and furthered by The Regents of the University of California at San Francisco and materially consistent with the mission of The Regents under the State Constitution (including, without limitation, any successor or affiliate of Tenant if The Regents of the University of California at San Francisco alters its governance structure).

(d) No Rights to Assign or Sublet. Upon the occurrence of an Event of Default, until cured, notwithstanding anything in Article 7, to the contrary, Tenant shall have no right to sublet or assign its interest in the Premises or this Lease without City's written consent, which may be given or withheld in City's sole and absolute discretion.

23.4. Continuation of Subleases and Other Agreements.

Following an Event of Default and termination of Tenant's interest in this Lease, and subject to the terms of any non-disturbance agreements entered into by City, City shall have the right, at its sole option, to assume any and all Subleases and agreements for the maintenance or operation of the Premises. Tenant hereby further covenants that, upon request of City following an Event of Default and termination of Tenant's interest in this Lease, Tenant shall execute, acknowledge and deliver to City, or cause to be executed, acknowledged and delivered to City, such further instruments as may be necessary or desirable to vest or confirm or ratify vesting in City the then existing Subleases and other agreements then in force, as above specified.

24. EQUITABLE RELIEF

24.1. City's Equitable Relief.

In addition to the other remedies provided in this Lease, City shall be entitled at any time after a default or threatened default by Tenant to seek injunctive relief or an order for specific performance, where appropriate to the circumstances of such default. In addition, after the occurrence and during the continuance of an Event of Default, City shall be entitled to any other equitable relief that may be appropriate to the circumstances of such Event of Default.

24.2. Tenant's Equitable Relief.

In addition to the other remedies provided in this Lease, Tenant shall be entitled at any time after a default or threatened default by Tenant to seek injunctive relief or an order for specific performance, where appropriate to the circumstances of such default. In addition, after the occurrence and during the continuance of an Event of Default, Tenant shall be entitled to any other equitable relief that may be appropriate to the circumstances of such Event of Default.

25. NO WAIVER

25.1. No Waiver by City or Tenant.

No failure by City or Tenant to insist upon the strict performance of any term of this Lease or to exercise any right, power or remedy consequent upon a breach of any such term, shall be deemed to imply any waiver of any such breach or of any such term unless clearly expressed in writing by the Party against which waiver is being asserted. No waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect, or the respective rights of City or Tenant with respect to any other then existing or subsequent breach.

25.2. No Accord or Satisfaction.

No submission by Tenant or acceptance by City of full or partial Rent or other sums during the continuance of any failure by Tenant to perform its obligations hereunder shall waive any of City's rights or remedies hereunder or constitute an accord or satisfaction, whether or not City had knowledge of any such failure. No endorsement or statement on any check or remittance by or for Tenant or in any communication accompanying or relating to such payment shall operate as a compromise or accord or satisfaction unless the same is approved as such in writing by City. City may accept such check, remittance or payment and retain the proceeds thereof, without prejudice to its rights to recover the balance of any Rent, including any and all Additional Rent, due from Tenant and to pursue any right or remedy provided for or permitted under this Lease or in law or at equity. No payment by Tenant of any amount claimed by City to be due as Rent hereunder (including any amount claimed to be due as Additional Rent) shall be deemed to waive any claim that Tenant may be entitled to assert with regard to the making of such payment or the amount thereof, and all such payments shall be without prejudice to any rights Tenant may have with respect thereto, whether or not such payment is identified as having been made "under protest" (or words of similar import).

26. DEFAULT BY CITY; TENANT'S REMEDIES

City shall be deemed to be in default hereunder only if City shall fail to perform or comply with any obligation on its part hereunder and (i) such failure shall continue for more than the time of any cure period provided herein, or, (ii) if no cure period is provided herein, for more than thirty (30) days after written notice thereof from Tenant, or, (iii) if such default cannot reasonably be cured within such thirty (30)-day period, City shall not within such period commence with due diligence and dispatch the curing of such default, or, having so commenced, shall thereafter fail or neglect to prosecute or complete with diligence and dispatch the curing of such default. Upon the occurrence of default by City described above, which default substantially and materially interferes with the ability of Tenant to conduct the use on the Premises provided for hereunder, Tenant shall have the exclusive right (a) to offset or deduct only from the Rent becoming due hereunder, the amount of all Losses incurred by Tenant as a direct result of City's default, but only after obtaining a final, unappealable judgment in a court of competent jurisdiction for such damages in accordance with applicable Law and the provisions of this Lease, or (b) to seek equitable relief in accordance with applicable Laws and the provisions of this Lease where appropriate and where such relief does not impose personal liability on City or its Agents; provided, however, (1) in no event shall Tenant be entitled to offset from all or any portion of the Rent becoming due hereunder any Losses other than Tenant's Losses as described in the foregoing clause (a), (2) Tenant agrees that, notwithstanding anything to the contrary herein or pursuant to any applicable Laws, Tenant's remedies hereunder shall constitute Tenant's sole and absolute right and remedy for a default by City hereunder, and (3) Tenant shall have no remedy of self-help.

27. NO RECOURSE AGAINST SPECIFIED PERSONS

27.1. Tenant's Recourse Against City.

No commissioner, officer, director or employee of City, or any other Indemnified Parties will be personally liable to Tenant, or any successor in interest, for any default by City, and Tenant agrees that it will have no recourse with respect to any obligation or default under this Lease, or for any amount that may become due Tenant or any successor or for any obligation or claim based upon this Lease, against any such individual.

27.2. City's Recourse Against Tenant.

No commissioner, officer, director or employee of Tenant will be personally liable to City, or any successor in interest, for any Event of Default by Tenant, and City agrees that it will have no recourse with respect to any obligation of Tenant under this Lease, or for any amount that may become due City or any successor or for any obligation or claim based upon this Lease, against any such individual.

28. [Intentionally omitted.]

29. ESTOPPEL CERTIFICATES

29.1. Estoppel Certificate by Tenant.

Tenant shall execute, acknowledge and deliver to City (or at City's request, to a prospective purchaser or mortgagee of City's interest in the Property), within fifteen (15) business days after a request, a certificate stating to the best of Tenant's knowledge (a) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the modifications or, if this Lease is not in full force and effect, so stating), (b) the dates, if any, to which any Rent and other sums payable hereunder have been paid, (c) that no notice has been received by Tenant of any default hereunder that has not been cured, except as to defaults specified in such certificate and (d) any other matter actually known to Tenant, directly related to this Lease and reasonably requested by City. In addition, if requested, Tenant shall attach to such certificate a copy of this Lease, and any amendments thereto, and include in such certificate a statement by Tenant that, to the best of its knowledge, such attachment is a true, correct and complete copy of this Lease, as applicable, including all modifications thereto. Any such certificate may be relied upon by City, and any purchaser, prospective purchaser, mortgagee or prospective mortgagee of the Premises or any part of City's interest therein. Tenant will also use commercially reasonable efforts (including inserting a provision similar to this Section into each Sublease) to cause Subtenants under Subleases to execute, acknowledge and deliver to City, within ten (10) business days after request, an estoppel certificate covering the matters described in clauses (a), (b), (c) and (d) above with respect to such Sublease.

29.2. Estoppel Certificate by City.

City shall execute, acknowledge and deliver to Tenant (or at Tenant's request, to any Subtenant, prospective Subtenant, or other prospective permitted transferee of Tenant's interest under this Lease), within fifteen (15) business days after a request, a certificate stating to the best of City's knowledge (limited to only that of the Director of Property) (a) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect as modified, and stating the modifications or if this Lease is not in full force and effect, so stating), (b) the dates, if any, to which Rent and other sums payable hereunder have been paid, (c) whether or not, to the knowledge of City, there are then existing any defaults under this Lease (and if so, specifying the same), (d) the amount of the security deposit (if any) being held by City under this Lease, and (e) any other matter actually known to City, directly related to this Lease and reasonably requested by the requesting Party. In addition, if requested, City shall attach to such certificate a copy of this Lease and any amendments thereto, and include

in such certificate a statement by City that, to the best of its knowledge (limited to only that of the Director of Property), such attachment is a true, correct and complete copy of this Lease, including all modifications thereto. Any such certificate may be relied upon by Tenant or any Subtenant, prospective Subtenant, or other prospective permitted transferee of Tenant's interest under this Lease.

30. APPROVALS BY CITY

30.1. Approvals by City.

The City Administrator or his or her designee, is authorized to execute on behalf of City any closing or similar documents if the City Administrator determines, after consultation with, and approval as to form by, the City Attorney, that the document is necessary or proper and in City's best interests. The City Administrator's signature of any such documents shall conclusively evidence such a determination by him or her. Wherever this Lease requires or permits the giving by City of its consent or approval, or whenever an amendment, waiver, notice, or other instrument or document is to be executed by or on behalf of City, the City Administrator, or his or her designee, shall be authorized to execute such instrument on behalf of City, except as otherwise provided by applicable Law, including the City's Charter.

30.2. Fees for Review.

Within thirty (30) days after City's written request, Tenant shall pay City, as Additional Rent, City's actual costs, including, without limitation, Attorneys' Fees and Costs reasonably incurred in connection with the review, investigation, processing, documentation and/or approval of any proposed assignment or Sublease or Subsequent Construction. Tenant shall pay such costs regardless of whether or not City consents to such proposal, except only in any instance where City has wrongfully withheld, delayed or conditioned its consent in violation of this Lease.

31. NO MERGER OF TITLE

There shall be no merger of the leasehold estate with the fee estate in the Premises by reason of the fact that the same party may own or hold (a) the leasehold estate or any interest in such leasehold estate, and (b) any interest in such fee estate. No such merger shall occur unless and until all parties having any interest in the leasehold estate and the fee estate in the Premises shall join in and record a written instrument effecting such merger.

32. QUIET ENJOYMENT

Subject to the terms and conditions of this Lease and applicable Laws, City agrees that Tenant, upon paying the Rent and observing and keeping all of the covenants under this Lease on its part to be kept, shall lawfully and quietly hold, occupy and enjoy the Premises during the Term of this Lease without hindrance or molestation of anyone claiming by, through or under City.

33. SURRENDER OF PREMISES

(a) Condition of Premises. Upon the expiration or other termination of the Term of this Lease, Tenant shall quit and surrender the Improvements to City the Premises in good order and in clean and operable condition, reasonable wear and tear excepted to the extent the same is consistent with maintenance of the Premises in the condition required hereunder, with walls, plumbing and electrical fixtures intact, no exposed wiring, and free of any liens or encumbrances. Unless otherwise specifically approved in writing by City, Tenant shall remove, at no cost to City, any Personal Property from the Premises prior to surrender. If the removal of Personal Property causes damage to the Premises, Tenant shall promptly repair such damage, at no cost to City. The Premises shall be surrendered with all Improvements, repairs, alterations, additions, substitutions and replacements thereto subject to Section 33(c) below. Tenant hereby agrees to execute all documents as City may deem necessary to evidence or confirm any such

other termination. Tenant shall be responsible for any required decommissioning of laboratory space within the Premises and any decontamination required as a result of materials used in or material or waste present in the Premises.

(b) Subleases and Agreements. Upon any termination of this Lease, City shall have the right to terminate all Subleases hereunder and any and all agreements for the maintenance or operation of the Premises, including without limitation, the Management Agreement.

