

BOARD of SUPERVISORS



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MEMORANDUM

BUDGET AND FINANCE SUB-COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Malia Cohen, Chair
Budget and Finance Sub-Committee

FROM:  Alisa Somera, Legislative Deputy Director

DATE: May 21, 2018

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, May 22, 2018

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, May 22, 2018, at 2:00 p.m. This item was acted upon at the Sub-Committee Rescheduled Meeting on Thursday, May 17, 2018, at 1:00 p.m., by the votes indicated.

Item No. 37 File No. 180358

**[Real Property Lease - LCL Global - 777 Brannan Street, LLC - 777 Brannan Street
- Police Department - \$1,004,698 Initial Annual Base Rent]**

Resolution authorizing a Lease for approximately 27,154 square feet consisting of entire three floors of 777 Brannan Street, for the Police Department, with LCL Global - 777 Brannan Street, LLC, a limited liability corporation, for ten years with two five-year options for renewal, for the period of July 1, 2018, to June 30, 2028, at an initial monthly base rent not to exceed \$83,724.83 for a total annual initial base rent of \$1,004,698 in the initial year with annual increases of three percent; and finding the Lease is in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

RECOMMENDED AS A COMMITTEE REPORT

Vote: Supervisor Malia Cohen - Aye
Supervisor Sandra Lee Fewer - Aye
Supervisor Catherine Stefani - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney
Alisa Somera, Legislative Deputy Director

File No. 180358

Committee Item No. 2

Board Item No. 37

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 17, 2018

Board of Supervisors Meeting

Date May 22, 2018

Cmte Board

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Completed by: Linda Wong Date May 11, 2018

Completed by: Linda Wong Date May 21, 2018

1 [Real Property Lease - LCL Global - 777 Brannan Street, LLC - 777 Brannan Street - Police
2 Department - \$1,004,698 Initial Annual Base Rent]

3 **Resolution authorizing a Lease for approximately 27,154 square feet consisting of**
4 **entire three floors of 777 Brannan Street, for the Police Department, with LCL Global -**
5 **777 Brannan Street, LLC, a limited liability corporation, for ten years with two five-year**
6 **options for renewal, for the period of July 1, 2018, to June 30, 2028, at an initial**
7 **monthly base rent not to exceed \$83,724.83 for a total annual initial base rent of**
8 **\$1,004,698 in the initial year with annual increases of three percent; and finding the**
9 **Lease is in conformance with the General Plan, and the eight priority policies of**
10 **Planning Code, Section 101.1.**

11
12 WHEREAS, The Hall of Justice at 850 Bryant was constructed in 1958 and is one
13 of the few vertically integrated criminal justice facilities in the nation with a jail located
14 above the prosecutorial staff and operating courtrooms and judges' chambers, which for
15 years has been the subject of emergency declarations due to health and human safety
16 hazards posed by interior sewage floods caused by those in the jail facility, as well as due
17 to aging infrastructure; and

18 WHEREAS, The Hall of Justice has an antiquated elevator system requiring
19 millions of dollars in renovation and capital investment, with several out of service on any
20 given day, negatively affecting prisoner transport, employee flow within the building, and
21 patron access to services; and

22 WHEREAS, The Hall of Justice has a seismic rating that suggests very poor
23 performance in the event of a major earthquake, wherein the building would be closed for
24 an indefinite period of time for repairs due to significant damage, requiring an emergency
25

1 relocation of the these criminal justice system elements elsewhere and causing a serious
2 disruption of the criminal justice system; and

3 WHEREAS, To effect repairs to the Hall of Justice to address these noted
4 deficiencies would require significant capital investment and upon completion still leave
5 the City with a dysfunctional building that does not adequately serve the criminal justice
6 system; and

7 WHEREAS, The long term reorganization plans for Hall of Justice are
8 encapsulated within the Justice Facilities Improvement Program, a part of the adopted
9 ten-year Capital Improvement Program, and the adopted Capital Plan for FYs 2018-2027
10 contains an acceleration of previous schedules for relocation of District Attorney, Police
11 Investigations, Evidence Storage and Adult Probation, pursuant to requests by Mayor Lee
12 and City Administrator Kelly; and

13 WHEREAS, A lease of approximately 27,154 square feet of 777 Brannan Street
14 ("Lease") from LCL Global- 777 Brannan Street, LLC ("Landlord") would accommodate
15 the space needs for Evidence Storage by the Police Department with a commencement
16 date of July 1, 2018, and a rent commencement date of August 1, 2018; and,

17 WHEREAS, The Planning Department, through General Plan Referral letter dated
18 October 18, 2017, ("Planning Letter"), which is on file with the Clerk of the Board of
19 Supervisors under File No. 171110, has verified that the City's Lease is consistent with
20 the General Plan, and the eight priority policies under Planning Code, Section 101.1; and

21 WHEREAS, The Real Estate Division and the Landlord have negotiated a ten-year
22 Lease with two five-year renewal options for approximately 27,154 square feet of space,
23 said Lease on file with the Clerk of the Board of Supervisors under File No. 180358; and

24 WHEREAS, The Lease provides the City broom clean shell condition at Landlord's
25 expense; and

1 WHEREAS, The proposed initial annual rent of \$1,004,698 (\$37.00 per square
2 foot), increasing by three percent annually, was determined to be at or less than fair
3 market rent by the Director of Property, as an independent MAI appraisal was not
4 required by Administrative Code, Chapter 23; now, therefore, be it

5 RESOLVED, That the Board of Supervisors hereby finds that the Lease is
6 consistent with the General Plan, and eight priority policies of Planning Code, Section
7 101.1, and hereby incorporates such findings by reference as though fully set forth in this
8 Resolution; and, be it

9 FURTHER RESOLVED, That the Director of Property is hereby authorized to take
10 all actions, on behalf of the City and County of San Francisco, as tenant, to effect the
11 Lease and any other related documents with LCL Global- 777 Brannan Street, LLC, for
12 approximately 27,154 rentable square feet consisting of all three floors of the building
13 commonly known as 777 Brannan Street; and, be it

14 FURTHER RESOLVED, The annual base rent for the period from July 1, 2018 to
15 June 30, 2019, shall be no greater than \$1,004,698 (approximately \$37.00 per square
16 foot per year and the base rent shall increase three percent annually and, be it

17 FURTHER RESOLVED, As set forth in the Lease, the City shall pay for its utilities,
18 janitorial services, security services and all other operating expenses attributable to the
19 space occupied by the City under the Lease in addition to the base rent; and, be it

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

22 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
23 Property to enter into the Lease and any amendments or modifications to the Lease
24 (including without limitation, the exhibits) that the Director of Property determines, in
25 consultation with the City Attorney, are in the best interest of the City, do not materially

1 increase the obligations or liabilities of the City beyond those expressed in the Lease, do
2 not materially decrease the benefits to the City, or are necessary or advisable to
3 effectuate the purposes of the Lease or this resolution, and are in compliance with all
4 applicable laws, including City's Charter; and, be it

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

7 FURTHER RESOLVED, That within thirty (30) days of the execution of the Lease,
8 the Director of Property shall provide a copy to the Clerk of the Board for the Board's file.

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10 Signatures on next Page

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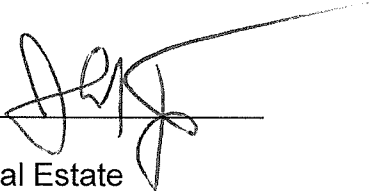
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\$920,974 Available (11 months rent)



Controller
Subject to enactment of the 2018/2019 Annual
Appropriation Ordinance

RECOMMENDED:



John Updike
Director of Real Estate

<p>Item 2 File 18-0358</p>	<p>Department: [Select Board, Commission, or Department]</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> The proposed resolution approves the lease between the City as tenant and LCL Global - 777 Brannan Street, LLC (LCL Global), as landlord, to relocate Police Department staff and evidence storage from the Hall of Justice. The leased space is approximately 27,154 square feet, and the lease term is for ten years from July 1, 2018 through June 30, 2028 with two five-year options to extend through June 30, 2038. The initial base rent is \$37 per square foot per year. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> In January 2017, given the serious concerns about the safety and working conditions in the Hall of Justice, the City Administrator declared that the offices and jail be relocated as quickly as possible. The proposed lease would begin in August 2018; design and construction of the space for use as evidence storage will take until approximately March 2019. The Board of Supervisors previously authorized the Real Estate Division to negotiate the lease. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> The City's lease and operating expenses in the initial 10-year term would total \$15,875,799. Tenant improvement costs are expected to be \$4,000,000 and telecommunications costs, including an inventory management system, are expected to be \$2,000,000. The Real Estate Division does not have detailed expenditure information for tenant improvements and telecommunications, which are part to the Justice Facilities Improvement Program. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> The Justice Facilities Improvement Program provides for capital improvements to leased space to expedite the relocation of the District Attorney's Office, the Adult Probation Department, and the Police Department's Evidence Storage Unit and Investigations Unit from the Hall of Justice. The Board of Supervisors previously appropriated \$15.9 million, and the Capital Planning Committee has recommended an additional \$17.1 million in FY 2018-19 and FY 2019-20, totaling \$33 million. The Real Estate Division does not have a detailed plan for use of these funds. The Justice Facilities Improvement Program will be reviewed by the Budget and Legislative Analyst during the FY 2018-19 and FY 2019-20 budget review. The Budget and Legislative Analyst recommends approval of the proposed lease because the terms of the lease conform to the Letter of Intent previously approved by the Board of Supervisors. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) requires that any contract or agreement having a term of ten or more years or requiring anticipated expenditures of \$10,000,000 or more is subject to approval by the Board of Supervisors.

BACKGROUND

The City's Hall of Justice, located at 850 Bryant Street, was constructed in 1958, and is seismically deficient. In January of 2017, given the serious concerns about the safety and working conditions in the building, the City Administrator declared that the offices and jail located at the Hall of Justice be closed as quickly as possible. As a result, the Capital Plan was updated in 2017 to target an expedited exit in 2019 from the Hall of Justice for all staff and inmates. The building currently houses four remaining City departments,¹ and the last Department is expected to move out of the building in 2021.

In November 2017, the Board of Supervisors approved a resolution authorizing the Director of Property to negotiate a lease with LCL Global for 27,154 square feet of space located at 777 Brannan Street on behalf of the San Francisco Police Department's Property Control unit to be used for evidence storage. According to the resolution, the Director of Property was enabled to negotiate the lease and any modifications without materially increasing the obligations or liabilities of the City beyond those expressed in the Letter of Intent.

Zoning Text Amendment for Self-Storage

777 Brannan Street is zoned for Service Arts and Light Industrial (SALI) use. The current grandfathered use of 777 Brannan Street is self-storage, which is not permitted in SALI zones. In January 2018, the Planning Commission approved the Zoning Text Amendment to allow the long-term grandfathering of self-storage use on the property in order to facilitate reversion to self-storage after the City ends its tenancy of the building. The ordinance (File 18-0086) is currently pending before the Land Use and Transportation Committee.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the lease between the City as tenant and LCL Global - 777 Brannan Street, LLC, a limited liability corporation (LCL Global), as landlord for approximately 27,154 square feet consisting of the entire three floors of 777 Brannan Street, for the Police Department to use as evidence storage and office space for 30 Department employees. The lease is for ten years, from July 1, 2018 through June 30, 2028, with two five-year options for renewal through June 30, 2038. The initial base rent is \$37 per square foot per year, or \$1,004,698 in the initial year with annual increases of three percent.

The terms of the lease, which are not substantially different than the approved letter of intent, are summarized in Table 1 below.

¹ The four Departments are the District Attorney's Office, Adult Probation, various offices of the Police Department, and the Sheriff's Department (County Jails #3 and #4).

Table 1: Summary of Proposed Lease Terms

Lease Terms	Current Lease Terms
Premises	3-story building at 777 Brannan Street
Square Footage	27,154 square feet
Term	10 years from July 2018 through June 2028
Option to Renew	Two five-year renewal options, discretion of City
Tenant Improvements	Landlord will pay for new fire sprinkler service and new exit staircase; City will for all other improvements
Base Rent	\$37 per square foot per year (\$1,004,698 first year)
Rent Increase	3.0 percent per year
Option Rent	Set at 95 percent of market but no less than 103 percent of base rent in year 10
Utilities, Property Taxes, and Operating Costs	City will pay an estimated \$14 per square foot for insurance, utilities, property taxes, repairs and maintenance, property management fees, security, and other operating costs
Parking	Loading Dock

General Plan Conformance

The proposed resolution finds the Lease is in conformance with the General Plan, and the eight priority policies of Planning Code, Section 101.1. The Planning Department, through the General Plan Referral letter dated October 18, 2017, verified that the City’s Lease is consistent with the General Plan, and the eight priority policies under Planning Code, Section 101.1.

Right to Purchase

In the signed Letter of Intent, the landlord would consider a right to purchase by the tenant. Under the lease, the landlord must inform the City 30 days prior to public advertising of the property and allow the City to offer to purchase the property. However, the landlord is not compelled to accept the offer. The notice of intent to sell requirement is specific to the City and may not be exercised by any sublessee.

Rent Commencement Date

According to the proposed lease, the estimated rent commencement date is August 1, 2018. According to Mr. John Updike, Director of the Real Estate Division, the City anticipates design of the property to accommodate the Police Department’s evidence storage facility to take until December 2018, and construction to begin in January 2019. The scope of the project is not yet fully developed, and the construction may take anywhere between three to nine months. Therefore, the space will not be ready for occupancy before March 2019 and may not be ready until September 2019, or approximately 13 months after the rent commencement date. Until

the building is ready for occupancy, the 30 Police Department employees and evidence storage room will remain in the basement level of the Hall of Justice.

FISCAL IMPACT

Ongoing Lease and Operating Expenses

Over the term of the 10-year lease, the City would pay LCL Global rent of \$11,517,737. According to Mr. Updike, annual operating costs, including a property management fee set at 3 percent of base rent and property taxes, are estimated to be \$14 per square foot, or \$380,156 in the first year. Assuming that operating costs would increase at the same rate as the base rent (3 percent per year), over the term of the 10-year lease, operating costs are estimated to total \$4,358,063. The 10-year lease and operating expenses would total \$15,875,799.

In addition, the City will also incur a cost to move San Francisco Police Department's Property Control unit, previously estimated it to cost \$400,000.

Tenant Improvement Expenses

The proposed lease provides tenant improvements to be constructed by LCL Global subject to approval by the City. The City will reimburse LCL Global for tenant improvement costs, including a 5 percent fee for LCL Global to manage the construction of the improvements. If the City, rather than LCL Global, constructs the tenant improvements, LCL Global still is paid a 3 percent management fee by the City. According to Mr. Updike, this fee is common in all real estate leases.

Real Estate Division, Police, and the Department of Public Works are working on the scope of tenant improvements for the property. Although the lease is expected to begin on July 1, 2018, the design for construction is expected to last until December 2018, with construction starting January 1, 2019. Tenant improvements will include enhancing security of the building, building out offices, seismic upgrades, and heating, ventilation and air conditioning for evidence storage. In addition, Mr. Updike states that there are plans to add lockers and showers for the 30 full time employees who work in the storage unit. According to Mr. Updike, the current budget is approximately \$4,000,000. The Real Estate Division does not yet have a budget for the \$4,000,000 in improvements.

Telecommunications

Under the proposed lease, the City would be responsible for the installation of telecommunications and other equipment at the City's sole cost. This includes telecommunications, data and computer cabling for City's occupancy, which has been estimated to cost \$1,600,000 in FY 2018-19 and \$1,000,000 in FY 2019-20. This cost includes an inventory management system.

The moving costs, tenant improvements and telecommunications will be funded by the FY 2017-18 and FY 2018-19 Justice Facilities Improvement Program, discussed in the Policy Consideration section below.

POLICY CONSIDERATION**Capital Budget**

The Justice Facilities Improvement Program provides for capital improvements to leased space to expedite the relocation of the District Attorney's Office, the Adult Probation Department, and the Police Department's Evidence Storage Unit and Investigations Unit from the Hall of Justice. The leased space includes 954 Bryant Street (File 18-0357), 777 Bryant Street (File 18-0358), 350 Rhode Island Street (previously approved by the Board of Supervisors), and a location to be determined for the Police Department's Police Investigations Unit.

The Board of Supervisors previously appropriated \$15.9 million², and the Capital Planning Committee has proposed an additional \$17.1 million to be allocated to the Justice Facilities Improvement Program in FY 2018-19 and FY 2019-20, totaling \$33 million. The Real Estate Division does not have a detailed plan for use of these funds. The additional \$17.1 million proposed by the Capital Planning Committee is subject to Board of Supervisors approval and will be reviewed by the Budget and Legislative Analyst during the FY 2018-19 and FY 2019-20 budget review.

The Budget and Legislative Analyst recommends approval of the proposed lease for 777 Brannan Street because the terms of the lease conform to the Letter of Intent previously approved by the Board of Supervisors.

RECOMMENDATION

Approve the proposed resolution.

² \$65,000 has been allocated for setting up fiber connectivity at 350 Rhode Island Street.

OFFICE LEASE

between

LCL Global-777 Brannan Street, LLC
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
777 Brannan Street
San Francisco, California

April 6, 2018

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LIST OF EXHIBITS AND SCHEDULES

- EXHIBIT A – Floor Plans of Premises
- EXHIBIT B – Notice of Commencement Date
- EXHIBIT C – Operating Costs
 - C-1 2018 Estimated Operating Costs
 - C-2 Exclusions from Operating Costs
- EXHIBIT D – Rules and Regulations
- EXHIBIT E – Work Letter
- EXHIBIT F – Form of Memorandum of Lease
- EXHIBIT G – Form of SNDA
- SCHEDULE 1 – Energy Consumption Documents

OFFICE LEASE

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of April 6, 2018, is by and between LCL Global-777 Brannan Street, LLC, a Maryland limited liability company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	April 6, 2018
Landlord:	LCL Global – 777 Brannan Street, LLC
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (<u>Section 2.1</u>):	777 Brannan Street, San Francisco
Premises (<u>Section 2.1</u>):	The entirety of the Building at 777 Brannan Street, Block 3784, Lot 032, San Francisco
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 27,154 rentable square feet subject to final measurement in accordance with BOMA standards pursuant to <u>Section 2.1</u> , and located on floors 1-3
Term (<u>Section 3</u>):	Commencement Date is the date this Lease is fully executed and Landlord delivers the Premises to the City free of any occupants. Landlord shall deliver the Premises in "as-is" broom clean condition, with the existing storage units in place (but the storage units shall be vacant).
	Estimated Commencement Date: July 1, 2018
	Estimated Expiration Date: June 30, 2028
Rent Commencement Date (<u>Section 4.1</u>):	Thirty (30) days following the Commencement Date.
	Estimated Rent Commencement Date: August 1, 2018

Extension Options (<u>Section 3.4</u>):	Two (2) additional terms of five (5) years each, exercisable by City by notice to Landlord given not less than 365 days in advance, with rent equal to 95% of the then Fair Market Value
Base Rent (<u>Section 4.1</u>):	Annual Base Rent: \$1,004,698 (\$37.00 per sq. ft.) Monthly payments: \$83,724.83 (\$3.083 per sq. ft.)
Adjustment Dates (<u>Section 4.2</u>):	July 1 annually
Additional Charges (<u>Section 4.3</u>):	Real Estate Taxes and Operating Costs, including property management fees equal to three percent (3%) of Base Rent
Use (<u>Section 5.1</u>):	Any legally permitted uses. Tenant intends to occupy the Premises for police evidence storage purposes and associated office uses
Leasehold Improvements (<u>Section 6</u>) and Work Letter:	Landlord shall pay for the cost of new fire sprinkler service and distribution and one new exit staircase pursuant to the Work Letter. All other modifications requested by Tenant shall be at Tenant's expense. All work shall be constructed after the Commencement Date
Utilities (<u>Section 9.1</u>):	Tenant shall pay directly to the utility provider for all utilities
Services (<u>Section 9.2</u>):	Tenant shall provide all desired janitorial, security and engineering services to the Premises

Notice Address of Landlord (Section 23.1):

c/o Tidewater Capital, LLC
564 Market Street, Suite 225
San Francisco, California 94104
Attention: Craig M. Young
Telephone No.: (415) 407-8467
Email: cyoung@tidewatercap.com

with a copy to:

Stephen M. Wright, Esq.
VLP Law Group
369 Pine Street, Suite 506
San Francisco, California 94104
Telephone No.: (415) 233-9990
Email: swright@VLP LawGroup.com
Fax No.: 415.475.2875

and a copy to:

c/o War Horse LLC
100 International Drive, Suite 21100
Baltimore, MD 21202
Attention: Steve Jennings
Telephone No.: (415) 407-8467
Email: steve@warhorsellc.com
Fax No.: 443.478.1219

and a copy to:

Mark Pollack, Esq.
Ballard Spahr, LLP
300 East Lombard Street, 18th Floor
Baltimore, MD 21202-3268
Telephone No.: (410) 528-5563
Email: pollakm@ballardspahr.com
Fax No.: (410) 528-5650

Key Contact for Landlord:

Craig M. Young

Landlord Contact Telephone No.:

(415) 407-8467

Notice Address for Tenant (Section 23.1):

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: John Updike,
Director of Property
Re: 777 Brannan
Fax No.: (415) 552-9216

with a copy to:

San Francisco Police Department
Attn: _____
Fax No.: _____

and to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Real Estate Team
Re: 777 Brannan Street
Fax No.: (415) 554-4757

Key Contact for Tenant:

Brian O'Connor

Tenant Contact Telephone No.:

Alternate Contact for Tenant:

Marta Bayol

Alternate Contact Telephone No.:

Brokers (Section 23.8):

Mark Geisreiter, CBRE

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "Building") and shown on the floor plans attached hereto as Exhibit A (the "Premises"). The Premises contain the rentable area and are located on the floors 1 through 3 of the Building specified in the Basic Lease Information. As used in this Lease, the term "rentable area" shall mean that measurement of Exterior Gross Area computed in accordance with the 2009 BOMA Gross Area Standard Z65.3 method of measurement for full building users, adopted by the Building Owners and Managers Association (BOMA). The Building, land upon which the Building is located and all other improvements on or appurtenances to such land are referred to collectively as the "Property."

City and Landlord shall have the right, within 30 days following the Commencement Date, to cause the Premises to be remeasured in accordance with the BOMA standards specified above, to confirm the rentable area of the Premises. If, as a result of such remeasurement, the Premises contain more or less than the total rentable square feet specified in the Basic Lease Information, the Base Rent shall be adjusted accordingly. Where such adjustment is not reflected in the Lease, Landlord and City agree to enter into an amendment to this Lease confirming any such adjustment. In the event the parties disagree with a determination, Landlord and City shall use their best efforts to meet and confer with one another in an attempt to agree upon the proper measurement of the Premises within thirty (30) days thereafter. If, following such period, Landlord and City are still unable to agree, Landlord and City shall jointly select an independent consultant, experienced in measurements of leased space under BOMA standards, to remeasure the space, and the determination of such consultant shall be binding upon the parties. Landlord and City shall share equally the cost of such consultant.

2.2 Disability Access

California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements.

City is hereby advised that the Premises have not been inspected by a CASp.

2.3 Energy Consumption

City acknowledges and agrees that Landlord completed the Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1681) provided by the City, completed copies of which are attached as Schedule 1 to this Lease, no less than 24 hours prior to City's execution of this Lease.

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "Initial Term") commencing on the date specified in the Basic Lease Information as the estimated commencement date (the "Estimated Commencement Date"), or such earlier or later date as Landlord shall have delivered the Premises to City without tenancy of any kind, and City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Lease, in their respective sole and absolute discretion, as further provided in this Lease. The Initial Term of this Lease shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Options). The word "Term" as used herein shall refer to the Initial Term and any Extended Terms if City exercises one or more of the Extension Options.

3.2 Commencement Date and Expiration Date

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

3.3 Delay in Delivery of Possession

Landlord shall use commercially reasonable efforts to deliver possession of the Premises without any tenancy of any kind. However, if Landlord is unable to deliver possession of the Premises as provided above, then, subject to the provisions of this Section below, the validity of this Lease shall not be affected by such inability to deliver possession except that City's obligations to pay Base Rent or any other charges shall not commence until such time as Landlord has delivered the Premises as required under this Lease and 30 days have passed. If the Term commences later or earlier than the Estimated Commencement Date, this Lease shall expire on the last day of the 120th full calendar month following the Commencement Date, unless sooner terminated pursuant to the provisions under this Lease. If Landlord is unable to deliver possession of the Premises to City as required hereunder within one hundred eighty (180) days after the Estimated Commencement Date, then City may, at its option, terminate this Lease, without any further liability under this Lease, upon written notice to Landlord given within fifteen (15) days thereafter. In the event of such termination, Landlord shall reimburse City for any and all reasonable and actual out-of-pocket costs City has paid for design of the Leasehold Improvement Work in accordance with the Work Letter, payable within fifteen (15) days of Landlord's receipt of invoices therefor from City.

3.4 Extension Options

City shall have the right to extend the Initial Term of this Lease (the "Extension Options") for the additional terms specified in the Basic Lease Information (the "Extended Terms"). Each Extension Option shall be on all of the terms and conditions contained in this Lease, except the Base Rent shall be adjusted as set forth in Section 4.4. City may exercise an Extension Option, if at all, by giving written notice to Landlord no later than three hundred sixty five (365) days prior to expiration of the Term to be extended; provided, however, if City is in material default under this Lease on the date of giving such notice or at any time prior to commencement of the applicable Extended Term, and fails to cure such default within the cure period provided in this Lease, Landlord may reject such exercise by delivering written notice thereof to City promptly after such failure to cure. Landlord acknowledges and agrees that City's notice of its intent to exercise an Extension Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, to be delivered to Landlord within sixty (60) days after the date the Base Rent for the first year of the Extension Term is finally determined, and failure to timely obtain same shall be deemed a withdrawal by Tenant of its exercise of the relevant Extension Option as if Tenant had never exercised same (subject to Landlord's right to extend such period at Landlord's sole discretion). Notwithstanding anything herein to the contrary, the Extension Option is personal to City and may not be exercised by any transferee, assignee or sublessee other than an allowed transfer to a department, commission or agency of the City and County of San Francisco.

4. RENT

4.1 Base Rent

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

4.2 Adjustments in Base Rent

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

On each Adjustment Date, the Base Rent for the following twelve month period shall be adjusted to equal one hundred three percent (103%) of the Base Rent for the lease year immediately preceding such Adjustment Date.

4.3 Additional Charges

(a) City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"), including the charges for Real Estate Taxes and Operating Costs. All such Additional Charges shall be payable to Landlord at the place where the Base Rent is payable. Landlord shall have the same remedies for a default in the payment of

any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to below as "Rent."

(b) "Operating Costs" means the total reasonable and customary costs and expenses actually paid or incurred by Landlord in connection with the management, operation, and maintenance of the Building, including gross receipts and sales taxes on such costs, and that, under generally accepted accounting principles, are ordinarily considered to be an operating expense. As part of Operating Costs, City shall pay to Landlord a management fee to Landlord equal to three percent (3%) of the Base Rent. Landlord shall not make any capital repairs to the Building during the Term without City's prior written consent (provided that no consent is needed in the case of an emergency or where failure to make such repair shall be a default under this Lease), not to be unreasonably withheld, conditioned or delayed; provided, nothing shall limit Landlord's right to make repairs and improvements at Landlord's sole cost and further provided that where needed to preserve, repair or maintain the Building in a good condition or to comply with this Lease, the cost of such repairs, replacements and improvements shall be made and included in Operating Costs. Estimated Operating Costs for calendar year 2018 are attached as Exhibit C-1, and items that are expressly excluded from Operating Costs are listed in Exhibit C-2.

(c) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the Building or Landlord's interest in the Building. Real Estate Taxes shall include all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity (including without limitation district improvement taxes and assessments), and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes. Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, gross receipts, capital stock taxes or income taxes of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late payment of any taxes, except to the extent attributable to City's failure to pay its portion of Real Estate Taxes hereunder, or (3) any personal property taxes payable by City hereunder or by any other tenant or occupant of the Building.

(d) Tenant shall make estimated monthly payments to Landlord on account of the Operating Costs and Real Estate Taxes that are expected to be incurred during each calendar year, as reasonably determined by Landlord, in equal payments of one-twelfth (1/12) of Landlord's annual estimate. Within approximately one hundred twenty (120) days after the end of each calendar year, or as soon thereafter as is feasible, Landlord shall submit a reasonable detailed written statement (a "Reconciliation Statement") showing actual Operating Costs and Real Estate Taxes. If the amount Tenant paid is in excess of the amount due, then Landlord shall credit the net overpayment toward Base Rent next due under this Lease, or, if the Lease Term hereof has expired or will expire before such credit can be fully applied, Landlord shall reimburse Tenant for the amount of such overpayment within sixty (60) days after delivery of such Reconciliation Statement, so long as no default exists under this Lease. If the Reconciliation Statement indicates that Tenant's actual liability exceeds the aggregate amount of such estimated payments, then Tenant shall pay the amount of such excess as additional rent within sixty (60) days after delivery of such Reconciliation Statement.

(e) City shall have the right, upon not less than five (5) business days' notice to Landlord, to audit the books and records related to Operating Costs and Real Estate Taxes. If such audit discloses any discrepancies which would result in a reduction of Operating Costs, and

Landlord agrees with City's determination, then Landlord shall within thirty (30) days thereafter refund to City the amount of any overpayment by City (or at City's option, credit such amount against Base Rent next due). If Landlord disagrees with the results of Tenant's review and the parties cannot otherwise agree, then Landlord's and Tenant's auditor shall together select a neutral auditor of similar qualifications to conduct a review of such books and records (the fees of such neutral auditor to be shared equally by Landlord and Tenant), and the determination of Operating Costs reached by such neutral auditor shall be final and conclusive. If the amounts paid by Tenant to Landlord on account of Operating Costs (i) exceed the amounts to which Landlord is entitled hereunder, then Landlord shall within thirty (30) days refund or credit such amount to City as set forth above, or (ii) are less than the amounts to which Landlord is entitled hereunder, then Tenant shall pay such deficiency as Additional Charges within thirty (30) days of the final determination. City shall pay the cost of its audit and City and Landlord shall equally share the cost of any jointly selected auditor, provided that if any such audit discloses any discrepancies which result in a reduction of five percent (5%) or more for any year, then Landlord shall pay the actual costs of the audit. Each party shall be responsible for its own internal review costs (which shall not be included as part of Operating Expenses). Landlord shall maintain at a location in San Francisco in a safe, complete and organized manner all of its records pertaining to Real Estate Taxes and Operating Costs for a period of not less than three (3) years following the end of each calendar year. Landlord shall maintain such records on a current basis and in sufficient detail to facilitate adequate audit and review thereof. All such books and records shall be available for inspection, copying and audit by City and its representatives. Notwithstanding anything herein to the contrary, if Tenant does not notify Landlord in writing of any objection to any Reconciliation Statement within six (6) months after receipt thereof, then Tenant shall be deemed to have waived any such objection and shall have no right to audit for such prior years.