(c) Safety Restoration Work. Upon the expiration or termination of this Lease resulting from an event of damage or destruction pursuant to Section 15.3, a Condemnation event under Article 16, or an Event of Default pursuant to Article 22, upon written instructions from City, Tenant shall, at Tenant's sole cost and expense (subject to City's responsibility, if any, under Section 15.2), complete all Safety Restoration Work, and return the Premises to City in a clean condition. Such Safety Restoration Work shall be conducted in accordance with the provisions of this Lease relating to construction on the Premises, including without limitation, Article 13.

34. HOLD OVER

Any holding over by Tenant after the expiration or termination of this Lease shall not constitute a renewal hereof or give Tenant any rights hereunder or in the Premises, except with the written consent of City. In any such event, at City's option, Tenant shall be (a) a tenant at sufferance, or (b) a month-to-month tenant at the Rent in effect at the expiration of the Term, payable on a monthly basis.

35. NOTICES

35.1. Notices

All notices, demands, consents, and requests that may or are to be given by any Party to the other shall be in writing, except as otherwise provided herein. All notices, demands, consents and requests to be provided hereunder shall be deemed to have been properly given and effective (i) on the date of receipt if given by personal delivery on a business day (or the next business day if delivered personally on a day that is not a business day), or (ii) if mailed, on the date that is three business days after the date when deposited with the U.S. Postal Service for delivery by United States registered or certified mail, postage prepaid, in either case, addressed at the addresses specified in the Basic Lease Information in Article 1, or at such other place or places in the United States as each such Party may from time to time designate by written notice to the other in accordance with the provisions hereof. For convenience of the Parties, copies of notices may also be given by telefacsimile to the facsimile number set forth below or such other number as may be provided from time to time by notice given in the manner required under this Lease; however, neither Party may give official or binding notice by telefacsimile or email.

35.2. Form and Effect of Notice

Every notice given to a Party or other party under this Section must state (or shall be accompanied by a cover letter that states):

(a) the section of this Lease pursuant to which the notice is given and the action or response required, if any;

(b) if applicable, the period of time within which the recipient of the notice must respond thereto; and

(c) if applicable, that the failure to object to the notice within a stated time period will be deemed to be the equivalent of the recipient's approval of or consent to the subject matter of the notice.

In no event shall a recipient's approval of or consent to the subject matter of a notice be deemed to have been given by its failure to object thereto if such notice (or the accompanying cover letter) does not comply with the requirements of this Article.

36. INSPECTION OF PREMISES BY CITY

36.1. Entry.

Subject to the rights of Subtenants, Tenant shall permit City and its Agents to enter the Premises during regular business hours upon no less than two (2) business days' prior notice (and in the event of an emergency that poses an imminent danger to public health or safety, upon such notice that is reasonable under the circumstances) for the purpose of (i) inspecting the same for compliance with any of the provisions of this Lease, (ii) performing any work therein that City may have a right to perform under Section 21, or (iii) inspecting, sampling, testing and monitoring the Premises or the Improvements or any portion thereof, including buildings, grounds and subsurface areas, as City reasonably deems necessary or appropriate for evaluation of Hazardous Material or other environmental conditions. Nothing herein shall imply any duty upon the part of City to perform any work that under any provision of this Lease Tenant may be required to perform, nor to place upon City any obligation, or liability, for the care, supervision or repair of the Premises. City agrees to use reasonable efforts to minimize interference, to the extent practicable, with the activities and tenancies of Tenant, Subtenant and their respective Agents and Invitees, and City shall be responsible for any damage to the Premises caused by City or its Agents in connection with an entry under clauses (i) and (iii) above, and for any damages resulting from City or its Agents' negligence in connection with any entry under clause (ii) above. If City elects to perform work on the Premises pursuant to Section 21, City shall not be liable for inconvenience, loss of business or other damage to Tenant by reason of the performance of such work on the Premises, or on account of bringing necessary materials, supplies and equipment into or through the Premises during the course thereof, provided City uses reasonable diligence to minimize the interference any such work may cause with the activities of Tenant, its Subtenants, and their respective Invitees.

36.2. Exhibit for Lease.

Subject to the rights of Subtenants, Tenant shall permit City and its Agents to enter the Premises during regular business hours upon reasonable prior notice during the last twelve (12) months of the Term (i) to exhibit the same in a reasonable manner in connection with any sale, transfer or other conveyance of City's interest in the Premises, and (ii) for the purpose of leasing the Premises.

36.3. Notice, Right to Accompany.

City agrees to give Tenant at least two (2) business days' prior written notice of City's entering on the Premises for the purposes set forth in Section 36.2. Tenant shall have the right to have a representative of Tenant accompany City or its Agents on any entry into the Premises pursuant to this Article 36 or any other provision of this Lease.

36.4. Rights with Respect to Subtenants.

Tenant agrees to use commercially reasonable efforts (including efforts to obtain the agreement of each Subtenant to include a provision similar to this Article 36 in its Sublease) to require each Subtenant to permit City to enter its premises for the purposes specified in this Article 36.

37. SIDEWALK MAINTENANCE

Tenant will, at its cost and expense, repair, reconstruct, and maintain in good condition, consistent with the custom and practice in the City and County of San Francisco for private permittees, curb, gutter, sidewalk paving, landscaping (including irrigation), street trees, trash receptacles, street furniture and bicycle racks, if any (collectively, the "Sidewalk

Improvements”) now, or in the future, on or immediately adjacent to the Premises (which for the purposes of this Article 37 shall be deemed to include the applicable portion of the public sidewalk located outside the historic fence on 23rd Street and adjacent to the landscaped area adjacent to the Vermont Street side of the Research Facility Building as shown on Exhibit C-2) in that area shown outlined on Exhibit C-2. Tenant’s repair and maintenance of the Sidewalk Improvements shall comply in all respects with the San Francisco Department of Public Works (“DPW”) Standards and Specifications, DPW regulations applicable to Tenant, and all other City laws, ordinances, and regulations regarding such Sidewalk Improvements applicable to Tenant. Notwithstanding the foregoing, except as may be otherwise set forth in any other agreement between Tenant and City, Tenant’s obligations shall not include maintaining any underground utilities not associated with the operations of the Sidewalk Improvements, nor shall its obligations include maintenance of any improvements outside of the location of the Sidewalk Improvements. If Tenant becomes aware of any deficiencies or conditions that require repair to the Sidewalk Improvements, Tenant shall promptly repair such Sidewalk Improvements, subject to obtaining authorization from City for such work. If City becomes aware that the Sidewalk Improvements are in need of maintenance or repair, City shall notify Tenant in writing of the need to maintain or repair. Within thirty (30) calendar days after receipt of notification from City or otherwise becoming aware of the need for maintenance or repair (such period to be extended by any unreasonable delay by City in authorizing or disapproving the proposed maintenance or repair), Tenant shall perform the necessary maintenance or repair; provided, however, that if City identifies a dangerous condition that requires more immediate remediation, City’s notice may specify a shorter time period for such remediation, with which Tenant shall use reasonable attempts to comply; and provided further if such necessary maintenance and repair is not susceptible to cure within thirty (30) calendar days Tenant shall be allowed such additional time as is reasonably necessary to perform the maintenance or repair provided Tenant is diligently pursuing such corrective action.

If Tenant fails to perform corrective action within thirty (30) days after receipt of written notice from City to remedy the problem or, if such remedy cannot reasonably be completed within such thirty (30)-day period, if Tenant does not within such thirty (30)-day period commence such remedy, or having so commenced, does not prosecute such remedy with diligence and dispatch to completion within a reasonable time thereafter, City may at its sole election perform the maintenance or repair of the Sidewalk Improvements in need of maintenance or repair, and Tenant shall reimburse City for City’s reasonable costs associated with such maintenance or repair within thirty (30) days of receipt of an invoice for such work. If Tenant fails to reimburse City for such invoiced amount by the specified due date, City may take any action within its power to collect such payment.

38. SURRENDER OF RELINQUISHED PREMISES; TERMINATION OF EXISTING OCCUPANCY AGREEMENTS

The “Relinquished Premises” refers individually and collectively to those increments of space described on the attached Exhibit F-1 (the “Relinquished Premises”), presently occupied by Tenant pursuant to the leases and other agreements described in the attached Exhibit F-1 (the “Existing Occupancy Agreements”). On or before the respective dates set forth in the schedule set forth on the attached Exhibit F-2 (each such date, a “Relinquished Premises Deletion Date”), Tenant shall surrender the applicable increment(s) of Relinquished Premises in good order and in clean and operable condition, with walls, plumbing and electrical fixtures intact, no exposed wiring, free of such personal property, furnishings and equipment as must be removed prior to surrender pursuant to the terms of the applicable Existing Occupancy Agreement (or if not detailed in the Existing Occupancy Agreement, free of all unaffixed personal property, including unaffixed furnishings and unaffixed equipment) (except as otherwise specifically noted in Exhibit F-3), and the Existing Occupancy Agreement shall thereupon terminate; provided, however, that Tenant shall remain liable for all of Tenant’s obligations that arose with regard to the Relinquished Premises prior to the Relinquished Premises Deletion Date and Tenant’s

indemnification obligations set forth in the applicable Existing Occupancy Agreement with regard to the Relinquished Premises that survive the expiration or termination of Existing Occupancy Agreement shall survive the Relinquished Premises Deletion Date. Tenant's contractor shall keep City Staff informed regarding the progress of the work on the Research Facility Project and the anticipated date of substantial completion of such work, so that DPH staff can plan for the surrender of the various increments of the Relinquished Premises, and shall promptly respond to City's inquiries regarding the progress of the work. Tenant shall provide City with not less than ten (10) business day's advance written notice of the date Tenant anticipates will be the Relinquished Premises Deletion Date for an increment of Relinquished Premises, and City staff designated by City's Director of Health and Tenant shall thereupon tour the applicable increment of Relinquished Premises and shall prepare a joint list of items to be removed and, if applicable, repaired. If Tenant disputes whether an item must be removed or if a repair will be required, Tenant shall promptly notify City thereof, and City and Tenant shall thereupon endeavor in good faith to resolve any dispute. City and Tenant shall cooperate in connection with Tenant's move from the Relinquished Premises into the Research Facility Building. Each Relinquished Premises Deletion Date shall be confirmed by the Parties in writing following the occurrence thereof. Tenant acknowledges that timely surrender of the Relinquished Premises is important for DPH's management of the space on the ZSFG campus. City and Tenant shall endeavor in good faith to resolve any dispute regarding the occurrence of the Relinquished Premises Dates. Without limiting City's rights under the respective Occupancy Agreements, if Tenant fails to surrender possession of any increment of the Relinquished Premises in the condition required hereunder after the applicable date set forth on the attached Exhibit F-2 without the express written consent of City, and such failure continues for more than ten (10) days after City's written notice to Tenant that Tenant is delinquent in surrendering possession of the applicable increment of Relinquished Premises to City, Tenant shall pay City during such holdover period, on a monthly basis, as additional Rent under this Lease, one hundred and twenty-five percent (125%) of the fair market rental for the affected space, as reasonably determined by City, together with all damages sustained by City on account thereof. Any failure by Tenant to remove any personal property following written demand for the same by City pursuant to the provisions of this Section shall constitute continuing possession for purposes of the immediately preceding sentence. Tenant shall be responsible for any required decommissioning of laboratory space within the Relinquished Premises and any decontamination required as a result of materials used in or material or waste present in the Relinquished Premises.