4.4 Determination of Base Rent for the Extended Term

At the commencement of the Extended Term, the Base Rent shall be adjusted to equal ninety five percent (95%) of the then prevailing market rate for space of comparable size, use and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises situated within a six block radius of the Premises ("Reference Area"); provided in no event shall the Base Rent be reduced below one hundred three percent (103%) of the Base Rent for the lease year prior to commencement of such Extended Term. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, (v) permitted uses of the space, (vi) building standard tenant improvement allowances and other allowances given under such comparable leases, and (vii) other relevant factors (as determined by the appraiser, if applicable).

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

(a) Within fourteen (14) days following Landlord's notice to City of the prevailing market rate, if City disagrees with Landlord's determination, Landlord and City shall attempt in good faith to meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve any such disagreement.

(b) If within this fourteen (14)-day period Landlord and City cannot reach agreement as to the prevailing market rate, they shall each select one real estate appraiser to determine the prevailing market rate. Each such appraiser shall arrive at a determination of the prevailing market rate and submit his or her conclusions to Landlord and City within twenty (20) days of the expiration of the fourteen (14) day consultation period described in (a) above.

(c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the prevailing market rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who will within ten (10) days of his or her selection determine which of the first two appraisals is closer in value to the actual fair market value. The determination of the third appraiser (the "Final Determination") shall be limited solely to the issue of deciding which of the determinations of the first two appraisers is closest to the actual fair market value, and such determination shall be binding on the parties as to the prevailing market rate payable during such Extended Term.

(d) Following Final Determination, the City's Director of Property, shall seek approval of the Extension Option by the City's Board of Supervisors, by resolution. If the Board of Supervisors does not approve, in its sole discretion, the resolution to extend this Lease within sixty (60) days, the Extension Option shall be revoked without cost or penalty and shall be of no further force or effect.

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

(f) Except as provided in California Code of Civil Procedure Section 1286.2 (as the same may be amended from time to time), the determination of the fair market value by the accepted appraisal shall be conclusive, final and binding on the parties. Neither of the first two (2) appraisers nor the third appraiser shall have any power to modify any of the provisions of this Lease and must base their decision on the definitions, standards, assumptions, instructions and other provisions contained in this Lease. Subject to the provisions of this Section, the parties will cooperate to provide all appropriate information to the appraisers and the third appraiser. The appraisers and the third appraiser will each produce their determination in writing, supported by the reasons for the determination. In the event California Code of Civil Procedure Section 1286.2 is applied, Tenant shall nevertheless pay the reasonable, fair market value for the benefits it received under this Lease during any period of occupancy pursuant to agreement with Landlord or court order.

5. USE

5.1 Permitted Use

City may use the Premises for any legally permitted use, subject to City's compliance with all applicable laws, ordinances and regulations, including its application for and receipt of any necessary regulatory approvals for a particular use. City currently intends to use the Premises for storage and offices.

Notwithstanding anything in this Lease to the contrary, City and any assignee, sublessee or transferee shall at all times use the space solely for a public safety-related purpose classified as a Public Use under Section [890.80].

5.2 Observance of Rules and Regulations

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit D (the "Rules and Regulations"). Landlord may make commercially reasonable modifications to the Rules and Regulations, subject to the approval of the City, which approval will not be unreasonably withheld so long as they are consistent with industry custom at the time of enactment, do not materially reduce Landlord's or increase City's obligations hereunder nor interfere with City's business in the Premises, are not in conflict with the provisions of this Lease, and do not impose new charges on the City.

5.3 Interference with Access

Landlord shall provide to City access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, after consultation with the City's Administrator (or reasonably endeavoring to consult with the Administrator, with reasonableness based on the urgency of the situation), interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition impairs City's ability to carry on its business in the Premises for in excess of three (3) consecutive business days, and City does not use all or a portion of the Premises during such time, the Rent payable hereunder shall be abated based on the extent to which Landlord's default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease on written notice to Landlord made within five (5) days thereafter, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and takes appropriate action to restore such use. Nothing in this Section shall limit the parties' rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS

6.1 Construction of Leasehold Improvements

Beginning on the Commencement Date, Landlord shall promptly construct the Premises, perform the work and make the installations in the Premises pursuant to the Work Letter attached hereto as Exhibit E (the "Work Letter"). All work and installations performed pursuant to the Work Letter, including soft costs related thereto, are referred to as "the Leasehold Improvement Work" and "Leasehold Improvements."

6.2 Installation of Telecommunications and Other Equipment

Landlord and City acknowledge that the Leasehold Improvement Work shall be completed by Landlord exclusive of the installation of telecommunications, data and computer

cabling facilities and equipment, furniture, fixtures, equipment and other personal property belonging to the City, all of which shall be installed by City at its sole cost. City shall be responsible for installing such facilities and equipment at its sole cost, provided that Landlord shall furnish access to City and its consultants and contractors to the main telephone service serving the Premises are located and all other parts of the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring. City shall ensure cabling is properly labelled. City shall have the right to enter the Premises and such other portions of the Building at reasonable times during the course of construction of the Leasehold Improvements in order to install such facilities and equipment; provided City shall not interfere with Landlord's work. City and Landlord shall use their good faith efforts to coordinate any such activities to allow the Leasehold Improvements and the installation of such facilities and equipment to be completed in a timely and cost-effective manner. At the expiration or earlier termination of this Lease, City shall remove all telecommunications, data and computer cabling facilities and equipment, furniture, fixtures, and equipment and repair any damages related to such removal except where Landlord indicated at the time of installation that such items should remain in the Premises upon expiration or earlier termination of the Lease.

6.3 Construction of Improvements that Disturb or Remove Exterior Paint

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

7. ALTERATIONS

7.1 Alterations by City

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of

furnishings, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises using Building-standard selections and the installation of free-standing work space cubicles and free-standing shelving shall not constitute Alterations requiring Landlord's consent (collectively, "Cosmetic Work"); provided that Landlord shall be notified of any Cosmetic Work and, upon request, presented with invoices establishing the cost together with unconditional lien waivers from any materialmen or contractors. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below). Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with Cosmetic Work; however, Landlord shall receive an administrative fee equal to three (3%) percent of hard costs of any Alterations where City oversees the Alterations and five (5%) percent of hard costs where Landlord agrees to oversee the Alterations. City shall not be required to remove any Alterations upon the expiration or sooner termination of this Lease unless City requests Landlord's instruction at the time it seeks permission for Alterations and Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date. If City fails to remove its furniture, furnishings, equipment, Personal Property and Alterations pursuant to this Section 7.1 prior to the expiration or earlier termination of the Term, the same shall at Landlord's option be deemed abandoned under California law; provided, however, that (i) Tenant shall have not less than 30 days following any early termination of the Lease to remove property (provided City pays the Base Rent due under Section 4.1 for the removal period); and (ii) Landlord shall thereafter have the right at Tenant's expense to remove from the Premises any or all such items and Tenant shall pay to Landlord all actual and reasonable costs incurred by Landlord in effectuating such removal (including a construction management fee as described above). Any Cosmetic Work or other Alterations, including moving, shall be done by licensed, reputable, insured contractors as required under Section 8.2.

7.2 Title to Improvements

Except for City's Personal Property (as defined in the next Section), all appurtenances, fixtures, improvements, equipment, additions and other property permanently installed in the Premises as of the Commencement Date or during the Term shall be and remain Landlord's property, unless otherwise direct by Landlord pursuant to this Lease. City may not remove such property unless Landlord consents thereto (or requires removal at the time of installation, as set forth in Section 7.1).

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural or material non-structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document reasonably required by any supplier, lessor, or lender in connection with the installation in the Premises of any items of City's Personal Property, in a form reasonably acceptable to Landlord, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises no later than the Expiration Date (or, if the Lease is terminated early, within 30 days after the termination date

where City pays the Base Rent due under Section 4.1 for the removal period), but if it does not remove City's Personal Property within such time it shall have waived any rights it may have had to such City's Personal Property, and (ii) will repair any damage caused by the removal of City's Personal Property. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within two (2) days after the Expiration Date (or, if the Lease is terminated early, within 30 days after the termination date).

7.4 Alteration by Landlord

Following completion of the Leasehold Improvements, Landlord shall use commercially reasonable efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Building, including without limitation any leasehold improvement work for other tenants in the Building. Landlord shall make commercially reasonable efforts to promptly remedy any such interference or disruption upon receiving City's notice thereof. Notwithstanding the foregoing, Landlord shall not be required to have such work completed after hours or pay overtime for such work.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Landlord shall repair and maintain, at its cost and in good condition, the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring (collectively, the "Building Systems").

8.2 City's Repairs

Subject to Landlord's warranty under Section 10.1 (Premises Condition), any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations hereunder, City shall repair and maintain at its cost the interior portions of the Premises and shall keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall make any such required repairs and replacements that Landlord specifies in writing (i) at City's cost, (ii) by licensed and insured contractors or mechanics selected by City and reasonably approved by Landlord (including with respect to insurance coverage), (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, (iv) in a manner and using equipment and materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. At all times during the Term of this Lease, Landlord shall, upon reasonable notice by City, afford City and its Agents with access to those portions of the Building which are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City. Notwithstanding Section 8.1, City shall use good faith efforts to regularly remove any graffiti on the exterior of the Premises, promptly repair any plate glass, and wash windows periodically in keeping with other City property.

8.3 Liens

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

suppliers' liens. City shall give Landlord at least ten (10) days' prior written notice of commencement of any repair or construction by City on the Premises. City shall obtain and deliver to Landlord upon request, written, unconditional waivers of mechanics' and materialmen's liens against the Premises and the Building for all work, labor and services performed and materials furnished after the work is complete for all mechanics and materialmen performing work with a value in excess of \$5,000. City shall have the right to legally contest any lien. City will indemnify Landlord from and against any claims resulting from City's action to challenge a lien resulting from any Alterations or other work performed by or for City at the Premises during the Term.

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Landlord shall furnish, and City shall pay for (without markup), the following utilities and services to the Premises: (a) heating, air conditioning and ventilation in amounts required for City's comfortable use and occupancy of the Premises, during the period from 8:00 a.m. to 6:00 p.m., Monday through Friday, except holidays generally recognized in San Francisco; (b) electric current in amounts required for normal lighting and for the operation of personal computers and other normal office machines and equipment, on a twenty-four (24) hours-a-day, three hundred sixty-five (365) days-a-year basis ("Daily Basis"); (c) elevator (freight and passenger) service on a Daily Basis; and (d) water for lavatory, kitchen and drinking purposes on a Daily Basis. Without limiting Landlord's obligations hereunder, Landlord shall furnish all utilities and services required under this Lease in a manner consistent with such utilities and services normally provided in other buildings similar to the Building in the San Francisco South of Market District. Landlord reserves the right to require that City arrange and pay for electrical power, water, sewage, electricity, gas, rubbish removal and other utilities and services directly with the provider.

9.2 Janitorial and Security Services

Tenant shall provide at its cost janitorial and pest control service, as deemed necessary by Tenant in order to maintain the Premises in a clean and safe condition. Tenant shall have the right to install its own security system (which may be a card-key system), subject to Landlord's approval of the plans and specifications, which approval will not be unreasonably withheld or delayed. Tenant shall ensure that Landlord has keys and codes needed to access the Building in the event of an emergency or as otherwise allowed under this Lease; where Tenant fails to so provide, Tenant may access the Building in the event of an emergency by any means reasonably necessary and Tenant shall be responsible for any and all repair costs related to such access.

9.3 Conservation

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

9.4 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall immediately notify City of such failure, stoppage or interruption where Landlord has advance information, diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. Landlord shall not have any liability to City for such failure, interruption or stoppage except to the extent caused by Landlord or its Agents. In the event that Landlord is unable to supply any of the Building's

sanitary, electrical, heating, air conditioning, water, elevator, fire protection, or other essential services serving the Premises for which Landlord is responsible (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of five (5) or more consecutive business days, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises or, alternatively at City's election, City shall have the option to provide such services and offset the reasonable cost thereof up to the value of the Rent against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use commercially reasonable efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services results from Landlord's or its Agent's negligence or willful misconduct, and continues for any reason for thirty (30) days, and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord within fifteen (15) days, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and diligently pursues restoration within such 60-day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due solely to the acts, omissions or negligence of City and its Agents.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Landlord represents and warrants to City, and covenants with City, as follows, to Landlord's actual knowledge: **(a)** the physical structure, fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all portions of the Property and the Building entrances, restrooms and elevators are now, and as of the Commencement Date will be, in compliance with the requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabilities Laws"); **(b)** the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); **(c)** the Building and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); **(d)** the Building and Building Systems serving the Premises are now, and as of the Commencement Date will be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements; and **(e)** there are not now, and as of the Commencement Date will not be, any material physical or mechanical defects in the Premises, Building or the Building Systems that would materially adversely affect City's intended use of the Premises. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Disabilities Laws, Seismic Safety Laws, and Life Safety Laws; provided that Tenant shall be responsible for any violation due to the negligence or misconduct of Tenant and its Agents and Invitees. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any failure of the Property, Building, Building Systems, or any portion thereof, to comply with applicable

Laws as provided in this Section or any material misrepresentation by Landlord under this Section, provided this Indemnity shall not extend to any Claim to the extent caused by Tenant's negligence, misconduct or breach of this Lease.

10.2 City's Compliance with Laws; Indemnity

City shall use the Premises during the Term in compliance with applicable Laws and [for public safety purposes under Planning Code section 183,] except that City shall not be required to make any structural alterations, additions or other modifications in order to comply therewith unless such modifications are necessary solely because of any Alterations to the Premises made by City pursuant to Section 7 (Alterations) hereof or due to City's public agency use (as opposed to a private entity user, assuming the same storage and office uses), and such modifications are not otherwise Landlord's responsibility under this Lease. City shall be responsible for complying with any requirement of the Disabilities Laws relating to the placement of City's furniture or other City Personal Property and the operation of any programs in the Premises, other than any requirement relating to the physical structure, fixtures and permanent improvements of the Premises or portions of the Property or Building along the path of travel to the Premises, which are Landlord's obligation as provided in Section 10.1 (Premises Condition) above. Without limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided in this Section.

10.3 City's Compliance with Insurance Requirements

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

11. SUBORDINATION

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

agreement (an "SNDA", form attached as Exhibit G) confirming its subordination or nonsubordination; provided in no event will the SNDA amend any provision of this Lease.

(b) Landlord shall require any future any mortgagee or holder of a deed of trust to agree to an SNDA providing that in the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or in the event any ground lease or underlying lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed nor shall the rights and possession of City hereunder be disturbed if City shall not then be in default in the payment of rental or other sums due hereunder or otherwise be in default under the terms of this Lease. In such event, City shall attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of such succession and the name and address of the successor landlord. City's covenant under subsection (a) above to subordinate this Lease to any Encumbrance or other hypothecation hereafter executed is conditioned upon each such senior instrument containing the commitments specified in this subsection (b). The provisions of this Section shall be self-operative and no further instrument shall be required other than as provided in this Section. City agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to City, any additional documents evidencing the priority or subordination of this Lease with respect to any such Encumbrance as provided herein.

(c) Subject to the provisions of any SNDA, Tenant agrees that any mortgagee or holder of a deed of trust shall not be (a) bound by or required to credit Tenant with any prepayment of the Base Rent or Additional Charges more than thirty (30) days in advance or any deposit, rental security or any other sums deposited with any prior landlord under the Lease (including Landlord) unless said sum is actually received by such transferee; (b) liable for any breach, act or omission of any prior landlord under the Lease (including Landlord) or any damages arising therefrom; (d) subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord), provided the foregoing shall not limit Tenant's rights with respect to any continuing default, (e) liable for payment of any damages, fees or penalties payable by any landlord under the Lease (including Landlord) to Tenant, or (f) bound by any obligation which may appear in this Lease to pay any sum of money to Tenant. Nothing in this Section is intended to alter the obligations of any entity that assumes Landlord's obligations under this Lease from and after the date of such assumption.

12. DAMAGE AND DESTRUCTION

If the Premises, the Building or any improvements or building systems (including HVAC and plumbing) are damaged by fire or other casualty, Landlord shall repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if City at its sole option makes funds available to Landlord, Landlord shall also repair the Leasehold Improvements), provided that such repairs can be made under applicable laws within sixty (60) days after Landlord obtains all necessary permits for such repairs but not later than two hundred ten (210) days after the date of such damage (the "Repair Period"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made, unless the casualty is caused by the intentional misconduct of Tenant or its Agents. Such abatement in Rent shall be based upon the extent to which such damage and the making of such repairs interfere with City's business in the Premises. Landlord's repairs shall not include, and the Rent shall not be abated as a result of, any damage by fire or other cause to City's Personal Property or any damage caused by the negligence or willful misconduct of City or its Agents.

Within twenty (20) days after the date of such damage, Landlord shall notify City whether or not, in Landlord's reasonable judgment made in good faith, such repairs can be made within the Repair Period. If such repairs cannot be made within the Repair Period, then either

party hereto may, by written notice to the other given within thirty (30) days after the date of such damage, terminate this Lease as of the date specified in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by Landlord. In case of termination, the Rent shall be reduced by a proportionate amount based upon the extent to which such damage interferes with the conduct of City's business in the Premises, and City shall pay such reduced Rent up to the date of termination. Landlord shall refund to City any Rent previously paid for any period of time subsequent to such date of termination.

Notwithstanding the foregoing, in the event the Premises are damaged or destroyed by reason of flood, earthquake, act of terrorism or similar cause, and such damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry hereunder (excluding any deductible, for which Landlord shall be responsible), Landlord may terminate this Lease by written notice to City within thirty (30) days of the date Landlord receives written notice that such damage is not covered by insurance. Such notice from Landlord shall include adequate written evidence of the denial of insurance coverage or lender demands. If Landlord does not elect to terminate this Lease as provided above, this Lease shall remain in full force and effect, and Landlord shall repair and restore the Premises as provided above. If Landlord is unable to begin repairs to the Premises as a result of Landlord's lender's refusal to release insurance proceeds, and such refusal continues for more than ninety (90) days despite Landlord's commercially reasonable efforts, then Landlord shall notify City and City shall have the right to terminate this Lease.

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

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

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease shall terminate in its entirety if all of the following exist: (i) the partial Taking, in City's reasonable judgment, renders the remaining portion of the Premises untenable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affects City's normal operations in the Premises, (ii) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure such condition, and (iii) City elects to terminate.

(b) In the case of a partial taking of a substantial portion of the Building, and if subsection (a) above does not apply, City and Landlord shall each have the right to terminate this Lease by written notice to the other within thirty (30) days after the Date of Taking, provided that, as a condition to City's right to terminate, the portion of the Building taken shall, in City's reasonable judgment, render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises.

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

13.5 Termination of Lease; Rent and Award

Upon termination of this Lease in its entirety pursuant to Section 13.3 (Total Taking; Automatic Termination), or pursuant to an election under Section 13.4 (Partial Taking; Continuation of Lease) above, then: (a) City's obligation to pay Rent shall continue up until the date of termination and thereafter shall cease, and (b) Landlord shall be entitled to the entire Award in connection therewith, except that City may file a separate claim for and receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.6 Partial Taking; Continuation of Lease

If there is a partial Taking of the Premises under circumstances where this Lease is not terminated in its entirety under Section 13.4 (Partial Taking; Continuation of Lease) above, then this Lease shall terminate as to the portion of the Premises so taken, but shall remain in full force and effect as to the portion not taken, and the rights and obligations of the parties shall be as follows: (a) Rent shall be reduced by an amount that is in the same ratio to the Rent as the area of the Premises taken bears to the area of the Premises prior to the Date of Taking, and

(b) Landlord shall be entitled to the entire Award in connection therewith, provided that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

Except as provided in this Section below, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or sublet all or any portion of the Premises, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed. City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease.

Landlord shall have no obligation to consent to any sale or assignment: (i) that releases City, (ii) if the assignee or transferee is not credit worthy, as reasonably determined by Landlord, (iii) that will cause the Building to be ineligible to reinstate its nonconforming use pursuant to Planning Code Section 183, (iv) where the transferee is not of a character reasonably acceptable to Landlord, or (v) any lender or mortgagee fails to consent (where such consent is required).

If City desires to assign, sublet or transfer all or part of this Lease or the Premises, then in connection with Tenant's request to Landlord for Landlord's consent thereto, Tenant shall give notice to Landlord in writing ("Tenant's Request Notice") containing: (i) the identity of the proposed assignee, subtenant or other party and a description of its business; (ii) the terms of the proposed assignment, subletting or other transaction (including a copy of the proposed document for same); (iii) the anticipated commencement date of the proposed assignment, subletting or other transaction (the "proposed sublease commencement date"); (iv) the area proposed to be assigned, sublet or otherwise encumbered; (v) evidence of financial responsibility of such proposed assignee, subtenant or other party (unless City remains financially liable for Tenant's obligations under this Lease notwithstanding any such assignment, transfer or sublet); and (vi) a certification executed by tenant and such party stating whether or not any premium or other consideration is being paid for the assignment, sublease or other transaction.

Landlord shall have thirty (30) days in which to approve or reject the proposed assignment or sublease. Any net profits received by City from any sublease (after deducting all actual and reasonable internal and external City costs in connection with the proposed sublease, including marketing costs, attorneys' fees, brokers fees, and transaction costs) shall be divided 75% to Landlord and 25% to City. Landlord shall have the right to review City's nonprivileged records relating to costs in order to confirm any net profit.

In addition, in lieu of approving any proposed transfer or sublease, Landlord shall have the right to recapture the portion of the Premises that are proposed by City to be transferred or sold, provided if Landlord exercises this recapture right, (1) Landlord shall be responsible for all costs needed to separate and secure the Premises from the recaptured space, (2) Rent (including

Additional Charges) shall be proportionally reduced based upon the square footage that is removed from the Premises, and (3) the parties agree to amend the Lease to reflect the above changes to the Premises and Rent, and any such amendment shall be subject to the approval of the City's Director of Property and Police Chief without the need for Board of Supervisors' approval. In no event shall any options or rights of first offer be available to any transferee, nor shall they be exercisable if City has transferred more than 50% of the Premises pursuant to an assignment, sublease or similar document where Landlord's consent is required, unless Landlord provides that the option or right remains available to City in the consent document.

No assignment or right of occupancy hereunder may be effectuated by operation of law without the prior written consent of Landlord. Any attempted assignment or transfer of this Lease or all or any of City's rights hereunder or interest herein, or any sublet or permission to use or occupy the Premises or any part thereof not in accordance with this Section 14, shall be void and of no force or effect. Landlord's collection or acceptance of rent from any assignee or subtenant shall not be construed either as waiving or releasing City from any of its liabilities or obligations under this Lease as a principal or as relieving City or any assignee or subtenant from the obligation of obtaining Landlord's prior written consent to any subsequent assignment or subletting. As security for this Lease, City hereby assigns to Landlord the rent due from any assignee or subtenant of City. During any period that there exists a Default by City under this Lease (following notice and expiration of the applicable cure period), City hereby authorizes each such assignee or subtenant to pay said Rent directly to Landlord upon receipt of notice from Landlord specifying same. Landlord's collection of such rent shall not be construed as an acceptance of such assignee or subtenant as a tenant.

City shall pay to Landlord its reasonable, out-of-pocket, third party expenses (including reasonable attorneys' fees and accounting costs) incurred by Landlord in connection with City's request for Landlord to give its consent to any assignment, subletting, or mortgage, and Landlord's receipt of such sum shall be a condition to Landlord providing such consent. Any sublease, assignment or mortgage shall, at Landlord's option, be effected on forms reasonably approved by Landlord. City shall deliver to Landlord a fully-executed copy of each agreement evidencing a sublease, assignment or mortgage within ten (10) days after execution thereof.

All restrictions and obligations imposed pursuant to this Lease on City shall be deemed to extend (as applicable) to any subtenant, assignee, licensee, concessionaire or transferee, and Tenant shall cause such person to comply with such restrictions and obligations. Any assignee shall be deemed to have assumed obligations as if such assignee had originally executed this Lease. Subject to any written agreement with Landlord at the time of entering into a sublease, each sublease is subject to the condition that if the Lease is terminated or Landlord succeeds to Tenant's interest in the Premises by voluntary surrender or otherwise, at Landlord's option the subtenant shall be bound to Landlord for the balance of the term of such sublease and shall attorn to and recognize Landlord as its landlord under the then executory terms of such sublease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

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

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

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

15.2 Landlord's Remedies

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

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

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

(c) Consistent with and subject to Landlord's obligation to mitigate damages under California law, if an event of default occurs under this Lease, then Landlord may put the Premises into rentable condition and relet the Premises or any part thereof for such term and on such terms and conditions (which may include any concessions or allowances granted by Landlord) as Landlord, in its reasonable discretion, may determine. Whether or not this Lease and/or Tenant's right of possession is terminated or any suit is instituted, Tenant shall be liable for any base rent, additional rent, damages or other sum which may be due or sustained prior to such default, and for all actual and reasonable costs, fees and expenses incurred by Landlord in pursuit of its remedies hereunder and/or in recovering possession of the Premises as determined by a court of law. If Landlord does not terminate this Lease but instead leases or sublets the Premises, rents received by Landlord shall be applied (i) first, to the payment of the costs of maintaining, preserving, altering and preparing the Premises for leasing and any other costs of leasing, including but not limited to brokers' commissions and attorneys' fees and expenses; (ii) second, to the payment of rent and additional rent then due and payable hereunder; (iii) third, to the payment of future rent as the same may become due and payable hereunder; and (iv) fourth to Landlord's damages, costs and fees related to Tenant's default (including reasonable attorneys' fees), with any surplus held by Landlord as a security deposit under commercially reasonable standards (in a non-interest bearing account, which need not be segregated) pending termination of the Lease. If the rents received by Landlord, after application as provided above, are insufficient in any month to pay the rent due and payable hereunder for such month, Tenant shall pay such deficiency to Landlord monthly upon demand.

(d) The provisions contained in this section shall be in addition to, and shall not prevent the enforcement of, any claim Landlord may have against tenant for anticipatory breach of this Lease (including, without limitation, the right of injunction and the right to invoke any remedy allowed at law or in equity as if reentry, summary proceedings and other remedies were not provided for herein). Nothing herein shall be construed to affect or prejudice

Landlord's right to prove, and claim in full, unpaid rent accrued prior to termination of this Lease.

(e) All rights and remedies of Landlord set forth in this Lease are cumulative and in addition to all other rights and remedies available to at law or in equity, including those available as a result of any anticipatory breach of this lease. The exercise by Landlord of any such right or remedy shall not prevent the concurrent or subsequent exercise of any other right or remedy.

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease following ten (10) days written notice and opportunity to cure, then (without limiting any of City's other cure rights under this Lease) City may, where such default materially interferes with City's ability to use the Premises, at its sole option, cure such default so as to allow City to use the Premises, at Landlord's reasonable expense, only if such default continues after ten (10) days from the date City gives the notice to Landlord and clearly states in that notice in bold, all caps lettering, that City intends to perform such cure if Landlord fails to do so. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such ten (10)-day period, such ten (10)-day period shall be extended if Landlord, promptly upon receipt of City's notice, advises City of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Where City is aware of a mortgagee or holder of a deed of trust, City shall simultaneously notify such entity of any Landlord default and of City's intention to perform the cure. Landlord shall reimburse Tenant for its out-of-pocket, reasonable and necessary costs within thirty (30) days of delivery of an invoice accompanied by proof of payment. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then the Base Rent and any other charges hereunder shall be abated to the extent that such default interferes with City's ability to carry on its business at the Premises. City's rights under this Section shall not limit any of its other rights and remedies at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

City shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, losses, damages, costs and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Claims"), incurred as a result of (a) City's use of the Premises, (b) any material default by City in the performance of any of its obligations under this Lease, or (c) any negligent or malicious acts or omissions of City or its Agents in, on or about the Premises or the Property; provided, however, City shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents by reason of any Claim Indemnified by City hereunder, City may, at its sole option, elect to defend such Claim by attorneys in City's Office of the City Attorney, by other attorneys selected by City, or both. City shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding. Landlord shall cooperate with City and shall have the right to actively participate in the defense of any Claim at Landlord's sole cost. City's obligations under this Section shall survive the termination of the Lease for a period of three (3) years.

16.2 Landlord's Indemnity

Landlord shall Indemnify City and its Agents against any and all Claims incurred as a result of (a) any material default by Landlord in the performance of any of its obligations under this Lease or any breach of any representations or warranties made by Landlord under this Lease, or (b) any negligent or malicious acts or omissions of Landlord or its Agents in, on or about the Premises or the Property; provided, however, Landlord shall not be obligated to Indemnify City or its Agents to the extent any Claim arises out of the negligence or willful misconduct of City or its Agents. In any action or proceeding brought against City or its Agents by reason of any Claim Indemnified by Landlord hereunder, Landlord may, at its sole option, elect to defend such Claim by attorneys selected by Landlord. Landlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City shall have the right, but not the obligation, to actively participate in the defense of any such Claim at its sole cost. Landlord's obligations under this Section shall survive the termination of this Lease for a period of three (3) years. To the extent that insurance would have paid for the defense and any settlement had the City purchased insurance (rather than self-insuring), Landlord's Indemnification obligations shall be subject to City's payment up to the amount of such insurance.

17. INSURANCE

17.1 City's Self-Insurance

Landlord acknowledges that City maintains a program of self-insurance and agrees that City shall not be required to carry any insurance with respect to this Lease. City's self-insurance program shall cover the following items (as if City had purchased a standard insurance policy from an independent insurance provider licensed to do business in California):

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

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

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

City assumes the risk of damage to any of City's Personal Property, except for damage caused by the gross negligence or intentional acts of Landlord or its Agents or covered by insurance purchased by Landlord.

17.2 Landlord's Insurance

At all times during the Term, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under a cause of loss-special form property insurance policy in an amount equal to one hundred percent (100%) of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, upon request by City, provide to City a certificate of insurance issued by the insurance carrier, evidencing the insurance required above. The certificate shall expressly

provide that the policy is not cancelable or subject to, reduction of coverage or otherwise subject to modification except after thirty (30) days prior written notice to City. Landlord hereby waives any rights against City for loss or damage to the Premises or any other part of the Property, to the extent covered by Landlord's property insurance.

In addition, Landlord, at no cost to City (but included as part of Operating Costs), shall procure and keep in effect at all times during the Term insurance as follows: **(a)** Commercial general liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and **(b)** Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident. All insurance policies required to be maintained by Landlord hereunder shall be endorsed to provide for thirty (30) days' prior written notice of cancellation for any reason, intended non-renewal, or reduction in coverage to Landlord.

17.3 Waiver of Subrogation

Notwithstanding anything to the contrary in this Lease, Landlord hereby waives any right of recovery against City for any loss or damage relating to the Building or the Premises or any operations or contents therein, whether or not such loss is caused by the fault or negligence of City, to the extent such loss or damage is covered by insurance that Landlord is required to purchase under this Lease or is otherwise actually recovered from insurance held by Landlord or its agents. Landlord agrees to obtain a waiver of subrogation endorsement from applicable insurance carriers issuing policies relating to the Building or the Premises; provided, Landlord's failure to do so shall not affect the above waiver.