39. IMPACT OF TERMINATION OF AFFILIATION AGREEMENT

39.1. Termination of Affiliation Agreement; Obligation to Negotiate.

The Parties anticipate that if the Affiliation Agreement is terminated by mutual agreement of the Parties, the disaffiliation plan will include appropriate provisions regarding the use and ownership of the Research Facility mutually agreeable to the Parties and reflecting their respective rights and needs, and that this Lease would be amended at such time to reflect such agreement. If the Affiliation Agreement is terminated by mutual agreement without a corresponding written agreement regarding this disposition of this Lease, or if either Party has given notice under the Affiliation Agreement that such Party will terminate the Affiliation Agreement (the "Affiliation Termination Notice"), the Parties shall promptly negotiate in good faith regarding the termination of this Lease (if desired by either Party) or regarding any amendments to this Lease that are necessary or desirable in connection with the termination of the Affiliation Agreement, taking into account the needs of both Parties, which may include, among other matters, relocation needs, desired assumption of space leases, immediate research needs of each Party or other parties occupying space in the Research Facility or other Improvements, future research needs of ZSFG, City's other immediate and long-term space needs, ownership and use of the Research Facility and other Improvements, and schedules and costs attendant to the foregoing considerations. To facilitate and inform such negotiations,

Tenant shall provide the information regarding ongoing research by Tenant and Tenant's projected needs described in Section 39.2 by the date specified in such Section and City shall provide the information regarding City's space needs described in Section 39.2 by the date specified in such Section. Such negotiations shall continue for so long as the Parties agree to continue negotiating, but not less than one hundred eighty (180) days (the "Negotiating Period"), unless an agreement satisfactory to both Parties is reached within such period or the Parties agree in writing that further negotiations would not be fruitful, in which event the Negotiating Period shall terminate effective as of the date of such written agreement. If the Parties have not reached an agreement within such one hundred eighty (180) day period, either Party may terminate the Negotiating Period by written notice to the other. The Parties acknowledge that any future agreement to terminate or amend this Lease would be subject to the prior approval of the then-Board of Regents, Health Commission and City Board of Supervisors, in their respective sole discretion. In the absence of an agreement to the contrary, the balance of the provisions of this Article 39 shall apply.

39.2. Process for Evaluating Tenant's On-Going Research Space Needs and City's Research Space Needs.

Once (i) the Affiliation Agreement is terminated by mutual agreement without a contemporaneous agreement regarding the disposition of the Research Facility and other Improvements and this Lease or (ii) an Affiliation Termination Notice has been given by either Party, UCSF faculty and principal investigators shall not submit new grant applications that require space at the Research Facility or other Improvements or space elsewhere at ZSFG, and shall not, without specific authorization from City, finalize any grant applications then pending or accept any new grants for or seek funding for additional budget periods if such grants require space at the Research Facility or other Improvements or space elsewhere at ZSFG. In order for the Parties to evaluate Tenant's ongoing space needs to complete on-going research funded by grants, within sixty (60) days after the Affiliation Termination Notice, Tenant shall meet with City to share the following information (the "Tenant's Research Occupancy Requirements"): (1) the number of outstanding research grants at ZSFG performed by UCSF faculty and the purpose of the grants, (2) the length remaining on each grant before the grant's expiration, (3) which grants (if any) cannot be (or should not be) transferred to another UCSF facility, partner or affiliate, (4) the estimated time for approval of transfer of the grants that may be transferred, (5) which grants, if any, require physical occupancy of space in the Research Facility or other Improvements (i.e. the research materials cannot be moved to other research facilities but must continue remain at the Research Facility or other Improvements until the conclusion of the research), how much space is currently occupied for such research and Tenant's good faith estimate of the minimum space required, and (6) other information relevant to such matters. Within thirty (30) days after receipt of Tenant's Research Occupancy Requirements, City shall provide Tenant with a description of City's anticipated initial space needs for the Research Facility or other Improvements to support ZSFG, including the space needs for research required to maintain ZSFG's designation as a Level I trauma center, and a projected timeline for City's need for such space. Based on Tenant's Research Occupancy Requirements and City's immediate space needs, City and Tenant will cooperate in good faith to mutually determine what Tenant research should remain at ZSFG during part or all of the three (3) year period following the mutual termination of the Affiliation Agreement (if such determination was not made in connection with termination) or the expiration of the Affiliation Agreement termination notification period, as applicable, and for how long, in order to satisfy the grant requirements, as well as the minimum space required by Tenant to perform the relevant research, and what space should be allocated to City during such period.

39.3. Tenant Phase-Out and City Phase-In in the Event of Termination of Lease or City's Total Lease-Back.

(a) Projecting Tenant Phase-Out and City Phase-In in the Event of City Exercise of Purchase or Total Lease-Back Option; Update of Information Regarding Tenant's Research

Occupancy Requirements. If City exercises its Purchase Option or the Total Lease-Back Option (as such terms are defined in Section 39.4 below), then based on the evaluation and determination by Tenant and City described in Section 39.2, the Parties will mutually determine what portions of the Research Facility and other Improvements Tenant will initially continue to occupy for on-going grant funded research following the termination of the Affiliation Agreement and shall estimate how Tenant's space needs for on-going grant funded research will likely decline over time. Tenant will provide an update of the information regarding Tenant's Research Occupancy Requirements from time to time upon City's request, and shall further update such information whenever there is a material deviation from the facts and needs reported in the prior presentation or update, and in all events not less frequently than every twelve (12) months until Tenant vacates the Research Facility and other Improvements. If any such update demonstrates that Tenant's needs are different from those previously considered the Parties shall use good faith efforts to mutually determine a satisfactory adjustment of the schedule for Tenant's vacation and surrender of the relevant portions of the Research Facility and other Improvements. In making the determinations required hereunder each Party shall use good faith efforts to accommodate the space and scheduling needs of the other Party, however if the space required by City for research purposes to maintain Level 1 Trauma designation exceeds the space Tenant determines is "surplus" to its purposes, the space allocation shall be prioritized in the following order: (1) space required by City for ZSFG to maintain Level 1 Trauma designation ("City's Level 1 Trauma Space Requirement"), (2) space required by Tenant to stay in compliance with funded grants, (3) space needed by City, (4) space desired by Tenant for non on-going grant related functions.

(b) Establishing Closing Date for City Purchase or Commencement Date for Total Lease-Back; Space Leases by Tenant or City. Based on the determination of Tenant's Research Occupancy Requirements and estimated timeline for phasing-out on-going grant funded research, and, in the case of City's exercise of the Purchase Option, City's timeline for issuance of certificates of participation, bonds or other debt as required by City to pay the Fair Market Purchase Price (as defined in Section 39.5) and appropriating the funds therefor (the "Funding Date"), the Parties shall determine the date on which it would make the most sense for closing the City's purchase of the Research Building and Improvements and terminating this Lease (the "Purchase Closing Date") or, as applicable, the commencement of City's Master Lease pursuant to the Total Lease-Back Option (the "Master Lease Commencement Date") to occur, and shall schedule the Purchase Closing Date or Master Lease Commencement Date for such date, provided that absent specific written agreement of the Parties to the contrary, such date shall not be earlier than the date that is two (2) years after the Affiliation Termination Notice is given and not later than five (5) years after the date the Affiliation Termination Notice is given. If the Parties are unable to reach an agreement on the appropriate date it shall be the date on which the Parties anticipate that Tenant's Research Occupancy Requirements will first fall below fifty percent (50%) of the square footage of the Research Facility and other Improvements, but not earlier than the Funding Date, in the case of City's exercise of the Purchase Option.

(c) Space Leases by Tenant or City during Tenant Phase Out. Commencing on the effective date of the termination of the Affiliation Agreement (or, if later, the date Tenant ceases to provide the services required for ZSFG to maintain its status as a Level I Trauma Center) and continuing through the date immediately preceding the Purchase Closing Date or Master Lease Commencement Date, Tenant shall lease to City the space in the Research Facility and other Improvements that is required for City to satisfy City's Level 1 Trauma Space Requirement and such other space, if any, that is surplus to Tenant's Research Occupancy Requirements (to the extent such surplus space is required by City). Commencing on the Purchase Closing Date or Master Lease Commencement Date and continuing through the date on which Tenant last requires such space for Tenant's Research Occupancy Requirements, City shall lease to Tenant the space required for Tenant's continuing Research Occupancy Requirements, determined in accordance with the provisions of Section 39.3(a), to the extent such space is surplus to City's Level 1 Trauma Space Requirement, provided in no event shall

the expiration date be later than later than five (5) years after the date the Affiliation Termination Notice is given unless the Parties consent to a later expiration date. Except as otherwise agreed by the Parties, any such space lease by City or Tenant shall be subject to the general terms and conditions of any prior Research Facility and/or Improvements space leases between Tenant and City, as tenant, or if there are no such prior space leases, the terms and conditions of recent leases between City and Tenant for space elsewhere on the ZSFG campus, adapted as required to account for the fact that the space is in the Research Facility and/or Improvements, and at rental rates equal to the per square foot rates payable in the most recent space lease for the Research Facility and/or Improvements, increased by percentage increase in the Index from the date such space leases were entered into (but not less than the cost of providing utilities and services to such space).

(d) Limitation on City's Use of Premises Under Space Leases. If City, as tenant, enters into any space lease(s) pursuant to this Section 39.3, City shall use the premises under such space lease(s) for uses required for City to maintain ZSFG's Level 1 Trauma designation, recruitment and retention of ZSFG clinicians, and uses in support of ZSFG's mission to provide quality healthcare and trauma care, so long as such uses are tax exempt activities and are compatible with Tenant's bond financing requirements. If City requires additional information from Tenant to determine whether City's use would be allowable under this Section 39.3(d), Tenant shall reasonably cooperate with City to provide such information.

39.4. Termination of Affiliation Agreement Without An Agreement Regarding Ground Lease Impacts.

City shall have the option, at City's sole election, to (1) purchase the Research Facility and other Improvements from Tenant and terminate this Lease in accordance with the provisions of Section 39.5 (the "Purchase Option"), or (2) lease the entire Research Facility and any other Improvements from Tenant for the balance of the Term in accordance with the provisions of Section 39.6 (the "Total Lease-Back Option"), if all of the following conditions are met:

- (i) the Affiliation Agreement is terminated, or either Party gives notice under the Affiliation Agreement that such Party will terminate the Affiliation Agreement;
- (ii) the one hundred eighty (180) day Negotiating Period described in Section 39.1 expires without approval of a Ground Lease Modification Agreement; and
- (iii) following the termination of the Affiliation Agreement Tenant does not (or will not) provide physicians, trainees, and infrastructure needed by ZSFG to meet medical staff regulatory requirements and to maintain its status as a Level I Trauma Center or similar rating in effect at the time.

Such conditions are collectively referred to as the "Option Exercise Conditions."

If the first two Option Exercise Conditions are met, but not the third, or if all three Option Exercise Conditions are met but City does not exercise its Purchase Option or Total Lease-Back Option, the provisions of Section 39.8 shall apply.

39.5. City's Option to Purchase Improvements and Terminate the Lease.

(a) Exercise of Purchase Option. City shall exercise the Purchase Option, if at all, by delivering to Tenant written notice of City's exercise of such right (the "Exercise Notice") not later than six (6) months following the date on which it is established that the Option Exercise Conditions have been met (the "Exercise Deadline"), subject to thereafter obtaining approval for such acquisition pursuant to Section 39.5(c) not later than nine (9) months following the Exercise Deadline.

(b) Determination of Fair Market Value and Purchase Price. Promptly following the City's exercise of the Purchase Option the Parties shall determine the Fair Market

Value Purchase Price for the Research Facility and other Improvements in accordance with the provisions of Section 39.7.