17.4 Liability of Landlord

(a) Neither Landlord nor Landlord's Agents shall be liable to Tenant and its Agents for any damage, injury, loss or claim to Tenant's Personal Property or lost income based on or arising out of the following (except as expressly set forth in this Lease to the contrary, and except to the extent caused by Landlord or its' Agents gross negligence or intentional acts): repair to any portion of the Premises or the Building; interruption in the use of the Premises or the Building (except as otherwise provided in this Lease) or any equipment therein; any accident or damage resulting from any use or operation by Tenant or any other person or entity of elevators or heating, cooling, electrical, sewage or plumbing equipment or apparatus; termination of this Lease by reason of damage to the Premises or the Building under Article 12; any fire, robbery, theft, vandalism, mysterious disappearance or any other casualty; actions of any other person or entity; failure or inability to furnish any service specified in this Lease (except as otherwise provided in this Lease); and leakage in any part of the Premises or the Building from water, rain, ice, flooding or snow that may leak into, or flow from, any part of the Premises or the Building, or from drains, pipes or plumbing fixtures in the Premises or the Building (except to the extent due to Landlord's negligent failure to maintain the Building as required by this Lease). If any condition exists which may be the basis of a claim of constructive eviction, then Tenant shall give Landlord written notice thereof and a reasonable opportunity to correct such condition, and in the interim Tenant shall not be entitled to a rent abatement (except as otherwise allowed under this Lease). Any person receiving an article delivered for Tenant shall be acting as Tenant's agent for such purpose and not as Landlord's agent. For purposes of this article, the term "Building" shall be deemed to include the land. Notwithstanding the foregoing provisions of this section, Landlord shall not be released from liability to Tenant for any physical injury to any natural person caused by the negligence or willful misconduct of Landlord or its Agents to the extent such damage is not covered by insurance either carried by Tenant (or would have been

carried had Tenant not self-insured) or such person or required by this Lease to be carried by Tenant

(b) Neither Landlord nor any of its Agents (nor any past, present or future board member, partner, trustee, director, member, officer, employee, agent, representative or advisor of any of them) shall under any circumstances be liable for any exemplary, punitive, consequential or indirect damages in connection with or relating to this Lease. Neither Tenant nor any of its Agents (nor any past, present or future board member, partner, official, trustee, director, member, officer, employee, agent, representative or advisor of any of them) shall under any circumstances be liable for any exemplary, punitive, consequential or indirect damages in connection with or relating to this Lease.

(c) No landlord hereunder shall be liable for any obligation or liability based on or arising out of any event or condition occurring during the period that such landlord was not the owner of the building or a landlord's interest therein; provided, however, that any successor landlord shall be liable for continuing events and conditions. Within five (5) days after request, Tenant shall attorn to any transferee landlord and execute, acknowledge and deliver a document confirming such attornment provided such transferee assumes the obligations of Landlord hereunder which accrue from and after the date of the transfer.

(d) Subject to applicable California law, the obligations of Tenant under this Lease are independent covenants and agreements, such that all such obligations of Tenant, including, without limitation, the obligation to pay Base Rent, Additional Charges and all other sums due hereunder, shall continue unaffected, unless the requirement to pay or perform same shall have been terminated or abated pursuant to an express provision of this Lease. Such waiver and acknowledgements by Tenant are a material inducement to Landlord entering into this lease. Tenant shall not have the right to set off or deduct any amount allegedly owed to Tenant pursuant to any claim against Landlord from any Rent or other sum payable to landlord. Tenant's sole remedy for recovering upon such claim shall be to institute an independent action against Landlord; provided, however, that the foregoing shall not prohibit Tenant from asserting a counterclaim in any proceeding instituted by Landlord against Tenant.

(d) If Tenant or any Agent or Invitee is awarded a money judgment against Landlord, then recourse for satisfaction of such judgment shall be limited to execution against Landlord's estate and interest in the Building so long as Landlord has maintained equity in the Building that equals or exceeds twenty percent (20%) of its fair market value. No other asset of Landlord, and no asset of any of Landlord's Agents (or any past, present or future board member, partner, director, member, officer, trustee, employee, agent, representative or advisor of any of them (each, an "officer")) or any other person or entity, shall be available to satisfy or be subject to any such judgment. No such landlord's Agent, officer or other person or entity shall be held to have personal liability for satisfaction of any claim or judgment whatsoever under this Lease.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving City at least twenty four (24) hours' advance written or oral notice, for the purpose of (a) inspecting the Premises, (b) supplying any service to be provided by Landlord hereunder, (c) showing the Premises to any prospective purchasers, mortgagees or, during the last twelve (12) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed,

provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be unreasonably interfered with.

19. ESTOPPEL CERTIFICATES

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, may reasonably request the other party to execute, acknowledge and deliver to such persons or entities designated by such other party a certificate stating: **(a)** the Commencement Date and Expiration Date of this Lease, **(b)** that this Lease is unmodified and in full force and effect (or, if there have been modifications, this the Lease is in full force and effect as modified and stating the modifications), **(c)** that there are no defaults under this Lease (or if so, specifying the same), and **(d)** the date to which Rent has been paid.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Prior to the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Alterations City is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City) above or as otherwise provided in this Lease. City shall repair or pay the cost of repairing any damage to the Premises or the Building resulting from such removal. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements, unless specified for removal in writing at the time Landlord approves the installation of the applicable Leasehold Improvement. City's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1 Definitions

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

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

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

(c) "Release" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging,

injecting, escaping, leaching, dumping, or disposing into or inside the Building, or in, on, under or about the Property.

21.2 Landlord's Representations and Covenants

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

21.3 Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), above, Landlord shall Indemnify City and its Agents against any and all Claims arising during the Term of this Lease as a result of any breach of any of Landlord's representations, warranties or covenants in the preceding Section and any Release of Hazardous Material in the Premises caused by Landlord or its Agents.

21.4 City's Covenants

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

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4 (City's Covenants), or if City or its Agents or Invitees cause the Release of Hazardous Material from, in, on or about the Premises or the Property, then City shall Indemnify Landlord against any and all Claims as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of any Hazardous Material problem or the physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy except where Landlord has notified City in writing of such condition in advance of the City's aggravation action or where the City knew of such condition, and in either case, did not take commercial reasonable steps to avoid the Release.

22. NOTICE OF INTENT TO SELL REQUIREMENT

Where Landlord determines, in its sole and absolute discretion, to solicit purchase offers for the purchase and sale of the Property, Landlord shall inform City thirty (30) days prior to publicly advertising the Property for sale, whether directly from ownership or through any sales agent or broker. City may, during such 30-day period, deliver an offer (the "City Offer") to Landlord, which shall contain the key terms of City's offer to purchase the Property, including without limitation pricing, timing, contingencies and other terms as City may deem appropriate. Landlord shall provide written notice of acceptance or rejection to City within fifteen (15) days thereafter, in Landlord's sole discretion; where Landlord fails to timely respond, it shall be deemed a rejection of the City Offer. Upon rejection, deemed rejection, or expiration of the 15-day period without any City Offer being delivered by City, Landlord may market the Property for sale.

Where Landlord accepts the City Offer, the parties shall negotiate a Purchase and Sale Agreement within thirty (30) days following Landlord's acceptance. At Landlord's option, Landlord may deem a failure of the parties to agree on a Purchase and Sale Agreement within such 30-day period as a rejection of the City Offer. The Purchase and Sale Agreement shall be on terms mutually acceptable to Landlord and City, and consistent with the City Offer, and shall provide that time is of the essence with respect to all dates, including closing. The City Offer and the Purchase and Sale Agreement shall provide for approval by City's Board of Supervisors and Mayor, in their respective sole discretion, and due adoption of a resolution authorizing such purchase and ordinance appropriating all necessary funds in accordance with all applicable laws (including CEQA), all of which must occur within ninety (90) days after the date of the City Offer. Upon obtaining such approvals, and subject to the terms of a fully-executed Purchase and Sale Agreement, the City shall be obligated to purchase from Landlord and Landlord shall be obligated to sell and convey to City the Property for the purchase price and on the terms and conditions set forth in the Purchase and Sale Agreement.

This Notice of Intent to Sell Requirement is personal to City and may not be exercised by any sublessee, assignee or transferee. This Notice of Intent to Sell Requirement may be exercised upon notice from Landlord that it intends to sell the Property, and if not timely exercised by City, this Section 22.1 shall be of no further force or effect with respect to any efforts to sell the Property that are commenced within one hundred eighty (180) days of Landlord's rejection notice (or deemed rejection), or City's failure to timely deliver a City Offer. Should Landlord withdraw the Property from a "for sale" status, and later determine again to list it for sale to the general public, City shall be provided a subsequent notice to City pursuant to this Section 22.1. Nothing herein shall prevent Landlord from advertising and soliciting back-up offers during negotiation of the Purchase and Sale Agreement, nor shall this right be applicable with respect to Property transfers to affiliated entities.

23. GENERAL PROVISIONS

23.1 Notices

Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or USPS Express Mail, return receipt requested, with postage prepaid, to: (a) City at Tenant's address set forth in the

Basic Lease Information; or **(b)** Landlord at Landlord's address set forth in the Basic Lease Information; or **(c)** such other address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made or refused by a nationally recognized, third-party courier service that records delivery (or refusal to accept delivery). For convenience of the parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile.

23.2 No Implied Waiver

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

23.3 Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise required pursuant to applicable law, including the Charter of the City and County of San Francisco. City shall promptly inform Landlord of any consent or approval that requires additional action on the part of City. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Landlord, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease **(a)** changing the legal description of the Premises, **(b)** increasing the Term, **(c)** increasing the Rent, **(d)** changing the general use of the Premises from the use authorized under Section 5.1 (Permitted Use) of this Lease, and **(e)** any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

23.4 Authority

Landlord represents and warrants to City that it is the sole owner of the Property and the execution and delivery of this Lease by Landlord does not violate any provision of any agreement, law or regulation to which Landlord or the Property is subject. If Landlord is a corporation, limited liability company or a partnership, each of the persons executing this Lease

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

23.5 Parties and Their Agents; Approvals

If applicable, the word "Landlord" as used in this Lease shall include the plural as well as the singular. As used in this Lease, the term "Agents" when used with respect to either party shall include the agents, employees, officers and contractors of such party, and the term "Invitees" when used with respect to City shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of City. All approvals, consents or other determinations permitted or required by City under this Lease, including but not limited to the exercise of any option granted to City, shall be made by or through City's Director of Property unless otherwise provided in this Lease, subject to any applicable limitations in the City's Charter.

23.6 Interpretation of Lease

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

23.7 Successors and Assigns

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

23.8 Brokers

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

Indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

23.9 Severability

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

23.10 Governing Law

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

23.11 Entire Agreement

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

23.12 Attorneys' Fees

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

23.13 Holding Over

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's written consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such

tenancy shall be on all the terms and conditions set forth in this Lease and at one hundred ten (110%) percent of the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent, the rent payable by City during such holding over shall be one hundred fifty percent (150%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein. Notwithstanding any other provision of this Lease, Landlord's acceptance of such holdover fee shall not in any manner adversely affect Landlord's other rights and remedies, including Landlord's right to evict Tenant and to recover all damages. In no event shall any nonconsensual holdover be deemed a permitted extension or renewal of the Lease Term. City shall be liable for any all Claims and damages incurred by Landlord in connection with City's nonconsensual holding over.

23.14 Cumulative Remedies

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

23.15 Time of Essence

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

23.16 Survival of Indemnities

Termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, nor shall it affect any provision of this Lease that expressly states it shall survive termination hereof. Each party hereto specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the indemnitor by the indemnitee and continues at all times thereafter. Such indemnities shall survive for a period of three (3) years.

23.17 Signs

City may erect or post signs on or about the Premises at its sole cost and subject to Landlord's prior approval and compliance with all applicable laws and regulations. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed. Upon the expiration or earlier termination of this Lease, City shall remove the signs at its sole cost and repair any damage caused thereby.

23.18 Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder, and covenants that City, upon paying the Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full Term of this Lease as against all persons or entities claiming by and through Landlord or on account of any action, inaction or agreement of

Landlord or its Agents. Nothing in this Section limits Landlord's rights and remedies following an event of default by City.

23.19 Bankruptcy

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

23.20 Transfer of Landlord's Interest

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

23.21 Non-Liability of City Officials, Employees and Agents

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

23.22 MacBride Principles - Northern Ireland

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

23.23 Controller's Certification of Funds

The terms of this Lease shall be governed by and subject to the budgetary and fiscal provisions of the City's Charter. Notwithstanding anything to the contrary contained in this Lease, there shall be no obligation for the payment or expenditure of money by City under this Lease unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the City's Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. City shall make commercially reasonable efforts to keep Landlord apprised of the annual budget process and any matters that are likely to prevent appropriation and certification. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the

Term of this Lease commences, sufficient funds for the payment of Rent and any other payments required under this Lease are not appropriated, then City shall immediately notify Landlord and either Landlord or City may terminate this Lease, without penalty, liability or expense of any kind to City as a result of such early termination (but the City shall be liable for all amounts due prior to such termination), and such termination to be effective as of the last date on which sufficient funds are appropriated. City shall use reasonable efforts to give Landlord reasonable advance notice of such termination. In the event of any subleasing, assignment or transfer, unless Landlord agrees otherwise in an SNDA, City's termination shall terminate such transferee's right to occupy the Premises, and City shall be liable for any and all Claims related to City's failure to surrender the Premises in accordance with this Lease, including without limitation any such transferee's failure to vacate as of the City's termination date if required to do so as described above.

23.24 Prevailing Wages and Working Conditions

Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.61. Landlord agrees to provide in any contract with its Contractors and Subcontractors who are performing (i) labor in the construction of a "public work" as defined in California Labor Code Section 1720 *et seq.* (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling if paid for in whole or part out of public funds), or (ii) Covered Construction at the Premises language requiring them to (1) pay workers performing such work not less than the Prevailing Rate of Wages, (2) provide the same hours, working conditions and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, "Prevailing Wage Requirements"). Landlord agrees to cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements, at no cost to Landlord.

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

23.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

In the performance of this Lease, Landlord agrees not to discriminate against any employee of, any City employee working with Landlord, or applicant for employment with Landlord, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry,

age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subcontracts

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

(c) Non-Discrimination in Benefits

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

(d) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

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

23.26 Tropical Hardwood and Virgin Redwood Ban

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

performance of this Lease which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

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

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

23.27 Bicycle Parking Facilities

Article 1.5, Section 155.3, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle parking at City-leased buildings at no cost to Landlord. During the Term, City shall have the right to install and maintain, at its sole cost, all Class 1 Bicycle Parking Spaces (as defined in the Planning Code) and all Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in the Building locations required under the Planning Code. City shall remove same upon expiration or earlier termination of this Lease, and repair any damage related thereto.

23.28 Resource-Efficient City Buildings and Pilot Projects

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

23.29 Counterparts

This Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

23.30 Effective Date

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

23.31 Certification by Landlord

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

23.32 Memorandum of Lease

On the Effective Date, Landlord and City shall execute the memorandum of lease in the form attached hereto as Exhibit F (the "Memorandum of Lease"), and Landlord shall cause the Memorandum of Lease to be recorded in the Official Records of the City and County of San Francisco within five (5) business days thereafter. Upon termination of the Purchase Option or Purchase Option Agreement, City shall execute in recordable form such documents as reasonably requested by Landlord to establish that the Property is no longer subject to the Option.

23.33 Sunshine Ordinance

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

23.34 Conflicts of Interest

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

23.35 Notification of Limitations on Contributions

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

23.36 Preservative-Treated Wood Containing Arsenic

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

23.37 Cooperative Drafting

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

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

[signatures on next page]

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

LANDLORD:

LCL Global-777 Brannan Street, LLC, a Maryland
limited liability company

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

Charles Sullivan
Deputy City Attorney

EXHIBIT A

FLOOR PLAN(S)

CONSISTING OF ____ PAGE(S)

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

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

RE: Acknowledgement of Commencement Date, Lease Between LCL Global-777 Brannan Street, LLC (Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises located at 777 Brannan Street in San Francisco, California.