(c) Approval of Transaction or Revocation of Option Exercise. Promptly following City's exercise of the Purchase Option and determination of the Purchase Price, City staff shall promptly (i) seek recommendation of the purchase transaction from the Commission, to the extent required, and approval of the purchase transaction from City's Board of Supervisors, or (ii) provide Tenant with written notice that City is withdrawing the Exercise Notice, if City's Director of Property does not believe the Board of Supervisors or the Mayor will approve of the Purchase Price.

(d) Expiration of Option Exercise; Expiration of Purchase Option. City's exercise of the Purchase Option shall be void and of no further force and effect if City withdraws the Exercise Notice as provided above. Further, except as otherwise agreed by Tenant, City's exercise of the Purchase Option shall be void and of no further force and effect if the Commission, to the extent required, or City's Board of Supervisors, fails to approve the purchase transaction by the date that is six (6) months after City's delivery of the Exercise Notice.

(e) Closing; Termination of Lease. If City exercises the Purchase Option and such exercise is not voided pursuant to the foregoing provisions of this Section 39.5, Tenant shall convey Tenant's interest in the Research Facility and other Improvements to City and City shall pay the Purchase Price to Tenant on the date that is the later of the effective date of the termination of the Affiliation Agreement or the Closing Date established pursuant to Section 39.3(b), unless the Parties agree to a later or earlier date, and this Lease shall terminate on such date.

39.6. City's Total Lease-Back Option.

(a) Exercise of Total Lease-Back Option; Right of First Opportunity During Initial 30 Years. Provided that the Option Exercise Conditions have been satisfied, but not before the thirtieth (30th) anniversary of the Commencement Date (the "30 Year Blackout Period"), City shall exercise the Total Lease-Back Option, if at all, by delivering to Tenant written notice of City's exercise of such right (the "Total Lease-Back Exercise Notice") by the Exercise Deadline set forth in Section 39.5(a), subject to thereafter obtaining approval for such lease pursuant to Section 39.6(d) not later than nine (9) months after the Exercise Deadline. The Parties agree that City shall not have the right to exercise the Total Lease-Back Option during the 30 Year Blackout Period unless (i) agreed to by Tenant, in its sole discretion, or (ii) the Regents no longer occupies the Research Facility and intends to offer the Research Facility to a party other than a Close Regents Affiliate for lease. If the Regents intend to so offer the Research Facility to a party other than a Close Regents Affiliate during the 30 Year Blackout Period, the Regents will first notify City of the availability of the Research Facility and the terms on which it is willing to lease the Research Facility (the "ROFO Notice"). City shall have the right of first opportunity to lease the Research Facility on the terms proposed by the Regents in the ROFO Notice by delivering written notice of acceptance within forty-five days (the "ROFO Acceptance"). If City delivers the ROFO Acceptance, the Parties will promptly prepare the lease form and seek all necessary City and Regents approvals. If the City does not deliver the ROFO Acceptance or if City does not obtain all necessary City approvals within ninety (90) days following completion of the lease form, then the Regents shall have the right to lease the Research Facility to others on the terms and conditions set forth in ROFO Notice. If the Regents does not enter into a lease on the terms set forth in the ROFO Notice, and elects to change the terms on which it is willing to offer the Research Facility to a third party, it shall again offer the Research Facility to City under the process set forth above.

(b) Limitation on City's Use During Initial 30 Years of Lease Term. If City enters into a lease of the Research Facility before the end of the 30 Year Blackout Period, then at no time prior to the end of the 30 Year Blackout Period shall City use the Research Facility and other Improvements, or allow the use of the Research Facility and other Improvements, for any

purpose that would adversely affect the exclusion from gross income of interest on Tenant's Tax Exempt Financing (as defined in Section 36.6(g)) under the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations. If City requires additional information from Tenant to determine whether City's proposed use would be allowable under this Section 39.6(b), Tenant shall reasonably cooperate with City to provide such information. The foregoing shall be in addition to, and not in limitation of, Tenant's rights to disapprove a proposed sublease by City under the Master Lease in accordance with Section 39.5(g).

(c) Terms and Conditions; Rent for Lease-Back Period. Promptly following the City's exercise of the Total Lease-Back Option the Parties shall determine the Fair Market Rent for the Research Facility and other Improvements in accordance with the provisions of Section 39.7 and shall commence negotiations necessary to document the terms and conditions of the Master Lease (as defined in Section 39.5(f)).

(d) Approval of Transaction or Revocation of Option Exercise. Promptly following City's exercise of the Total Lease-Back Option and determination of the Fair Market Rent, City staff shall promptly (i) seek recommendation of approval of the Master Lease transaction from the Commission, to the extent required, and approval of the Master Lease transaction from City's Board of Supervisors, or (ii) provide Tenant with written notice that City is withdrawing the Exercise Notice, if City's Director of Property does not believe the Board of Supervisors or the Mayor will approve of the Fair Market Rent as so established.

(e) Expiration of Option Exercise; Expiration of Total Lease-Back Option. City's exercise of the Total Lease-Back Option shall be void and of no further force and effect if City withdraws the Total Lease-Back Exercise Notice as provided above. Further, except as otherwise agreed by Tenant, City's exercise of the Total Lease-Back Option shall be void and of no further force and effect if the Commission, to the extent required, or City's Board of Supervisors, fails to approve the purchase transaction by the date that is nine (9) months after the Exercise Deadline.

(f) Master Lease; Commencement of Master Lease Term. If City exercises the Total Lease-Back Option and such exercise is not voided pursuant to the foregoing provisions of this Section 39.6, City and Tenant shall enter into an agreement documenting the lease of the Research Facility and other Improvements and lease back of the Premises by City (the "Master Lease"). Except as otherwise agreed by the Parties in writing the term of such Master Lease shall commence on the Master Lease Commencement Date established pursuant to Section 39.3(b), unless the Parties agree to a later or earlier date, and Tenant shall surrender the Premises to City on such date in the condition required by the Lease and deliver possession of the Research Facility and other Improvements to City on such date, subject to the space leases in favor of Tenant described in Section 39.3(c). Except as otherwise agreed by the Parties, the Master Lease shall be on all of the terms and conditions of this Lease, modified as necessary to reflect the Master Lease transaction in a manner commercially reasonable and fair to Tenant and City, provided that City shall be the tenant and Tenant shall be the landlord, the "Premises" shall include the Property as well as the Research Facility and other Improvements, the commencement date shall be the Master Lease Commencement Date, the rent shall be the Fair Market Rent, and the following provisions shall be deleted: Article 39.

(g) Special Provisions Regarding Subleases Under Master Lease. If at any time during the term of the Master Lease (i) Tenant has outstanding tax-exempt obligations, the proceeds of which were used to finance the Improvements (herein the "Tenant's Tax-Exempt Financing"), and (ii) City desires to enter into a Sublease of part or all of the Premises with any non-governmental entity, City shall give written notice (a "Notice of Proposed Sublease") to Tenant of its intentions not later than sixty (60) days prior to the proposed effective date of such proposed Sublease. In the Notice of Proposed Sublease City shall describe the relevant facts, including:

- (1) the identity (including organizational structure) of the proposed Subtenant;

- (2) the terms (including length of the term of the proposed Sublease) and conditions of the proposed Sublease;
- (3) the proposed use of the Premises by the proposed Subtenant; and
- (4) the square footage to be used by the proposed Subtenant.

Tenant shall have the right to disapprove any proposed Sublease by written notice to City given not later than sixty (60) days after receipt of the Notice of Proposed Sublease (or, if Tenant has timely requested additional information, as provided below, not later than sixty (60) days following Tenant's receipt of the requested information) if Tenant reasonably determines (based upon consultation with nationally recognized bond counsel) that the proposed Sublease would adversely affect the exclusion from gross income of interest on Tenant's Tax Exempt Financing under the Code and applicable regulations. If Tenant requires additional information about the proposed Sublease or the proposed Subtenant to make such determination, then no later than fifteen (15) days after Tenant's receipt of the Notice of Proposed Sublease, Tenant shall provide City with a written request for such additional information. City shall promptly provide any requested additional documents or information reasonably related to the proposed transaction or Subtenant. Tenant and City shall use good faith efforts to promptly resolve any dispute about the risk that the proposed Sublease would adversely affect the exclusion of interest from gross income on Tenant's Tax Exempt Financing under the Code and applicable regulations.

Further, it shall be reasonable (1) for Tenant to disapprove a proposed Sublease if City has not supplied sufficient information (including supplemental materials reasonably requested by Tenant) to enable Tenant to make a reasonable determination (based upon consultation with nationally recognized bond counsel) that the proposed sublease will not adversely affect the exclusion from gross income of interest on Tenant's Tax Exempt Financing, and (2) if City is then in default of any of its obligations under the Master Lease, for Tenant to condition its consent on the cure of such defaults as Tenant may specify in its notice to City conditionally disapproving such Sublease.

39.7. Determination Fair Market Value Purchase Price and Fair Market Master Lease Rental Rate.

(a) Prevailing Market Rate. For the purposes of Tenant's Extension Option, the Prevailing Market Rate shall have the meaning given in Section 3.2(d).

(b) Fair Market Rent. For the purposes of City's Total Lease-Back Option, the Fair Market Rent for the Research Facility and other Improvements shall mean the space rent for comparable buildings that a willing tenant would pay, and that a willing landlord would accept, at arm's length, for space of comparable size, use and location ("Fair Market Rent").

(c) Fair Market Value Purchase Price. For the purposes of City's Purchase Option, the Fair Market Value Purchase Price for the Research Facility and other Improvements shall mean the greater of: (A) The present value of space rent for comparable buildings including "other improvements and fixed equipment" described below ("Fair Market Rent" or "FMR"), as increased by annual market rate escalation rates, less the ground lease rent (with no discount for Administrative Cost Offset Rent Credit), as increased by annual market rate escalation rates, for the period from the time of termination of the Lease to the end of the original Term of the Lease, or the end of the Extended Term, if the Extension Option has been exercised, discounted at a rate that is the average of the following rates: the prevailing competitive capitalization rate for Class A Office in the City and County of San Francisco and The Regents of the University of California's prevailing cost of debt capital, to be determined by the Appraisers (as defined below) (the "Income Approach Valuation"); (B) the Regents of the University of California's current replacement costs of the leasehold improvements at the time of termination, multiplied by a fraction (if said fraction is less than one) whose numerator is the numbers of years remaining to the end of the original Term of the Lease, or the end of the Extended Term, if the Extension

Option has been exercised and whose denominator is the useful life of the Research Facility using IRS or Marshall Valuation Tables or tables of similar nature or, in the event such tables are no longer valid, the current generally accepted similar depreciation tables with useful life to be separated between physical structure (shell and build-out) and other improvements and fixed equipment and shall exclude FF&E that are removable (the "Cost Approach Valuation"). For the purposes of the foregoing, "other improvements and fixed equipment" shall mean specific equipment installed for the purposes furthering the medical related research and work performed, versus traditional building systems and improvements of a structural nature; and (C) the unamortized balance of the initial debt issued to fund Project costs (which shall not include the Parking Replacement Contribution), provided the bond indentures of said debt were consistent with the bond indentures of general obligation debt issued by the Regents of the University of California.

(d) Determination.

(i) Appraisal Selection Notice. Within thirty (30) days following the end of the consultation period described in Section 5.2(d)(iii) in the event of Tenant's exercise of the Extension Option or within thirty (30) days following City's exercise of the Purchase Option or the Total Lease-Back Option, as applicable, each Party shall provide the other with written notice of such Party's selection of an appraiser (an "Appraiser Selection Notice"), together with a copy of such appraiser's resume.

(ii) Single Appraiser. If either Party fails to provide an Appraiser Selection Notice within such 30 day period, the appraiser proposed by the other Party shall be the sole appraiser and shall prepare an appraisal of, as applicable, (a) the Prevailing Market Rate for this Ground Lease for the Extended Term, (b) the Fair Market Purchase Price (employing both the Income Approach Valuation and the Cost Approach Valuation with the higher of the two value being the Fair Market Purchase Price), or (c) the Fair Market Rent for City's Total Lease Back Option, and the determination by such Appraiser shall be, as applicable the Prevailing Market Rate, the Fair Market Purchase Price or Fair Market Rent.

(iii) Separate Appraisals. If both Parties timely deliver the Appraiser Selection Notice, City's appraiser and Tenant's appraiser shall each make an independent determination of, as applicable (a) the Prevailing Market Rate for this Ground Lease for the Extended Term, (b) the Fair Market Purchase Price (employing both the Income Approach Valuation and the Cost Approach Valuation), or (c) the Fair Market Rent for City's Total Lease Back Option. The appraisers may share and have access to objective information in preparing their appraisals, but will independently determine the appropriate assumptions to make based on the provisions of Sections 39.7(a)-(c), this Section and each appraiser's own assessment of the market. Neither of the appraisers shall have access to the appraisal of the other (except for the sharing of objective information contained in such appraisals) until both of the appraisals are submitted in accordance with the provisions of this Section. Neither party shall communicate with the appraiser appointed by the other party regarding the instructions contained in this Section before the appraisers complete their appraisals. If either appraiser has questions regarding the instructions in this Section or the interpretation of this Lease, such appraiser shall use his or her own professional judgment and shall make clear all assumptions upon which his or her professional conclusions are based, including any supplemental instructions or interpretive guidance received from the party appointing such appraiser. There shall not be any arbitration or adjudication of the instructions to the appraisers contained in this Section. Neither party shall conduct ex parte communications with the appraiser regarding the subject matter of the appraisal. Each appraiser shall complete, sign and submit its written appraisal setting forth such appraiser's Income Approach Valuation and the Cost Approach Valuation or, if applicable, Prevailing Market Rate for the Ground Lease or Fair Market Rent determination, to the Parties within sixty (60) days after the appointment of the last of such appraisers. If the higher of the two appraisers (a) Prevailing Market Rate of the Ground Lease, (b) Fair Market Purchase Price (being the higher of an appraiser's appraised Income Approach Valuation or Cost Approach Valuation), or

(c) Fair Market Rent determination, as applicable is not more than one hundred ten percent (110%) of the lower of the appraiser's Prevailing Market Rate of the Ground Lease, Fair Market Purchase Price, or Fair Market Rent determination, as applicable, then the Prevailing Market Rate of the Ground Lease, Fair Market Purchase Price or Fair Market Rent, as applicable, shall be an average of such two (2) appraised values.

(iv) Third Appraiser. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who has comparable or superior qualifications of the two appraisers who will within thirty (30) days of his or her selection make a determination of the Prevailing Market Rate of the Ground Lease, Fair Market Purchase Price or Fair Market Rent and submit such determination to City and Tenant. If the first two (2) appraisers are unable to agree on the third appraiser, either appraiser, by giving ten (10) days' notice to the other appraiser, may file a petition with the American Arbitration Association solely for the purpose of selecting a third appraiser who meets the qualifications stated in this Section. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the Prevailing Market Rate of the Ground Lease, Fair Market Purchase Price or Fair Market Rent, as applicable. Neither party shall conduct ex parte communications with the third appraiser regarding the subject matter of the appraisal.

(v) Qualifications and Costs. All appraisers specified above shall be competent, licensed, qualified by training and experience in the City of San Francisco, and shall be a member in good standing of the Appraisal Institute (MAI), or, if the Appraisal Institute no longer exists, shall hold the senior professional designation awarded by the most prominent organization of appraisal professionals then awarding professional designations. Without limiting the foregoing, each appraiser shall have extensive experience valuing commercial real estate development sites in the City of San Francisco and experience valuing medical/research facilities. Each Party shall pay the cost of the appraiser selected by such Party and one-half of the cost of the third appraiser plus one-half of any other costs incurred in the arbitration.

39.8. Modifications to Ground Lease.

If the Affiliation Agreement is terminated and City does not exercise the Purchase Option or the Total Lease-Back Option, then, except to the extent otherwise agreed in writing by City and Tenant, this Lease shall continue on all the terms and conditions set forth in this Lease, provided that effective as of the date immediately following the effective date of the termination of the Affiliation Agreement, the following provisions shall apply:

i. Base Rent. Base Rent shall be increased to reflect the elimination of the Administrative Cost Offset Rent Credit.

ii. Permitted Use. The Permitted Use of the Premises and the Research Facility and other Improvements shall be expanded to any reasonable use that does not place an increased burden on the ZSFG campus or parking facilities and is not incompatible with the operation of the hospital campus, as reasonably determined by the Director (the "Expanded Permitted Use"). Tenant shall seek written confirmation from the Director that any proposed use other than the Permitted Use originally provided under Article 4 shall be an approved Expanded Permitted Use before such use shall be permitted under this Lease. City shall have the right to impose reasonable conditions on any such Expanded Permitted Use.

iii. Assignment of Lease. In addition to Tenant shall have the right to assign this Lease on the terms and conditions set forth in Exhibit G.

40. PARKING RELIEF PLAN

The Parties acknowledge that development of the surface parking lot for the Research

Facility will result in loss of parking for patients, staff and visitors to the ZSFG campus. During the term of the LDDA, the Parties identified certain temporary strategies to minimize the adverse impact on patients and visitors to the ZSFG campus, and memorialized such strategies in the Parking Relief Plan attached as Exhibit I (the "Parking Relief Plan"). Until such time as replacement parking is secured for the ZSFG campus, City and Tenant will implement the strategies set forth the Parking Relief Plan, and will continue to cooperate to identify and implement additional or substitute strategies, as required from time to time.

41. SPECIAL CITY PROVISIONS

41.1. Non-Liability of Appointed or Elected Officials, Employees and Agents.

No elective or appointive board, commission, member, officer, employee or other Agent of City and/or Tenant shall be personally liable to the other, or their respective successors and assigns, in the event of any default or breach by City and/or Tenant for any amount that may become due to any of them, or their successors and assigns, or for any obligation of City and/or Tenant under this Lease. Under no circumstances shall City or its respective Agents be liable under any circumstances for any consequential, incidental or punitive damages.

41.2. Wages and Working Conditions.

Tenant shall cause its construction contractor ("Contractor") to comply with Sections 1770, 1771, 1772, 1773, 1774, and 1775 of the State of California Labor Code or any successor statutes with respect to any Subsequent Construction. The State of California Department of Industrial Relations has ascertained the general prevailing per diem wage rates in the locality in which the construction work is to be performed for each craft, classification, or type of worker required to perform the construction work. A copy of the general prevailing per diem wage rates will be on file at Tenant's principal facility office, posted at the Property site, and will be made available to any interested party upon request. Tenant shall require Tenant's Contractor to pay not less than the prevailing wage rates, as specified in the schedule and any amendments thereto, to all workers employed by Contractor in the execution of the construction of any Subsequent Construction. Tenant shall require all construction contracts or subcontracts will include the provision that all contractors or subcontractors shall pay not less than the prevailing rates to all workers employed by such contractors or subcontractors in the execution of the construction work. Review of any civil wage and penalty assessment shall be made pursuant to section 17420 of the California Labor Code.

41.3. Non-Discrimination in Contracts and Benefits.

In the performance of this Lease, Tenant covenants and agrees that it will not discriminate against an applicant for employment because of race, color, religion, sex, age, ancestry, national origin, sexual orientation, handicap, veteran's status, medical condition (as defined in Section 12926 of the State of California Government Code), marital status, or citizenship (within the limits imposed by law or University's policy) because of habit, local custom, or otherwise. All applicants for employment and employees are to be treated without regard to their race, color, religion, sex, age, ancestry, and national origin, sexual orientation, handicap, veteran's status, medical condition (as defined in Section 12926 of the State of California Government Code), marital status, or citizenship (within the limits imposed by law or Tenant's policy). Such equal treatment shall apply, but not be limited to, employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

41.4. No Relocation Assistance; Agreement Regarding Claims.

Tenant acknowledges and agrees that it will not be a displaced person at the time this Lease is terminated or expires by its own terms, and Tenant agrees that Tenant will not pursue any Claims against, and covenants not to sue, City, its departments, commissions, officers,

directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from City under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Lease with respect to a Taking.

41.5. 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. Tenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

41.6. Tropical Hardwood and Virgin Redwood Ban.

Pursuant to Section 804(b) of the San Francisco Environment Code, the City urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product. Except as permitted by City under application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Tenant shall not provide any items to the rehabilitation or development of the Property, or otherwise in the performance of this Lease that are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood products.

41.7. Limitations on the Use of Pesticides Outside of the Improvements.

DPH, in its operation of the ZSFG campus, is subject to the provisions of Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or "IPM Ordinance"), which describes an integrated pest management ("IPM") policy to be implemented by all City departments. Because of the impact such pesticide use could have on the balance of the ZSFG campus, Tenant agrees to confer with City staff prior to using or applying pesticides on the outdoor areas of the Property (i.e., outside of the Improvements), or contracting with any party to provide pest abatement or control services, on the outdoor areas of Property to allow DPH staff to confer with City's Department of the Environment to ascertain the impact of such activity on the balance of the ZSFG campus. Tenant shall (i) list, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the exterior portions of the Premises, (ii) describe the steps Tenant will take with respect to such outdoor areas that are consistent with City's IPM Policy described in Section 300 of the IPM Ordinance and (iii) identify, by name, title, address and telephone number, an individual to act as the Tenant's primary contact person with the City with regard to such pesticide application. Tenant shall comply, and shall require all of University's contractors to comply, with the IPM plan approved by the City and shall comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g) and 306 of the IPM Ordinance as if University were a City department. Among other matters, the provisions of the IPM Ordinance to which DPH is subject: (a) provide for the use of pesticides only as a last resort, (b) prohibit the use or application of pesticides on property owned by the City, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City's Department of the Environment), (c) impose certain notice requirements, and (d) require DPH to keep certain records and to report to the Department of the Environment all pesticide use on City property.

Tenant agrees that if Tenant or Tenant's contractor will apply pesticides to outdoor areas at the Premises, Tenant will first obtain a written recommendation from a person holding a valid

Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation ("CDPR") and any such pesticide application shall be made only by or under the supervision of a person holding a valid, CDPR-issued Qualified Applicator certificate or Qualified Applicator license.

41.8. Drug-Free Workplace.

Tenant acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises.

41.9. Prohibition of Tobacco Sales and Advertising.

Tenant acknowledges and agrees that no advertising or sale of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (a) communicate the health hazards of cigarettes and tobacco products, or (b) encourage people not to smoke or to stop smoking.

41.10. Preservative-Treated Wood Containing Arsenic.

Tenant may not purchase preservative-treated wood products containing arsenic in the performance of this Lease. 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. Tenant 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 Tenant 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.