Dear Mr. Updike:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as defined in Section 3.2 of the Lease) is _____, 2018.

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

Very truly yours,

By: _____
Title: _____

Accepted and Agreed:

By: _____
John Updike
Director of Property

Dated: _____

EXHIBIT C
OPERATING COSTS

Exhibit C-1

Estimated 2018 Operating Costs

• Real Estate Taxes:	\$100,500
• Management Fees:	\$30,150
• Insurance:	\$45,000
• General & Administrative:	\$30,000
• Utilities:	\$90,000
• Repairs & Maintenance:	\$60,000
• Janitorial:	<u>\$60,000</u>
TOTAL:	\$415,650

**Such numbers are estimates based on the current Building use and do not account for changes in use, Leasehold Improvements and other factors that may impact such costs.

Exhibit C-2

Exclusions from Operating Costs

1. Costs of capital repairs, capital improvements and equipment, except as approved by City or required to comply with this Lease and any applicable laws, rules or regulations (any such capital repairs or improvements, to the extent included in Operating Costs, shall be amortized on a straight line basis over the entire useful life of the improvement);
2. Rentals and other related expenses for items (except when needed in connection with normal repairs and maintenance of permanent systems) which if purchased rather than rented, would constitute a capital improvement, except as approved by City;
3. Costs incurred by Landlord for the repair of damage to the Building where occasioned by the exercise of the right of eminent domain;
4. Costs, including, without limitation, permit, license and inspection costs, incurred with respect to the installation of improvements made for other tenants or occupants of the Building or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for other tenants or occupants in the Building;
5. Depreciation, amortization and interest payments;
6. Leasing commissions, attorneys' and other professionals' fees, space planning costs and all other costs and expenses in connection with negotiations with present or prospective tenants or other occupants in the Building or any present or future ground lessors or holders of any mortgages or other encumbrances affecting any of the Building or the defense of Landlord's title to the Building or the real property on which it is located;
7. Expenses in connection with services or other benefits which are not offered to City or for which City is charged directly but which are provided to another tenant or occupant of the Building;
8. Costs incurred by Landlord due to violation by Landlord or any other tenant or occupant of the Building of applicable laws, rules or regulations, the terms and conditions of any lease, ground lease, mortgage or deed of trust, or other covenants, conditions or restrictions encumbering the Building or the real property on which it is located;
9. Overhead and profit increments paid to Landlord or to subsidiaries or affiliates of Landlord, or to any party as a result of a non-competitive selection process, for management, or other services, supplies or materials, to the extent the same exceed the costs of such goods and/or services rendered by unaffiliated third parties on a competitive, arms-length basis;
10. Any ground lease rental or rental under any other underlying leases;
11. Interest, principal, points and fees on debts or amortization on any mortgage, deed of trust or any other debt instrument encumbering any of the Building or the real property on which it is located;
12. All items and services for which City or any other tenant or occupant of the Building separately reimburses Landlord (other than through such tenant's or occupant's proportionate share of operating costs);

13. Advertising or promotional expenditures, and the costs of acquiring and installing signs in or on any of the Building identifying the owner of the Building or any other tenant or occupant of the Building;
14. Electric power costs for which any tenant or occupant directly contracts with the local public service company;
15. Costs incurred in connection with upgrading the Building to comply with disabled access, life, fire and safety codes in effect prior to the date of the Lease, and costs incurred in connection with upgrading the Building to comply with the Americans with Disabilities Act of 1990 and Title 24 of the California Code of Regulations (or its successor), the San Francisco Sprinkler Ordinance and the San Francisco Unreinforced Masonry Building Ordinance;
16. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due;
17. Costs arising from the presence of Hazardous Material in or about the Building including, without limitation, groundwater or soil conditions, except if such Hazardous Material is brought onto the Building or exacerbated due to the action by City (and its employees, agents, contractors and invitees) in violation of applicable laws;
18. Landlord's charitable or political contributions;
19. To the extent the following costs arise during any applicable warranty periods, costs as a result of repairs of latent defects in the Building core and shell or improvements installed by Landlord or in the Building Systems, and any costs incurred by Landlord in the event any portion of the Building is made untenable by fire or other casualty required to be insured against pursuant to the terms of the Lease;
20. Capital costs for sculpture, paintings or other objects of art;
21. Costs (including, without limitation, all attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes, including, without limitation, tax disputes where the tenants of the Building would receive benefits if Landlord prevails) in connection with potential or actual claims, litigation or arbitrations pertaining to Landlord or the Building;
22. All direct cost of refinancing, selling, exchanging or otherwise transferring ownership of the Building or the real property on which it is located or any interest therein or portion thereof, including broker commissions, attorney's fees and closing costs;
23. Reserves for bad debts, rent loss, capital items or further Operating Costs;
24. Landlord's general corporate overhead and general and administrative expenses not related to the operation or management of the Building; and
25. Any other expense that under generally accepted accounting principles would not be considered a maintenance or operating cost.

EXHIBIT D

BUILDING RULES AND REGULATIONS

This Exhibit D is attached to and made a part of that certain Office Lease dated as of [____], 2018 (the "Lease"), executed concurrently herewith, by and between LCL Global-777 Brannan Street, LLC, as Landlord, and the City and County of San Francisco, as Tenant, covering certain premises described in the Lease. All terms that are capitalized but not defined herein shall have the same meanings given to them in the Lease. The following rules and regulations have been formulated for the safety and well-being of all occupants of the Building and to insure compliance with municipal and other requirements. Strict adherence to these rules and regulations is necessary to guarantee that each and every tenant will enjoy a safe and undisturbed occupancy of its premises. Any violation of these rules and regulations by Tenant or its Agents and Invitees shall constitute a default by Tenant pursuant to the terms of the Lease to the extent they continue following the expiration of applicable notice and cure periods.

The Landlord may, upon request of any tenant, waive the compliance by such tenant of any of the following rules and regulations in any particular instance, provided that (i) no waiver shall be effective unless signed by Landlord, or its authorized agent, (ii) any such waiver shall not relieve such tenant from the obligation of complying with such rule or regulation in the future unless otherwise agreed to by Landlord, (iii) no waiver granted to any tenant shall relieve any other tenant from the obligation of complying with these rules and regulations, unless such other tenant has received a similar written waiver from Landlord, and (iv) any such waiver by Landlord shall not relieve Tenant from any liability to Landlord for any loss or damage occasioned as a result of Tenant's failure to comply with any rule or regulation. Tenant acknowledges that certain of these rules and regulations shall not apply to any retail tenants in the Building. Landlord may institute different rules for office, retail and food service tenants.

The following rules shall be applicable to all tenants of the Building:

1. Smoking is prohibited in all public areas of the Building including stairwells, restrooms, elevator lobbies, corridors and all other common areas, and within 25 feet of entrances and open windows.
2. Sidewalks, doorways, vestibules, halls, stairways and similar areas shall not be obstructed nor shall refuse, furniture, boxes or other items be placed therein by Tenant or its officers, agents, servants or employees, or used for any purpose other than ingress and egress to and from the Premises, or for going from one part of the Building to another part of the Building. Landlord shall have the right to control and operate the public portions of the Building, and the facilities furnished for the common use of the tenants, in such manner, as Landlord deems best for the benefit of the tenants generally. No tenant shall permit the visit to its premises of persons in such numbers or under such conditions as to interfere with the use and other public portions or facilities of the Building without prior written consent of Landlord. Canvassing, soliciting and peddling in the Building are prohibited.
3. Plumbing, fixtures and appliances shall be used only for the purpose for which constructed, no other unsuitable material shall be placed therein.

4. No sign, directories, posters, advertisements, or notices shall be painted or affixed on or to any of the windows or doors, or in corridors or other parts of the Building, except in such color, size and style and in such places, as shall be first approved in writing by Landlord in its discretion. Building standard suite identification signs will be prepared by Landlord at Landlord's expense, however, Tenant may install its own sign identification within the Premises, subject to Landlord's approval thereof only if the sign identification is visible from common areas. Landlord shall have the right to remove all unapproved signs visible from the exterior of the Premises without notice to the Tenant, at the expense of the Tenant. It is further understood that furnishings in Tenant's area which are viewed from common areas shall be subject to Landlord's reasonable approval.

5. Tenant shall not do or permit anything to be done in or about the Building or bring or keep anything therein that will in any way increase the rate of fire or other insurance on the Building, or on property kept therein or otherwise increase the possibility of fire or other casualty, subject to the express terms of the Lease.

6. Landlord shall have the right to prescribe the weight and position of heavy equipment or objects, which may overstress any portion of the floors of the Premises. All damage done to the Building by the improper placing of such heavy items will be repaired at the sole expense of Tenant.

7. Movement in or out of the Building of furniture or office equipment or dispatch or receipt by Tenant of any bulky material, merchandise or materials which requires use of elevators or stairways or movement through the Building entrances or lobby shall be restricted to such hours as Landlord shall reasonably designate. All such movement shall be under the supervision of Landlord by pre-arrangement with property management before performance; provided there shall be no charge to Tenant for such supervision and to the extent occurring after-hours. Such prearrangement initiated by Tenant shall include determination by Landlord and subject to this decision and control, as to the time, method, and routing of movement and as to limitations for safety or other material concern, which may prohibit any article, equipment or any item from being brought into the Building. The tenants are to assume all risks as to the damage to articles moved and injury to persons or public engaged or not engaged in such movement, including equipment, property, and personnel of Landlord if damaged or injured as a result of an act in connection with carrying out this service for a Tenant from time of entering property to completion of work; and Landlord shall not be liable for acts of any persons engaged in or any damage or loss of any said property or persons resulting from any act in connection with such service performed for a Tenant.

8. Tenant shall notify property management when safes or other heavy equipment are to be taken in or out of the Building, and such moving shall only be done after written permission is obtained from Landlord on such conditions, as Landlord shall reasonably require.

9. Corridor doors, when not in use, shall be kept closed. Stairwell doors shall remain closed at all times. Tenant shall lock all office doors leading to corridors, turn out lights and turn off appliances at the close of the working day.

10. All deliveries must be made via the loading dock and freight elevator during normal working hours. Landlord's written approval must be obtained and a representative of Landlord present for any deliveries after normal working hours. Tenant will be charged a standard and reasonable fee for such after-hours services.

11. Passenger elevators are to be used for the movement of persons only (and service animals required by law). No animals shall be brought into or kept in or about the Building, except as otherwise required by law.

12. Tenant shall comply with and participate in and City recycling programs. Tenant shall keep Premises neat and clean. Any person employed by any tenant to do janitor work within its premises must obtain Landlord's consent and such person shall, while in the Building and outside of said premises, comply with all instructions issued by building personnel.

13. Tenant shall make commercially reasonable efforts to ensure the Building is not susceptible to mold due to excess moisture related to Tenant's actions or inactions.

14. Tenant shall not cause or permit any unreasonable and improper noises in the Building, or allow any unreasonable and unpleasant odors to emanate from the Premises, or otherwise unreasonably interfere, injure, or annoy in any way other Tenants, or persons having business with them.

15. Landlord reserves the right to exclude from the Building at all times any person who is not known or does not properly identify himself to property management. Each Tenant shall be responsible for all persons for whom he authorizes entry into or exit out of the Building, and shall be liable to the Landlord for all acts of such persons.

16. Except as provided in the Tenant's lease, no machinery of any kind other than that which is subject to normal business practices, such as printers, scanners, computers and facsimile machines shall be operated on the Premises without the prior written consent of Landlord, nor shall Tenant use or keep in the Building any inflammable or explosive fluid or substance, or any illuminating materials other than as allowed under the Lease. No space heaters or fans shall be operated in the Building.

17. No bicycles, motorcycles or similar vehicles will be allowed in the Building.

18. No nails, hooks or screws shall be driven into or inserted in any part of the Building except as approved by property management. Tenant shall not mark, paint, drill into or in any way deface any part of the Premises or the Building. No boring, cutting or stringing of wires shall be permitted. Tenant shall not construct, maintain, use or operate within the Premises or elsewhere within or on the outside of the Building, any electrical device, wiring or apparatus in connection with a loud speaker system or other sound system.

19. Landlord has the right to evacuate the Building in the event of an emergency or catastrophe.

20. No food and/or beverages shall be distributed from the Premises without the prior written approval of the property management, except in connection with the operation of vending machines installed for the exclusive use of Tenant's employees or the operation of Tenant's lunchroom for Tenant's employees and Invitees permitted under the Lease.

21. No additional locks shall be placed upon any door without the prior written consent of Landlord. All necessary keys shall be furnished by Landlord and the same shall be surrendered upon termination of Tenant's Lease, and Tenant shall then give Landlord or his agent an explanation of the combination of all locks on the doors or vaults.

22. Access plates to underfloor conduits shall be left exposed. Where carpet is installed, carpet shall be cut around access plates. Where Tenant elects not to provide removable plates in their carpet for access into the underfloor duct system, it shall be the Tenant's

responsibility to pay for the removal and replacement of the carpet for any access needed into the duct system at any time in the future.

23. Tenant will not relocate furnishings or cabinets adjacent to mechanical or electrical access panels or over air conditioning outlets so as to prevent operating personnel from servicing such units as routine or emergency access may require. Cost of moving such furnishings for Landlord access will be at Tenant's expense. The lighting and air conditioning equipment of the Building will remain the exclusive charge of the Building designated personnel.

24. Tenant shall comply with reasonable parking rules and regulations as may be posted and distributed from time to time.

25. No portion of the Building shall be used for the purpose of sleeping or lodging or for any illegal purpose. No marijuana shall be produced, stored or used within the Premises.

26. Tenant shall ensure that its occupancy is consistent with preserving the long-term grandfathering of the existing self-storage use within the Building to facilitate reversion to self-storage use after Tenant's occupancy of the Building terminates or expires.

EXHIBIT E
WORK LETTER

777 Brannan Street

This Work Letter is part of the Office Lease dated as of _____, 2018 (the "Lease"), executed concurrently herewith, by and between LCL Global-777 Brannan Street, LLC, as Landlord, and the City and County of San Francisco, as Tenant, covering certain premises described in the Lease. All terms that are capitalized but not defined herein shall have the same meanings given to them in the Lease.

Landlord, through its general contractor (the "Contractor"), shall furnish and install within the Premises the improvements shown on the Construction Documents finally approved by City pursuant to paragraph 1 below, in accordance with the provisions of this letter. City shall have the right to reasonably approve of the Contractor.

1. Plans and Specifications

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

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

- i. location of all demolition;
- ii. location and type of all partitions;
- iii. location and type of all doors, with door hardware specifications;
- iv. location of telephone equipment room, with all special electrical and cooling requirements;
- v. location and type of all electrical outlets, switches, telephone outlets and lights;
- vi. location and type of all computer and other equipment requiring special electrical requirements;

- vii. location, weight per square foot and description of any heavy equipment or filing system exceeding 50 pounds per square foot live and dead load;
- viii. requirements for special air conditioning or ventilation for the Premises;
- ix. location of all heating and air conditioning ducts;
- x. location, type and color of floor covering;
- xi. location, type and color of all window treatment;
- xii. ceiling plans including light fixtures;
- xiii. location of sprinklers;
- xiv. location, type and color of wall covering;
- xv. location, type and color of paint or finishing;
- xvi. location and type of plumbing;
- xvii. location and type of kitchen equipment;
- xviii. disabled accessibility standards, including any improvements to the Lobbies, corridors, drinking fountains, telephone banks, elevators, elevator vestibules, stairs, stair vestibules and restrooms on all floors of the Building in which the Premises are located;
- xix. any modifications needed to increase the existing raised floor areas;
- xx. location, capacity and type of water tower or chilling equipment or air conditioning equipment;
- xxi. location and type of backup generator;
- xxii. location, type and capacity of any underground storage tank;
- xxiii. critical dimensions for construction; and
- xxiv. other interior improvement work required by City.