41.11. Transportation Demand Management.

Throughout the Term of this Lease Tenant will (i) carry on a transportation demand management ("TDM") program to reduce the number of single occupancy vehicles trips to the Premises and to encourage maximum use of public transportation by personnel of Tenant employed on the Premises, including, without limitation, the periodic distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Building and encouraging use of such facilities, all at Tenant's sole expense, and (2) cooperate and collaborate with City regarding overall transportation issues on the ZSFG campus.

41.12. Graffiti.

During the Term of this Lease, Tenant shall remove all graffiti from the Premises and Improvements within ten (10) days of the earlier of Tenant's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

42. GENERAL

42.1. No Implied Waiver.

No failure by City to insist upon the strict performance of any obligation of Tenant under this Lease or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, no acceptance of full or partial Base Rent or Additional Charges during the continuance of any such breach, and no acceptance of the keys to or possession of the Premises prior to the expiration of the Term by any Agent of City, shall constitute a waiver of such breach or of City's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Lease. 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. Any consent by City hereunder shall not relieve Tenant of any obligation to secure the consent of City in any other or future instance under the terms of this Lease.

42.2. Amendments.

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter. 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 Tenant, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Premises, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (e) any other amendment or modification which materially increases the City's liabilities or financial obligations under this Lease shall additionally require the approval of the City's Board of Supervisors.

42.3. Authority.

If Tenant signs as a corporation or a partnership, each of the persons executing this Lease on behalf of Tenant does hereby covenant and warrant that Tenant is a duly authorized and existing entity, that Tenant has and is qualified to do business in California, that Tenant has full right and authority to enter into this Lease, and that each and all of the persons signing on behalf of Tenant are authorized to do so. Upon City's request, Tenant shall provide City with evidence reasonably satisfactory to City confirming the foregoing representations and warranties.

42.4. Parties; Approvals.

The words "City" and "Tenant" as used herein shall include the plural as well as the singular. If there is more than one Tenant, the obligations and liabilities under this Lease imposed on Tenant shall be joint and several. All approvals, consents or other determinations permitted or required by City hereunder shall be made by or through City's Director of Property unless otherwise provided in this Lease, subject to applicable law.

42.5. 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 each Party has been represented by experienced and knowledgeable legal counsel. Accordingly, this Lease shall be interpreted to achieve the intents and purposes of the Parties, without any presumption against the Party responsible for drafting any part of this Lease (including, but not limited to California Civil Code Section 1654). Provisions in this Lease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or City holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used. Rather, such terms shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such statement, term or matter. Wherever reference is made to any provision, term or matter "in this Lease," "herein" or "hereof" or words of similar import, the reference shall be deemed to refer to any and all provisions of this Lease reasonably related thereto in the context of such reference, unless such reference refers solely to a specific numbered or lettered section or paragraph of this Lease or any specific subdivision of this Lease.

42.6. Successors and Assigns.

Subject to the provisions of this Lease relating to Assignment and Subletting, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of City and Tenant and, except as otherwise provided herein, their personal representatives and successors and assigns; provided, however, that upon any sale, assignment or transfer by City named herein (or by any subsequent landlord) of its interest in the Building as owner or lessee, including any transfer by operation of law, City (or any subsequent landlord) shall be relieved from all subsequent obligations and liabilities arising under this Lease subsequent to such sale, assignment or transfer.

42.7. Brokers.

Neither party has had any contact or dealings regarding the leasing of the Premises, nor 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. In the event that any 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 a claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

42.8. Attorney's Fees and Costs.

If either Party fails to perform any of its respective obligations under this Lease or if any material dispute arises between the Parties concerning the meaning or interpretation of any provision of this Lease, then 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 on account of such default or in enforcing or establishing its rights under this Lease, including, without limitation, Attorneys' Fees and Costs. Any such Attorneys' Fees and Costs incurred by either Party in enforcing a judgment in its favor under this Lease shall be recoverable separately from and in addition to any other amount included in such judgment, and such Attorneys' Fees and

Costs obligation is intended to be several from the other provisions of this Lease and to survive and not be merged into any such judgment.

42.9. Severability.

If any provision of this Lease or the application thereof to any person, entity or circumstance shall be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the fullest extent permitted by law, except to the extent that enforcement of this Lease without the invalidated provision would be unreasonable or inequitable under all the circumstances or would frustrate a fundamental purpose of this Lease.

42.10. Governing Law; Selection of Forum.

The Laws of the State of California shall govern the interpretation and enforcement of this Lease. As part of the consideration for City's entering into this Lease, Tenant agrees that all actions or proceedings arising directly or indirectly under this Lease may be litigated in courts having sites within the City and County of San Francisco of the State of California, having jurisdiction of the dispute arising under this Lease, and Tenant expressly consents to the jurisdiction of any such local, state or federal court, and consents that any service of process in such action or proceeding may be made by personal service upon Tenant wherever Tenant may then be located, or by certified or registered mail directed to Tenant at the address set forth in this Lease for the delivery of notices.

42.11. Entire Agreement.

These instruments, including the exhibits, which are made a part of this Lease, contain the entire agreement between the parties and all prior written or oral negotiations, understandings and agreements are merged herein. 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. Tenant hereby acknowledges that neither City nor City's Agents have made any representations or warranties with respect to the Premises, the Building or this Lease except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Tenant by implication or otherwise unless expressly set forth herein.

42.12. 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.

42.13. Cumulative Remedies.

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

42.14. Survival of Indemnities.

Termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, nor shall it affect any provision of this Lease that expressly states it shall survive termination hereof.

42.15. Relationship of the Parties.

The subject of this Lease is a private development with neither Party acting as the agent of the other Party in any respect. None of the provisions in this Lease shall be deemed to render City a partner in Tenant's business, or joint venturer or member in any joint enterprise with Tenant. This Lease is not intended nor shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided.

42.16. Light and Air.

Tenant covenants and agrees that no diminution of light, air or view by any structure that may hereafter be erected (whether or not by City) shall entitle Tenant to any reduction of the Base Rent or Additional Charges under this Lease, result in any liability of City to Tenant, or in any other way affect this Lease or Tenant's obligations hereunder.

42.17. Options Personal.

Any right or option to extend the Term of this Lease is personal to the original Tenant and may be exercised only by the original Tenant while occupying the Premises who does so without the intent of thereafter making any Assignment of this Lease or Subletting of the Premises, or any portion thereof, and may not be exercised by or assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant. The options, if any, herein granted to Tenant are not assignable separate and apart from this Lease, nor may any option be separated from this Lease in any manner, either by reservation or otherwise.

42.18. No Third Party Beneficiaries.

This Lease is for the exclusive benefit of the Parties and not for the benefit of any other party and shall not be deemed to have conferred any rights, express or implied, upon any other party.

42.19. Counterparts.

This Lease may be executed in counterparts, each of which is deemed to be an original, and all such counterparts constitute one and the same instrument.

42.20. Recordation.

On the Effective Date, City and Tenant shall execute the memorandum of lease in the form attached to the LDDA (the "Memorandum of Lease"), and City 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 thereafter. Promptly upon City's request following the expiration of the Term or any other termination of this Lease, Tenant shall deliver to City a duly executed and acknowledged quitclaim deed suitable for recordation in the Official Records and in form and content satisfactory to City and the City Attorney, for the purpose of evidencing in the public records the termination of Tenant's interest under this Lease. City may record such quitclaim deed at any time on or after the termination of this Lease, without the need for any approval or further act of Tenant.

42.21. Extensions by City.

Upon the request of Tenant, City, acting through the Director of Property, in its sole discretion may, by written instrument, extend the time for Tenant's performance of any term, covenant or condition of this Lease or permit the curing of any default upon such terms and conditions as it determines appropriate, including but not limited to, the time within which Tenant must agree to such terms and/or conditions, provided, however, that any such extension or permissive curing of any particular default will not operate to release any of Tenant's obligations nor constitute a waiver of City's rights with respect to any other term, covenant or condition of this Lease or any other default in, or breach of, this Lease or otherwise effect the

time of the essence provisions with respect to the extended date or other dates for performance under this Lease.

42.22. Effective Date.

This Lease shall become effective on the Effective Date, as defined in the Basic Lease Information in Article 1.

42.23. Further Assurances.

The Parties agree to execute and acknowledge such other and further documents and take such other reasonable actions as may be necessary or reasonably required to effectuate the terms of this Lease. The Director of Property is authorized to execute on behalf of City any closing or similar documents and any contracts, agreements, memoranda or similar documents with State, regional or local entities or other Persons that are necessary or proper to achieve the purposes and objectives of this Lease and do not materially increase the obligations of City under this Lease, if the Director of Property determines, in consultation with City Attorney, that the document is necessary or proper and in City's best interests. The Director of Property's signature of any such document shall conclusively evidence such a determination by him or her. Further, the parties reserve the right, upon mutual agreement of the Director of Property and Tenant, to enter into memoranda of technical corrections hereto to reflect any non-material changes in the actual legal description and square footages of the Premises or the Research Facility, and upon full execution thereof, such memoranda shall be deemed to become a part of this Lease.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, TENANT ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY HERETO UNLESS AND UNTIL THE 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 OR ENACTMENT OF SUCH AN ORDINANCE, AND THIS LEASE SHALL BE NULL AND VOID UNLESS THE 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.

[No further text this page.]

IN WITNESS WHEREOF, City and Tenant have executed this Lease as of the day and year first above written.

Tenant:

The Regents of the University of California, a California public corporation

By: _____
Name: _____
Title: _____
Date signed: _____

Approved as to Form for Tenant:

By: _____

University Counsel

City:

City and County of San Francisco, a municipal corporation

By: _____
JOHN UPDIKE
Director of Property
Date signed: _____

By: _____
BARBARA A. GARCIA, MPA
Director of Public Health
Date signed: _____

Approved as to Form for City:

DENNIS J. HERRERA, City Attorney

By: _____

Charles Sullivan
Deputy City Attorney

EXHIBIT A

PROPERTY

EXHIBIT A-1

DESCRIPTION OF PROPERTY

[Attached]

EXHIBIT A-2

DEPICTION OF PROPERTY

[Attached]

EXHIBIT B

RESEARCH FACILITY BUILDING PROJECT REQUIREMENTS

EXHIBIT B-1

RESEARCH FACILITY BUILDING SCHEME

[Attached]

EXHIBIT B-2

APPLICABLE CODES AND REQUIREMENTS FOR RESEARCH FACILITY BUILDING STATUTORY AND JURISDICTIONAL REGULATIONS

A. Perform the Work in accordance with Applicable Code Requirements and applicable requirements of all other regulatory agencies, including, but not limited to, the following:

1. California Code of Regulations, Title 8, Industrial Safety
 2. California Code of Regulations, Title 13, Hazardous Material Transportation
 3. California Code of Regulations, Title 17, Radiation Safety.
 4. California Code of Regulations, Title 19, Public Safety
 5. California Code of Regulations, Title 20, Public Utilities and Energy.
 6. California Code of Regulations, Title 21, Public Works.
 7. California Code of Regulations, Title 23, Underground Storage Tank Regulations.
 8. California Code of Regulations, Title 24, California Building Standards Code
 - a. Part 1, Administrative Regulations.
 - b. Part 2, California Building Code
 - c. Part 3, the California Electrical Code.
 - d. Part 4, the California Mechanical Code.
 - e. Part 5, the California Plumbing Code.
 - f. Part 6, the California Energy Code.
 - g. Part 8 - California Historical Building Code
 - h. Part 9, the California Fire Code.
 - i. Part 10 - California Existing Building Code
 - j. Part 11 - California Green Building Standards Code (CALGreen)
 - k. Part 12, State Referenced Standards Code.
 9. California Code of Regulations, Title 25, Housing and Community Development.
 10. California Code of Regulations, Title 26, Toxics.
 11. UC Facilities Manual (<http://www.ucop.edu/construction-services/facilities-manual/index.html>)
 12. University Policies (<http://www.ucop.edu/construction-services/facilities-manual/volume-1/vol-1-chapter-5.html#5-1>)
- B. Unless otherwise specified, specific references to codes, regulations, standards, manufacturer's instruction, or requirements of regulatory agencies, when used to specify requirements for materials or design elements, shall mean the latest edition of each, as applicable to the Regents, in effect at the delivery date.