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

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

d. Design in Accordance with City's Requirements. City has prepared and submitted to Landlord documents which outline City's space requirements for the Premises. Landlord's Architect shall design the Premises and prepare all plans and specifications hereunder, including the Design Development Documents and Construction Documents, in conformity with such documents. Landlord's Architect shall consult and hold periodic meetings with City and its consultants, as needed, in the preparation of the Design Development Documents and Construction Documents. City shall be available as needed for such meetings as reasonably determined by Landlord.

e. City's Approval of Plans. The Design Development Documents and Construction Documents (and any Landlord Change Orders thereto, as described below) shall be subject to approval by City, which approval shall not be unreasonably withheld or delayed, in accordance with the following procedure. After submission of the Design Development Documents, Construction Documents or proposed Change Order by Landlord, City shall have five (5) days to disapprove any element thereof. If City does so, then City shall notify Landlord within such period of its disapproval and of the revisions that City reasonably requires in order to obtain approval consistent with the terms of this Work Letter. As soon as reasonably possible thereafter, but in no event later than five (5) days after receipt of such notice, Landlord shall submit to City documents incorporating the required revisions. Such revisions shall be subject to approval by City, which shall not be unreasonably withheld or delayed. City shall have five (5) days to disapprove any element thereof; if City does so, then City shall notify Landlord within such period of its disapproval and of the revisions that City reasonably requires in order to obtain approval consistent with the terms of this Work Letter. This process shall continue until the Design Development Documents, Construction Documents and Change Orders are approved by City; provided, however, that with respect to later generations of revisions, City shall make commercially reasonable efforts to approve or disapprove within three (3) days. Notwithstanding the foregoing, where the requested revisions or Change Order are such that more than five (5) days will be reasonably required to prepare responsive documents, Landlord shall, within three (3) days of receiving City's proposed Change Order or rejection notice, advise City of the reasonable timeframe for delivering revisions, which shall be binding on Landlord in lieu of the 5-day period.

f. Approval Delay. Notwithstanding anything to the contrary contained herein, it shall be considered a Tenant Delay if City fails to respond to requests for approval within the time periods set forth in this Work Letter.

g. Payment for Plans. The costs of preparing the Schematic Design Documents, Design Development Documents and the Construction Documents shall be paid by Landlord, subject to City's prior approval and reimbursement of such costs as provided in paragraph 4.c below. Landlord shall evidence such costs by invoices and other substantiation as City may reasonably require.

h. Changes to Approved Construction Documents.

i. City Change Orders. If following its approval of the Construction Documents, City requests any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("City Change Order"), Landlord shall cause its Architect or Engineer, as applicable, to prepare plans and specifications with respect to such change, addition or alteration. Within a reasonable period after City's request, Landlord shall notify City of the cost that would be incurred by reason of such proposed City Change Order and any delay in the anticipated date of Substantial Completion that would result from such City Change Order. If City approves the cost of the City Change Order within five (5) days of receipt from Landlord, then Landlord's Contractor shall proceed with such City Change Order as soon as reasonably practical thereafter. If City does not approve such cost within the above-mentioned five (5) day period, construction of the Premises shall proceed in accordance with the

original completed and approved Construction Documents. City shall be responsible for the reasonable cost actually incurred by Landlord in the preparation of the plans and specifications relating to any City Change Order, as evidenced by invoices or other substantiation reasonably required by City. Any delay related to a City Change Order shall be a Tenant Delay.

i. Landlord Change Orders. If following City's and Landlord's approval of the Construction Documents, Landlord or Contractor requests or is required to make any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("Landlord Change Order"), Landlord shall provide City with proposed plans and specifications with respect to such change, addition or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from such Landlord Change Order. Any such Landlord Change Order shall be subject to City's prior written approval, in accordance with Paragraph 1.e above, not to be unreasonably withheld, conditioned or delayed. If the Landlord Change Order request is simply and solely the result of a Landlord preference with respect to the Leasehold Improvements (as opposed to a change required by applicable legal requirements or necessitated by field conditions) (a "Landlord Optional Change Order"), Landlord shall be solely responsible for the cost of such Landlord Optional Change Order (to the extent revised costs are higher than original costs would be without the Landlord Optional Change Order), unless the change is intended to reduce costs or provide other benefits to City, as reasonably determined by City.

ii. Appointment of Representatives. City and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("Representative"), and an alternate for such Representative ("Alternate"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to this Work Letter. Landlord and City shall not make any inquiries of or requests to, and shall not give any instructions or authorizations to, any other employee or agent of the other party, including without limitation, the other party's architect, engineers, consultants and contractors or any of their agents or employees, with regard to matters associated with this Work Letter. The initial Representatives and Alternates shall be:

City: Representative -- _____
Alternate -- _____

Landlord: Representative – Craig M. Young
Alternate – Ross Stackhouse

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

2. Permits

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

3. Construction

a. Construction of Leasehold Improvements. Following City's approval of the Construction Documents, Landlord shall cause the Leasehold Improvements to be constructed and installed in a good and professional manner in accordance with sound building practice and in conformity with the Construction Documents, as revised by any Change Orders, and the terms of this Work Letter. City shall not have any obligation with respect to any such work other than as provided herein. Landlord shall be entitled to donate to charity, sell or otherwise dispose of any improvements in the Premises that need to be removed in order to construct the Leasehold Improvements, in Landlord's sole discretion, and for Landlord's sole benefit; where such items cannot be repurposed (in Landlord's sole discretion), the cost of removal and dumping shall be included in the construction costs.

b. Construction Schedule. Landlord shall commence construction of the Leasehold Improvements promptly after obtaining the required permits for construction consistent with the approved Construction Documents, and shall diligently pursue construction to completion, all in accordance with the construction schedule ("Construction Schedule") to be prepared by Contractor subject to consent of City and Landlord, with consent shall not be unreasonably withheld, conditioned or delayed. Prior to engagement of a Contractor, Landlord shall prepare an interim construction schedule for City's approval, which shall remain in place as the "Construction Schedule" until the Contractor is retained.

c. Status Reports; Inspections. Landlord shall keep City apprised of the status of permit approval and the progress of construction. Landlord or its Contractor shall furnish City with weekly reports on construction. From time to time during the design and construction of the Leasehold Improvements, City shall have the right upon reasonable advance oral or written notice to Landlord to enter the Premises at reasonable times to inspect the Premises, provided such inspections do not unreasonably interfere with the construction. Any such entry is at the City's sole risk and City shall indemnify and defend Landlord with respect to any Claims related thereto in accordance with Section 10.2 of the Lease. Landlord or its Representative may accompany City during any such inspection.

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

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

ii. Without limiting the foregoing, the construction of the Leasehold Improvements shall comply with all requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabled Access Laws"), and with City's work plan for accessibility improvements as set forth in the Construction Documents;

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

iv. At City's request, Landlord shall require at least three (3) competitive bids from subcontractors in each trade in connection with all work performed by Landlord or its Contractor hereunder; however, Contractor and Landlord shall not be required to accept the lowest bid where other factors favor alternative selection (and City's Director of Property reasonably approves such selection).

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

f. Telecommunications, Data and Computer Cabling Installation Work to be Performed by City. City, or its consultants and contractors, shall, at City's cost, perform surveys and develop plans and specifications for the installation of telecommunications, data and computer cabling for City's occupancy of the Premises. Landlord shall cause the Contractor to reasonably cooperate with City in the installation work and coordinate such work with the Leasehold Improvement Work. Landlord shall be responsible for providing telecommunications, data and computer cabling up to the point where it is stubbed out in the Building's core area. Beyond that point, City shall be responsible for installing such cabling at its expense. Landlord agrees to cause Contractor to cooperate reasonably with City and its consultants, contractors and subcontractors during all surveying work and the installation of such telecommunications, data and computer cabling. The foregoing obligation shall include, without limitation, an obligation to give City and its consultants, contractors and subcontractors access and entry to the Premises and sufficient opportunity and time during each work day without separate charge therefor, to enable City to install such telecommunications, data and computer cabling. Such access shall include reasonable access to the elevator in the Building designated for freight use (i) on a non-exclusive basis during normal business hours and (ii) on an exclusive basis after hours as reasonably needed from time to time. Landlord understands that the conduit for the telecommunications, data and computer cabling shall be included in the Construction Documents and installed by Contractor. Any delay in completing the Leasehold Improvements related to City's surveying and telecommunications, data and computer cabling work shall be a Tenant Delay.

g. Asbestos Related Work. In the event that City, its consultants, contractors or subcontractors encounter any asbestos containing materials (ACM) in the Building in connection with the installation of City's telecommunications, data and computer cabling, Landlord agrees to be responsible for all legally required work or other work necessary relating to the proper containment, abatement, removal and disposal of such ACM and all costs thereof to the extent that there is no alternative method of installing cabling that does not require disruption or disturbance of asbestos.

h. Construction Improvements that Disturb or Remove Exterior Paint. Landlord, on behalf of itself and its agents, employees, officers and contractors, shall comply with all requirements of the San Francisco Building Code Chapter 34 and all other applicable local, state, and Federal laws, including but not limited to the California and United States Occupational and Health Safety Acts and their implementing regulations, when the work of improvement or alteration disturbs or removes exterior or interior lead-based or "presumed" lead-based paint (as defined below). Landlord hereby advises City that lead-based paint or presumed lead-based paint may be disturbed in connection with the Leasehold Improvements. Landlord acknowledges that the required notification to the Department of Building Inspection regarding the disturbance or removal of exterior lead-based paint pursuant to Chapter 34 of the San Francisco Building Code does not constitute notification to City as Tenant under the Lease and similarly that notice under the Lease does not constitute notice under Chapter 34 of the San Francisco Building Code. Further, Landlord and its agents, employees, officers and contractors, when disturbing or removing exterior or interior lead-based or presumed lead-based paint, shall not use or cause to be used any of the following methods: (a) acetylene or propane burning and torching; (b) scraping, sanding or grinding without containment barriers or a High Efficiency Particulate Air filter ("HEPA") local vacuum exhaust tool; (c) hydroblasting or high-pressure wash without containment barriers; (d) abrasive blasting or sandblasting without containment barriers or a HEPA vacuum exhaust tool; and (e) heat guns operating above 1,100 degrees Fahrenheit. Landlord covenants and agrees to comply with the requirements of Title 17

of the California Code of Regulations when taking measures that are designed to reduce or eliminate lead hazards. Under this Paragraph, paint on the exterior or interior of buildings built before January 1, 1979 is presumed to be lead-based paint unless a lead-based paint test, as defined by Chapter 34 of the San Francisco Building Code, demonstrates an absence of lead-based paint on the interior or exterior surfaces of such buildings. Under this Section, lead-based paint is "disturbed or removed" if the work of improvement or alteration involves any action that creates friction, pressure, heat or a chemical reaction upon any lead-based or presumed lead-based paint on a surface so as to abrade, loosen, penetrate, cut through or eliminate paint from that surface.

4. Payment for Work

a. Landlord Work. Landlord shall pay for the cost of the acquisition and installation of new fire sprinkler service and distribution and one new exit staircase located within the Premises, estimated to cost approximately Four Hundred Thousand Dollars (\$400,000) (the "Landlord Work"). For the avoidance of confusion, the parties agree that the following items shall be Leasehold Improvement Work pursuant to Section 4.b below, not Landlord Work: (i) exit corridors, (ii) exit doors, (iii) emergency exit signs, (iv) evacuation signage, (v) exit lighting, (vi) exterior doors, (vii) main lobby, (viii) fire life safety devices, and (ix) sprinkler scope beyond that which would be required to upgrade the Building under its present hazard definition.

b. Leasehold Improvement Work. For all Leasehold Improvements (not including the Landlord Work), City shall reimburse the costs incurred by Landlord for Leasehold Improvements upon receipt of required documentation in accordance with subparagraph d below. City shall not be responsible for any review, supervision, administration or management fees of any person or entity, any overhead or other general expenses of Landlord and any charges for parking or use of hoists or freight elevators, with the exception of a fee equal to five percent (5%) of all hard costs payable to Landlord for construction management services provided for the Leasehold Improvements (the foregoing shall not apply to disallow general overhead and profit for contractors and other service providers). City shall be solely responsible for the costs of the telecommunications, data and computer cabling work described above.

c. City's Approval of Costs. The Leasehold Improvements shall include costs based on a detailed construction budget prepared by Landlord or Contractor and approved by City, including soft costs. Prior to the start of Construction, Landlord shall provide City with an initial construction budget for its approval, not to be unreasonably withheld, conditioned or delayed. The approved construction budget shall restrict all costs to be included in the Leasehold Improvements and any other costs to be paid by City hereunder to line items in cost categories of the budget (as modified, the "Construction Budget"). If the Leasehold Improvements cannot be completed in strict conformity with the most recently approved Construction Budget, Landlord shall immediately submit to City for its approval a revised construction budget and shall identify to City changes in line items and the reasons for the changes. City shall approve or disapprove (not to be unreasonably withheld, conditioned or delayed) of the revised budget within five (5) days, or such lesser time as is required to avoid delay. If further changes are required, Landlord shall seek City's approval, following the same procedures and time limits. Such revisions shall be deemed approved by City if City fails to notify Landlord of any objection within the time set forth above, time being of the essence; provided (i) the overall Construction Budget cannot increase without City's written approval, and (ii) Landlord shall not be required to complete any Leasehold Improvement Work that exceeds the most recent City-approved Construction Budget. City shall not be obligated to pay any costs in excess of the Construction Budget unless and until City approves an alteration to the Construction Budget. City shall have the right to approve or disapprove any construction budget or revisions in its reasonable judgment; however, it shall be unreasonable for City to refuse to amend the Construction Budget where it has approved a Change Order. No such approval or disapproval shall be unreasonably delayed. The most

recently approved Construction Budget shall supersede all previously approved budgets. Notwithstanding anything herein to the contrary, where the Leasehold Improvements cannot be completed in accordance with the Lease without incurring such additional costs, and City does not approve thereof, Landlord may reasonably determine where to cut costs and submit a Change Order to City, which shall be deemed a City Change Order, not a Landlord Optional Change Order.

d. Progress Payments. City shall make monthly progress payments for the cost of the Leasehold Improvements. Monthly progress payments will be disbursed by City on or about the tenth (10th) day of each month in amounts equal to the amount of costs that City and Landlord have reasonably determined is owing on account of services and materials related to Leasehold Improvements (including without limitation Contractor, Architect, Engineer, subcontractors, materialmen and construction management fees) in connection with the Leasehold Improvements; provided, however, that such amount shall not exceed the line item cost breakdown set forth in the approved construction budget for such items. At least ten (10) days before the date established for each progress payment, Landlord shall submit to City an itemized application for payment for work completed in accordance with the approved construction budget. Such applications may not include requests for payment of amounts Landlord does not intend to pay to Contractor because of a dispute or otherwise. Landlord shall promptly apply all such payments from City to the payment of the invoice or invoices to which the payment relates (or, where Landlord has advanced payment to the Architect, Engineer, Contractor or otherwise, in repayment of Landlord). City and Landlord shall deduct from the amounts otherwise due by City each month a proportionate share of the Retainage as well as the Landlord Credit.

e. Required Documentation of Costs. Landlord shall promptly deliver to City each application for payment pursuant to Paragraph 4.b, which shall include (i) copies of all invoices received by Landlord from Contractor in connection with the construction of the Leasehold Improvements, (ii) satisfactory evidence of payment of such invoices, including unconditional lien waivers where required, or if such invoices have not been paid, conditional lien waivers, all such lien waivers being in the form prescribed by California Civil Code Section 3262, executed by each subcontractor and material supplier having a claim in excess of \$20,000 and intended to be paid out of the particular disbursement and covering all labor, services, equipment and materials performed or supplied by the particular subcontractor or material supplier since the last previous disbursement (collectively, "Lien Waivers"), and (iii) such additional supporting data which substantiates the Contractor's right to payment as City may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

f. Payment of Retention. Landlord shall withhold a commercially reasonable retainage with respect to Contractor. City authorizes Landlord to pay such retainage (paid by City to Landlord pursuant to subsection (d) above) upon the earliest to occur of: (i) expiration of the lien period and the absence of any unreleased mechanics' liens or stop notices; (ii) Substantial Completion (as defined below) of the Leasehold Improvements; and (iii) delivery of unconditional Lien Waivers upon final payment, together with such other proof as City may reasonably require that all of the costs and expenses of the Leasehold Improvements have been paid.

g. No Waiver of Conditions. Each waiver by City of a condition of payment must be expressly made by City in writing. If City makes a payment before fulfillment of one or more required conditions, that payment alone shall not be a waiver of such conditions, and City reserves the right to require their fulfillment before making any subsequent payments. If all conditions are not satisfied, City, acting in its reasonable judgment, may make payment as to certain items or categories of costs and not others.