EXHIBIT C

ACCESS LICENSE AREA
AND
SIDEWALK AREAS

EXHIBIT C-1

ACCESS LICENSE AREA

[Attached]

EXHIBIT C-2

DEPICTION OF SIDEWALK MAINTENANCE AREAS

[Attached]

EXHIBIT D

MITIGATION AND IMPROVEMENT MEASURES
AND
CONDITIONS TO GENERAL PLAN REFERRAL

EXHIBIT D-1

AGREEMENT TO IMPLEMENT MITIGATION AND IMPROVEMENT MEASURES

[Attached]

EXHIBIT D-2

CONDITIONS TO GENERAL PLAN REFERRAL

EXHIBIT E

SPECIFIC CITY SUBLEASE REQUIREMENTS

[NOTE: To be updated after terms of the Lease are finalized, if applicable. Delete this note prior to Lease execution.]

Except as otherwise approved by the City in writing, each Sublease shall include the following provisions:

1. Subject to Lease. A provision describing this Lease and providing that (a) the leasehold of the Subtenant is subject to this Lease, (b) the Subtenant shall not perform, or cause to be performed, any act in violation of this Lease, and (c) if any provision of the Sublease is inconsistent with any provision of this Lease, this Lease shall control.
2. City as Beneficiary. A provision providing that City shall be a third-party beneficiary of the Sublease.
3. Indemnification and Release. An indemnification clause and release of claims provision identical to that set forth in Article 18, provided that references to Tenant shall be changed to Subtenant, references to the Premises shall be changed to refer to the subleased premises, and references to Subtenant shall be changed to refer to sub-subtenants.
4. Insurance. A provision requiring the Subtenant to provide liability and other insurance in form and amounts reasonably approved by City's Risk Manager from time to time, with a clause requiring the Subtenant to cause to be named as additional insureds under all liability and other insurance policies "The City and County of San Francisco, and its Officers, Agents, Employees and Representatives" and acknowledging City's rights to demand increased coverage to normal amounts consistent with the Subtenant's business activities on the subleased premises. Tenant shall submit the insurance provision of Tenant's standard Sublease form to City for approval by the Risk Manager prior to entering into any Subleases using such form, and Tenant shall submit such insurance provision annually to City for approval or revision by the Risk Manager.
5. Effect of Master Lease Termination. A provision stating that if for any reason whatsoever this Lease is terminated, such termination shall at City's election operate to terminate the Sublease, except as otherwise provided in any non-disturbance agreement executed by City.
6. Payment of Rent on Default. A provision directing Subtenant to pay the Sublease rent and other sums due under the Sublease directly to City upon receiving written notice from City that a Tenant Event of Default has occurred.
7. Waiver of Relocation Assistance. A provision in which the Subtenant expressly agrees not to seek any and all relocation assistance and benefits in connection with this Lease.
8. City Entry Rights. A provision similar to Article 36, requiring the Subtenant to permit City to enter the subleased premises for the purposes specified in Article 36 and acknowledging and agreeing that City shall have all of the rights of access to the subleased premises described in this Lease.
9. Sublease and Assignment Profit Sharing. A provision requiring profit sharing between Tenant and the Subtenant in the event of a sub-sublease or assignment of the Sublease.

10. Estoppel Certificate for City. A provision requiring the Subtenant to execute, acknowledge and deliver to City, within fifteen (15) business days after request, a certificate stating to the best of the Subtenant's knowledge after diligent inquiry (a) the Sublease is unmodified and in full force and effect (or, if there have been modifications, that the Sublease is in full force and effect, as modified, and stating the modifications or, if the Sublease is not in full force and effect, so stating), (b) the dates, if any, to which any rent and other sums payable under the Sublease have been paid, (c) that no notice has been received by the Subtenant of any default hereunder which has not been cured, except as to defaults specified in such certificate, and (d) that Tenant is not then in default under the Sublease (or if Tenant is then in default, describing such default).

11. Pesticide Prohibition. A provision incorporating the requirements of Section 41.7 of this Lease, regarding compliance with City's Pesticide Ordinance.

12. Non-Discrimination. A provision incorporating the requirements of Section 41.3 of this Lease, regarding non-discrimination.

13. Prohibition on Tobacco and Alcohol Advertising. A provision substantially as follows:

Subtenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the City, including property that is the subject of this Sublease. This advertising prohibition includes the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local or, nonprofit or other entity designed to (i) communicate the health hazards of cigarettes or/and tobacco products, or to (ii) encourage people not to smoke or to stop smoking.

[NOTE: INCLUDE THE FOLLOWING SECTION EXCEPT FOR WHEN THE SUBLEASED PREMISES IS USED FOR THE OPERATION OF A RESTAURANT OR OTHER FACILITY OR EVENT WHERE THE SALE, PRODUCTION OR CONSUMPTION OF ALCOHOL IS PERMITTED:

Subtenant acknowledges and agrees that no advertising of alcoholic beverages is allowed on the premises. For purposes of this section, "alcoholic beverage" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing, selling or distributing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (i) communicate the health hazards of alcoholic beverages, (ii) encourage people not to drink alcohol or to stop drinking alcohol, or (iii) provide or publicize drug or alcohol treatment or rehabilitation services.]

14. No Personal Liability of City Personnel. A provision stating that no elective or appointive board, commission, member, officer, employee or other agent of City shall be personally liable to Subtenant, its successors and assigns, in the event of any default or breach by City under the Lease or Sublease, or for any amount that may become due to Subtenant, its successors and assigns, or for any obligation of City under the Lease or Sublease.

15. MacBride Principles – Northern Ireland. A clause identical to that set forth in Section 41.5, provided that references to Tenant shall be changed to Subtenant.

16. Tropical Hardwood/Virgin Redwood Ban. A clause identical to that set forth in Section 41.6, provided that references to Tenant shall be changed to Subtenant and references to the Premises shall be changed to the subleased premises.

17. Resource-Efficient Building Ordinance. A provision substantially as follows:

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

18. Drug-Free Workplace. If any federal grants apply to the subleased premises, a clause identical to that set forth in Section 41.18, provided that the reference to Tenant shall be changed to Subtenant and the reference to the Lease shall be changed to the Sublease.

19. Preservative Treated Wood Containing Arsenic. A clause identical to that set forth in Section 41.10, provided that references to Tenant shall be changed to Subtenant.

20. Food Service Waste Reduction Ordinance. A provision substantially as follows:

Subtenant agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, with respect to food sold or produced that the premises that are the subject of this Sublease, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Sublease as though fully set forth herein. This provision is a material term of this Sublease. By entering into this Sublease, Subtenant agrees that if it breaches this provision, Landlord, as tenant under the Master Lease, will suffer actual damages that will be impractical or extremely difficult to determine. Without limiting Landlord's other rights and remedies, Subtenant agrees that the sum of One Hundred Dollars (\$100.00) liquidated damages for the first breach, Two Hundred Dollars (\$200.00) liquidated damages for the second breach in the same year, and Five Hundred Dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that Landlord, as tenant under the Master Lease, will incur based on the violation, established in light of the circumstances existing at the time this Sublease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by Landlord, as tenant under the Master Lease, because of Subtenant's failure to comply with this provision.

21. Conflicts of Interest. A provision substantially as follows:

Subtenant certifies that it has made a complete disclosure to Landlord and City of all facts bearing on any possible interests, direct or indirect, which Subtenant believes any officer or employee of the City presently has or will have in this Sublease or in the performance thereof or in any portion of the profits thereof. Willful failure by Subtenant to make such disclosure, if any, shall constitute grounds for termination of this Sublease.

EXHIBIT F

RELINQUISHED PREMISES

Prepare and attach the following:

EXHIBIT F-1 Description of Relinquished Premises

EXHIBIT F-2 Description of Existing Occupancy Agreement

[If applicable: EXHIBIT F-3 Special Agreements Regarding Condition of Surrender]

EXHIBIT F-1

Description of Relinquished Premises

[Attached]

EXHIBIT F-2

Description of Existing Occupancy Agreements

[Attached]

EXHIBIT F-3

Special Agreements Regarding Condition of Surrender

[Attached]

EXHIBIT G

TERMS AND CONDITIONS APPLICABLE TO ASSIGNMENT OF LEASE FOLLOWING
TERMINATION OF AFFILIATION AGREEMENT

[NOTE: To be updated after terms of the Lease are finalized, if applicable. Delete this note prior to Lease execution.]

EXHIBIT H

AGREEMENT REGARDING HIRING OPPORTUNITIES

Local Hiring Program

Tenant has adopted voluntarily construction hiring goals of at least 30% of total construction hours to be performed by qualified San Francisco resident construction tradespersons on certain of its construction projects. Tenant's intent in adopting its voluntary hiring goals is to strengthen the economic opportunities it provides to the community, increase employment opportunities for San Francisco residents and engage local unions in innovative partnerships.

Tenant's Office of Strategic Community and University Relations has general oversight of this voluntary program through the management of Tenant's Community Construction Outreach Program ("CCOP"). The CCOP is charged with ensuring that San Francisco resident workers are made aware of employment opportunities, and are fairly and equitably considered for hire at the time job opportunities become available.

Tenant will apply its voluntary construction hiring goals to the construction of the Project.

Tenant commits to the following over the course of the Project's construction:

- Tenant will make every good faith effort to reach its goal of at least 30% of total construction hours to be performed by qualified San Francisco resident tradespersons.
- Tenant will require the Project's prime contractor and all subcontractors to make a good faith effort to assist Tenant in reaching the 30% voluntary goal.
- Tenant will require the Project's prime contractor to appoint a full-time staff member ("Project Manager") responsible for ensuring that the prime contractor and all subcontractors make every good faith effort to ensure that 30% of the Project's total construction hours are performed by qualified resident tradespeople. The Project Manager will work in partnership with the CCOP Director.
- Specifically, the Project Manager, will:
 - Create a Crew Work Projection plan (representing prime contractor and all subcontractors) for the duration of the Project which identifies local hire opportunities.
 - Identify and coordinate local name-call opportunities, refer qualified local name-call opportunities to the prime contractor and the subcontractors, follow up with the referred local name-call individuals to inquire about their experience.
 - Attend all pre-construction meetings and all regular prime contractor and subcontractor working meetings throughout the course of the Project, as required by Tenant, to review local hiring goals and progress.
 - Ensure that the prime contractor and all subcontractors provide Tenant in a timely manner monthly certified payroll reports via the LCP tracker system.