5. Substantial Completion

a. Construction Schedule. Landlord shall use commercially reasonable efforts to Substantially Complete the Leasehold Improvement Work pursuant to the Construction Schedule, subject to Tenant Delays and Unavoidable Delays (as such terms are defined in Paragraph 6 below). When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be substantially completed in accordance with the approved Construction Documents and the provisions hereof. Landlord shall notify City when the Leasehold Improvement Work is in fact Substantially Completed, and City or its representatives shall be permitted to accompany Landlord or its architect on an inspection of the Premises on such date or other mutually agreeable date soon thereafter.

b. Substantial Completion. The Leasehold Improvements shall be deemed to be "Substantially Completed" for purposes hereof when the Leasehold Improvements are sufficiently complete in accordance with the Construction Documents and the terms of this Work Letter so that City can use the affected portions of the Premises and conduct its business, and the Architect shall have certified to the City that the Leasehold Improvements have been Substantially Completed in accordance with the Construction Documents after its inspection of the Premises, subject to minor details that would not interfere with City's use ("Punch List Items"). Landlord shall diligently pursue to completion all Punch List Items. City shall have the right to present to Landlord within thirty (30) days after Substantial Completion amended "punchlist" items consisting of any items that have not been finished in accordance with the Construction Documents and the terms of this Work Letter. Landlord shall promptly complete all additional Punch List Items within thirty (30) days after the delivery of such amended list. City's failure to include any item on such list shall not alter Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the Construction Documents and the provisions hereof, nor constitute a waiver of any latent defects. Tenant shall have twelve (12) months after Substantial Completion to notify Landlord of any construction defects discovered by Tenant, and Landlord shall request that Contractor remedy any such construction defects as soon as reasonably possible thereafter (with the goal being to remedy such defects within thirty (30) days of Landlord's receipt of notice of defect). Tenant shall not occupy the Premises until the date of Substantial Completion unless agreed to by Landlord.

6. Delays in Construction

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

b. Tenant Delays. Subject to any Unavoidable Delay, City shall be responsible for any delay in the construction of the Leasehold Improvements due solely and directly to any of the following (collectively, "Tenant Delays"): (i) a delay in granting its reasonable approval of plans and specifications (beyond the period granted therefor) and any delay in obtaining any required City approvals or permits provided Landlord or Contractor diligently seek same, (ii) City Change Orders to the Construction Documents, (iii) City's delay in granting its reasonable approval of any costs to be included in the Construction Budget (beyond the period granted therefor) and/or any delay in payment by the City of any such amounts owed by the City;

(iv) any delays related to City's failure to install its Telephone and Data equipment pursuant to the Construction Schedule; (v) City's request for non-standard materials, finishes or installations requiring more lead time than standard materials, finishes or installations; (vi) City's delay in providing information critical to the normal progression of Leasehold Improvements; (vii) City's interference or disruption due to its entry into the Premises; and (viii) any other act or omission by City or its agents and invitees (or persons employed by such persons) that interferes with Leasehold Improvement Work and directly or indirectly causes delay. Such Tenant Delays in the completion of construction of the Leasehold Improvement Work shall extend the date for Substantial Completion hereunder. Notwithstanding the foregoing, City shall be responsible and the date for Substantial Completion shall be extended only to the extent any delays are actually and directly caused by Tenant Delays.

c. Delays; Liquidated Damages. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE LEASE, IF LANDLORD'S DELIVERY OF POSSESSION OF THE PREMISES TO CITY IS DELAYED BEYOND THE DATE FOR SUBSTANTIAL COMPLETION SET FORTH IN THE CONSTRUCTION SCHEDULE DUE TO LANDLORD'S DELAY IN GRANTING OR DENYING ITS REASONABLE APPROVAL AS REQUIRED IN THIS EXHIBIT E (AS EXTENDED BY UNAVOIDABLE DELAYS AFFECTING LANDLORD OR ITS CONTRACTOR IN ACCORDANCE WITH SUBSECTION A ABOVE AND TENANT DELAYS), THEN LANDLORD SHALL PAY TO CITY AN AMOUNT EQUAL TO THE ONE HUNDRED FIFTY PERCENT (150%) OF THE BASE RENT DUE DAY-FOR-DAY FOR EACH DAY OF SUCH LANDLORD DELAY. LANDLORD SHALL MAKE COMMERCIALY REASONABLE EFFORTS TO HAVE CONTRACTOR PROVIDE FOR LIQUIDATED DAMAGES TO CITY, AS AN INTENDED BENEFICIARY, FOR CONTRATOR'S DELAY IN COMPLETION OF LEASEHOLD IMPROVEMENT WORK (AS EXTENDED BY UNAVOIDABLE DELAYS AFFECTING LANDLORD OR CONTRACTOR IN ACCORDANCE WITH SUBSECTION A ABOVE AND TENANT DELAYS) BEYOND THE APPROVED SCHEDULE IN A SIMILAR AMOUNT. SUCH LIQUIDATED DAMAGES PAYABLE BY CONTRACTOR SHALL BE CITY'S SOLE AND EXCLUSIVE REMEDY EXCEPT FOR CITY'S TERMINATION RIGHTS AND RIGHT TO REIMBURSEMENT AS SET FORTH HEREIN OR IN THE LEASE, AND SHALL BE IN LIEU OF ANY LIQUIDATED DAMAGES PAYABLE BY LANDLORD. THE PARTIES HAVE AGREED THAT CITY'S ACTUAL DAMAGES IN THE EVENT OF SUCH FAILURE WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT THEY HAVE AGREED UPON THE SUM SPECIFIED ABOVE, AFTER NEGOTIATION, AS THEIR REASONABLE ESTIMATE OF CITY'S DAMAGES IN SUCH EVENT. IN THE EVENT ANY TENANT DELAY RESULTS IN A DELAY IN THE COMPLETION OF LEASEHOLD IMPROVEMENTS, AND CONTRACTOR IS ENTITLED TO ADDITIONAL PAYMENT OR DAMAGES DUE TO SUCH DELAYS, CITY SHALL BE LIABLE FOR SUCH AMOUNTS (AND SUCH AMOUNTS SHALL BE DEEMED INCLUDED IN THE APPROVED BUDGET).

7. General Provisions.

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

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

Landlord: LCL Global-777 Brannan Street, LLC
c/o Tidewater Capital, LLC
564 Market Street, Suite 225
San Francisco, California 94104
Attention: Craig M. Young

or such other address as a party may designate to the others as its new address for such purpose by notice given to the others in accordance with the provisions of this paragraph. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first class, certified mail, one day after the date when it is mailed if sent by overnight courier, or upon the date personal delivery is made. Neither party may give official or binding notice by facsimile.

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

c. Prevailing Wages and Apprentices. Landlord agrees that any person performing labor in the construction of the Leasehold Improvements which Landlord is obligated to provide under this Work Letter shall be paid not less than the highest prevailing rate of wages and that Landlord shall include, in any contract for construction of the Leasehold Improvements, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord further agrees that, as to the construction of the Leasehold Improvements under this Work Letter, Landlord shall comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Section 6.22(E) of the San Francisco Administrative Code. In addition, if the Leasehold Improvements are Covered Construction (as defined in San Francisco Administrative Code Section 23.61), Landlord shall pay the Prevailing Rate of Wages (as defined in San Francisco Administrative Code Section 23.61), employ Apprentices (as defined in San Francisco Administrative Code Section 23.61), and comply with all the provisions of Section 23.24 of the Lease, and Section 23.61 of the San Francisco Administrative Code with respect to the Leasehold Improvements.

d. Tropical Hardwood and Virgin Redwood Ban.

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

performance of this Lease which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

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

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

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

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

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

The parties have executed this Work Letter as of the date of the Lease.

LANDLORD: LCL GLOBAL-777 BRANNAN STREET,
LLC, a Maryland limited liability company

By: _____

Its: _____

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

By: _____
JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

Deputy City Attorney

EXHIBIT F

FORM OF MEMORANDUM OF LEASE

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

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

Exempt from recording fees pursuant to Government
Code Section 27383.

Documentary Transfer Tax: NONE – Exempt pursuant
to San Francisco Business and Tax Regulations Code
Section 1105

[Address]
Block [], Lot []

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

MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum"), dated for reference purposes as of _____, 2018, is by and between LCL Global-777 BRANNAN STREET, LLC, a Maryland limited liability company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City").

Recitals

A. Concurrently herewith, Landlord and City have entered into that certain Lease, dated _____, 2018 (the "Lease"), pursuant to which Landlord leased to City and City leased from Landlord the real property more particularly described in the attached Exhibit A (the "Property"), which is incorporated by this reference.

B. Landlord and City desire to execute this Memorandum to provide constructive notice of the Lease and the Purchase Option to all third parties, and all of the terms and conditions of the Lease are incorporated herein by reference as if they were fully set forth herein and reference is made to the Lease itself for a complete and definitive statement of the rights and obligations of Landlord and Tenant thereunder.

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Term. Pursuant to the terms of the Lease, Landlord leased the Property to City for a term commencing on the date Landlord delivers possession of the Property to City as set forth in the Lease. The Term of the Lease shall expire on the date that is approximately ten (10) years after the Commencement Date (as such term is defined in the Lease), subject to two (2) five-year options to extend (subject to the terms and conditions of the Lease), unless earlier terminated in accordance with the terms of the Lease.

2. Lease Terms. The lease of the Property to City is made pursuant to the Lease, which is incorporated in this Memorandum by reference. This Memorandum shall not be deemed to modify, alter or amend in any way the provisions of the Lease. In the event any conflict exists between the terms of the Lease and this Memorandum, the terms of the Lease shall govern. Except as otherwise defined in this Memorandum, capitalized terms shall have the meanings given them in the Lease.

3. Successors and Assigns. This Memorandum and the Lease shall bind and inure to the benefit of the parties and their respective heirs, successors, and assigns, subject, however, to the provisions of the Lease.

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

LANDLORD:

LCL Global-777 Brannan Street, LLC, a Maryland limited liability company

By: _____

Its: _____

By: _____

Its: _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation,

By: _____

JOHN UPDIKE
Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____

Deputy City Attorney

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)



Mark Farrell, Mayor
Naomi M. Kelly, City Administrator



John Updike
Director of Real Estate

April 17, 2018

Through Naomi Kelly

Real Property Lease
777 Brannan Street
SFPD Evidence Storage

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

Dear Board Members:

Attached for your consideration is a Resolution approving and authorizing the Director of Property to execute a lease ("Lease") with LCL Global - 777 Brannan Street, LLC ("Landlord") for up to approximately 27,154 square feet ("Premises") consisting of the entire three floors of 777 Brannan Street, for the San Francisco Police Department (SFPD Evidence Storage).

This Resolution enables a timely exit for SFPD's Evidence Storage Office from 850 Bryant Street (the Hall of Justice). The Lease is for a term of ten years, for the period beginning July 1, 2018, through June 30, 2028, at an initial monthly base rent not to exceed \$83,724.83 for a total annual initial maximum base rent of \$1,004,698 in the initial year with annual increases of three percent for the initial 10-year term of the Lease. Rent is adjusted to market rate in Year 11 of the Lease with subsequent annual increases of three percent thereafter. The Planning Director found the proposed Lease to be in conformance with the City's General Plan, and the eight priority policies of Planning Code, Section 101.1.

The proposed initial annual rent of \$1,004,698 (\$37.00 per square foot), increasing pursuant to the schedule noted in the Letter of Intent, was determined to be at or less than fair market rent by an independent MAI appraisal as required by Administrative Code, Chapter 23.

Background

The long term reorganization plans for the Hall of Justice are encapsulated within the Justice Facilities Improvement Program, a part of the adopted ten-year Capital Improvement Program, and the adopted Capital Plan for Fiscal Years 2018-2027 contains an acceleration of previous schedules for relocation of District Attorney, Police Investigations, **Evidence Storage** and Adult Probation, pursuant to requests by the Mayor's Office and City Administrator's Office.

On October 31, 2017, the San Francisco Board of Supervisors unanimously approved a Resolution authorizing the Director of Property to negotiate a lease of the Premises and that Resolution was signed by Mayor Edwin Lee on November 3, 2017.

Operating Costs

As set forth in the Lease, in addition to the Base Rent, City shall pay for its utilities and janitorial service. All other operating expenses attributable to the space shall be at Landlord's expense.

Approval of this Lease

We recommend approval of the current Resolution authorizing and approving the Lease. Approval would provide SFPD Evidence Storage the needed space for a move-in to commence no earlier than July 1, 2018 with a rent commencement date of August 1, 2018. If you have any questions regarding this matter, please contact me.

Respectfully,

A handwritten signature in black ink, appearing to read "Claude R. Updike, Jr.", written in a cursive style.

John Updike
Director of Real Estate

cc: William. Scott, Police Chief

Member, Board of Supervisors
District 10



City and County of San Francisco

COB
Leg Dep
Leg Clerk

MALIA COHEN
馬莉亞郭嫻

DATE: May 16, 2018

TO: Angela Calvillo
Clerk of the Board of Supervisors

FROM: Supervisor Malia Cohen
Chairperson

RE: Budget and Finance Sub-Committee
COMMITTEE REPORT

MC

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2018 MAY 17 AM 10:11
AK

Pursuant to Board Rule 4.20, as Chair of the Budget and Finance Sub-Committee, I have deemed the following matter is of an urgent nature and request it be considered by the full Board on Tuesday, May 22, 2018, as a Committee Report:

- **180357** - Real Property Lease - Bridgeton 945 Bryant Fee LLC - 945 Bryant Street - Adult Probation - \$1,763,968 Initial Maximum Annual Base Rent
- **180358** - Real Property Lease - LCL Global - 777 Brannan Street, LLC - 777 Brannan Street - Police Department - \$1,004,698 Initial Annual Base Rent

This matter will be heard in the Budget and Finance Sub-Committee on May 16, 2018, at 1:00 p.m.

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

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: LCL Global-777 Brannan Street, LLC	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
Privately held company CEO: Scott Plank CFO – Steve Jennings	
Contractor address: War Horse Cities, 100 International Drive, Baltimore, MD 21202 / Tidewater Capital, 564 Market Street, Suite 225, San Francisco, CA 94104	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: \$1,004,698 in initial year of lease
Describe the nature of the contract that was approved: Lease of 27,154 sf of 777 Brannan Street	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

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

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

Date Signed

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

Date Signed