- Track actual resident hiring statistics on a monthly basis and provide a quarterly report to the CCOP Director documenting the Project's local hire statistics, as well as relevant workforce demographics. The report will also articulate the ways in which the prime contractor and the subcontractors are making a good faith effort to help the Project achieve the 30% voluntary goal.
- Tenant will retain CityBuild Academy, a program of the San Francisco Office of Economic and Workforce Development (OEWD), at an annual cost of \$200,000, to identify and refer qualified San Francisco resident construction tradespersons for the Project during its construction. This will not preclude Tenant or its prime contractor or subcontractors from utilizing their own sources for identifying and hiring qualified resident tradespersons. The retention of CityBuild will commence no later than 90 days prior to the Project's construction start and continue until the Tenant receives a notice of occupancy. Tenant shall notify CityBuild of the Project's construction start date 120 days prior to start of construction. CityBuild's engagement with Tenant shall be managed by the Office of Strategic Community and University Relations, under the direction of the CCOP Director.
- The CCOP Director and Project Manager will meet monthly with OEWD to review the Project's hiring progress, including a review of total construction hours performed by San Francisco resident workers in the prior month.

It is recognized that over the Term of the Lease, it may be necessary for Tenant to renovate or otherwise execute improvements to the Project. Tenant will apply its voluntary local hiring goal as described in this Exhibit, with the City as a partner, to these improvements as follows:

- In years 1-25 of the Lease, when the total cost of a construction project exceeds \$1.5 million.
- In years 26-50, when the total cost of a construction project exceeds \$3.5 million.
- In years 51-75, when the total cost of a construction project exceeds \$6 million.

Further, Tenant recognizes that its ability to realize its voluntary local hiring goal depends, in part, on the availability of qualified resident tradespersons. Tenant further recognizes that the CityBuild Academy Pre-Apprenticeship Training Program provides hands-on training in 26 building trades, as well as employment referral and supportive services. Therefore, Tenant commits to supporting the training of resident tradespeople through two annual contributions to CityBuild Academy, a contribution of \$250,000, to be paid 90 days prior to the Project's construction start, and a second contribution of \$250,000, to be paid 12 months after the first payment is made.

EXHIBIT I

MEMORANDUM REGARDING PARKING RELIEF PLAN

EXHIBIT J

TRANSPORTATION DEMAND MANAGEMENT

EXHIBIT K

NOTICE OF COMMENCEMENT DATE

[Date]

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

RE: Acknowledgement of Commencement Date, Ground Lease Between the Regents of the University of California (Tenant), and the City and County of San Francisco (Landlord), for Premises comprising a portion of the campus of The Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and Trauma Center

Dear Mr. Updike:

This letter will confirm that for all purposes of the Lease, the Commencement of the Lease is _____, 20__.

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

Very truly yours,

By: _____
Title: _____

Accepted and Agreed:

By: _____
John Updike
Director of Property

Dated: _____

EXHIBIT L

WAIVED OR MODIFIED CITY REQUIREMENTS APPLICABLE TO TRANSFEREES

All of the provisions set forth in Exhibit E shall be applicable to Transferees, as well as the following:

1. Non-Discrimination in City Contracts and Benefits Ordinance.

(a) Covenant Not to Discriminate

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

(b) Subleases and Other Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Tenant 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, Tenant 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 Tenant and/or deducted from any payments due Tenant.

2. Local Hiring. The following provision will apply instead of existing Exhibit H:

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.62 (the "Local Hiring Requirements"). Tenant Improvements and Alterations (as defined in Section 7.1) are subject to the Local Hiring Requirements unless the cost for such work is (i) estimated to be less than \$750,000 per building permit or (ii) meets any of the other exemptions in the Local Hiring Requirements. Tenant agrees that it shall comply with the Local Hiring Requirements to the extent applicable. Before starting any Tenant Improvement Work or any Alteration, Tenant shall contact City's Office of Economic Workforce and Development ("OEWD") to verify if the Local Hiring Requirements apply to the work (i.e., whether the work is a "Covered Project").

Tenant shall include, and shall require its subtenants to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Administrative Code Section 23.62. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Tenant shall cooperate, and require its subtenants to cooperate, with the City in any action or proceeding against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. Tenant'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 23.62 against the breaching party.

3. Prevailing Wages and Working Conditions. The following provision will apply instead of existing Section 41.2:

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. Tenant shall require its Contractors and Subcontractors performing (i) labor in connection with a "public work" as defined under California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling work 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"). Tenant 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.

Tenant shall include, and shall require its subtenants, and 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. Tenant'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. For the current Prevailing Rate of Wages, see www.sfgov.org/olse or call the City's Office of Labor Standards Enforcement at 415-554-6235.

4. Sunshine Ordinance.

Tenant understands and agrees that the City's Sunshine Ordinance (San Francisco Administrative Code Chapter 67) and the State Public Records Law (California Gov't Code Section 6250 et seq.), apply to this Lease and any and all records, information, and materials submitted to the City in connection with this Lease. Accordingly, any and all such records, information, and materials may be subject to public disclosure in accordance with the City's Sunshine Ordinance and the State Public Records Law. Tenant hereby authorizes the City to disclose any records, information, and materials submitted to the City in connection with this Lease.

5. Bottled Drinking Water.

Unless exempt, Tenant agrees to comply fully with and be bound by all of the provisions of the San Francisco Bottled Water Ordinance, as set forth in San Francisco Environment Code Chapter 24, including the administrative fines, remedies, and implementing regulations provided in that statute, as the same may be amended from time to time. The provisions of Chapter 24 are incorporated by reference and made a part of this Sublease as though fully set forth.

6. Food Service Waste Reduction.

Tenant agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided in that statute, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated in this Lease by reference and made a part of this Permit as though fully set forth in this Lease. This provision is a material term of this Lease. By entering into this Lease, Tenant agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine. Without limiting City's other rights and remedies, Tenant agrees that the sum of One Hundred Dollars (\$100.00) liquidated damages for the first breach, Two Hundred Dollars (\$200.00) liquidated damages for the second breach in the same year, and Five Hundred Dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Tenant's failure to comply with this provision.

7. Criminal History in Hiring and Employment Decisions.

Unless exempt, Tenant agrees to comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions; "**Chapter 12 T**"), which are hereby incorporated as may be amended from time to

time, with respect to applicants and employees of Tenant who would be or are performing work at the Premises.

Tenant shall incorporate by reference the provisions of Chapter 12T in all subleases of some or all of the Premises, and shall require all Subtenants to comply with such provisions. Tenant's failure to comply with the obligations in this Subsection shall constitute a material breach of this Lease.

Tenant and any Subtenants shall not inquire about, require disclosure of, or if such information is received, base an Adverse Action on an applicant's or potential applicant for employment, or employee's: (i) Arrest not leading to a Conviction, unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (ii) participation in or completion of a diversion or a deferral of judgment program; (iii) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (iv) a Conviction or any other adjudication in the juvenile justice system; (v) a Conviction that is more than seven years old, from the date of sentencing; or (vi) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

Tenant and any Subtenants shall not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in Subsection (c) above. Tenant and Subtenants shall not require such disclosure or make such inquiry until either after the first live interview with the person, or after a conditional offer of employment.

Tenant and any Subtenants shall state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment with Tenant or subtenant at the Premises, that the Tenant or subtenant will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Chapter 12T.

Tenant and any Subtenants shall post the notice prepared by the Office of Labor Standards Enforcement ("OLSE"), available on OLSE's website, in a conspicuous place at the Premises and at other workplaces within San Francisco where interviews for job opportunities at the Premises occur. The notice shall be posted in English, Spanish, Chinese, and any language spoken by at least 5% of the employees at the Premises or other workplace at which it is posted.

Tenant and any Subtenants understand and agree that upon any failure to comply with the requirements of Chapter 12T, City may pursue any rights or remedies available under Chapter 12T or this Lease, including but not limited to a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Lease.

If Tenant has any questions about the applicability of Chapter 12T, it may contact the City's Real Estate Division for additional information. City's Real Estate Division may consult with the Director of the City's Office of Contract Administration who may also grant a waiver, as set forth in Section 12T.8.

8. Health Care Accountability Ordinance.

Unless exempt, Tenant agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Lease as though fully set forth. The text of the HCAO is

available on the web at <http://www.sfgov.org/olse/hcao>. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12Q.

- a) For each Covered Employee, Tenant shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Tenant chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.
- b) Notwithstanding the above, if the Tenant is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with subsection (a) above.
- c) Tenant's failure to comply with the HCAO shall constitute a material breach of this Lease. City shall notify Tenant if such a breach has occurred. If, within thirty (30) days after receiving City's written notice of a breach of this Lease for violating the HCAO, Tenant fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Tenant fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.
- d) Any Subcontract entered into by Tenant shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Tenant shall notify City's Purchasing Department when it enters into such a Subcontract and shall certify to the Purchasing Department that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Tenant shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Tenant based on the Subcontractor's failure to comply, provided that City has first provided Tenant with notice and an opportunity to obtain a cure of the violation.
- e) Tenant shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Tenant's compliance or anticipated compliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.
- f) Tenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.
- g) Tenant shall keep itself informed of the current requirements of the HCAO.
- h) Tenant shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.
- i) Tenant shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least five (5) business days to respond.
- j) City may conduct random audits of Tenant to ascertain its compliance with HCAO. Tenant agrees to cooperate with City when it conducts such audits.

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

9. Vending Machine – Nutritional Standards.

Tenant shall not install or permit any vending machine on the Premises without the prior written consent of the Director of Property. Any permitted vending machine must comply with the food nutritional and calorie labeling requirements set forth in San Francisco Administrative Code section 4.9-1(c), as may be amended from time to time (the “Nutritional Standards Requirements”). Tenant agrees to incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this Section 28.48 shall be deemed a material breach of this Lease. Without limiting Landlord’s other rights and remedies under this Lease, Landlord shall have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements. In addition, any restaurant located on the Premises is encouraged to ensure that at least 25% of Meals offered on the menu meet the nutritional standards set forth in San Francisco Administrative Code section 4.9-1(e), as may be amended.

10. All-Gender Toilet Facilities.

If applicable, Tenant shall comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of any new building on City-owned land. An “all-gender toilet facility” means a toilet that is not restricted to use by persons of a specific sex or gender identity by means of signage, design, or the installation of fixtures, and “extensive renovations” means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by this section.

11. Taxes, Assessments, Licenses, Permit Fees and Liens. The following provision will apply instead of existing Section 8.1:

(a) Tenant recognizes and understands that this Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest.

(b) Tenant agrees to pay taxes of any kind, including possessory interest taxes, that may be lawfully assessed on the leasehold interest hereby created and to pay all other taxes, excises, licenses, permit charges and assessments based on Tenant’s usage of the Premises that may be imposed upon Tenant by law, all of which shall be paid when the same become due and payable and before delinquency.

(c) Tenant agrees not to allow or suffer a lien for any such taxes to be imposed upon the Premises or upon any equipment or property located thereon without promptly discharging the same, provided that Tenant, if so desiring, may have reasonable opportunity to contest the validity of the same.

(d) San Francisco Administrative Code Sections 23.38 and 23.39 require that the City and County of San Francisco report certain information relating to this Lease, and any renewals thereof, to the County Assessor within sixty (60) days after any such transaction, and that Tenant report certain information relating to any assignment of or sublease under this Lease to the County Assessor within sixty (60) days after such assignment or sublease transaction. Tenant agrees to provide such information as may be requested by the City to enable the City to comply with this requirement.

12. First Source Hiring Agreement.

For any commercial space within the Premises, Tenant or Subtenant (as applicable) shall enter into a First Source Hiring Agreement as set forth in San Francisco Administrative Code, Chapter 83 (the "First Source Agreement"). Any default by Tenant under the First Source Agreement shall be a default under this Lease.