

FIRST AMENDMENT TO LEASE

**109 NEW MONTGOMERY STREET**

This First Amendment to Lease (this "**Amendment**"), dated as of October 27, 2010 for reference purposes (the "**Amendment Reference Date**"), is made by and between the EDWARD J. CONNER AND DOUGLAS G. MOORE, Co-Trustees Under the Conner Children Trust No. 2 (collectively, "**Landlord**"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**City**").

RECITALS

A. Landlord and City are parties to that certain Office Lease dated as of December 19, 1994 and extended pursuant to letters dated as of April 30, 2007 and February 11, 2002 (collectively, the "**Lease**"), pursuant to which Landlord leased to City the premises described in the Lease, and more commonly known as a portion of 109 New Montgomery Street, San Francisco and also known as 617 Mission Street. The leased Premises consists of approximately 33,998 rentable square feet. The Lease term, as extended, expires on July 31, 2012.

B. Landlord and City desire to make certain modifications amending the Lease as hereinafter set forth.

AGREEMENT

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

1. Effective Date. This Amendment shall become effective on, and the Lease shall be amended as of, the date (the "**First Amendment Effective Date**") that is the later of
  - (a) The date Landlord and City have executed and exchanged this Amendment and
  - (b) The date City's Mayor and Board of Supervisors enact a resolution approving this Amendment at their respective sole and absolute discretion in accordance with City's Charter and any other applicable laws (the "**Board of Supervisors Approval**").

In the event that the Board of Supervisors Approval has not occurred by December 31, 2010, Landlord shall have the right to terminate this Amendment. In the event that Landlord exercises such right, the parties shall have no rights or obligations under this Amendment.

2. Definitions. Capitalized terms not otherwise defined in this Amendment have the meanings set forth in the Lease.
3. Amendment of Section 1: Basic Lease Information. Section 1 of the Lease entitled "Basic Lease Information" is amended as follows:

(a) The subparagraph entitled "Term (Article 3)" is amended by deleting the date "August 31 2002" that follows the words " Expiration Date" and replacing the deleted language with:

*December 31, 2014:*

(b) The subparagraph entitled "Base Rent (Section 4.1)" is amended to add the following language to the end of the existing language:

*Commencing on the First Amendment Effective Date, the Annual Base Rent for the Premises shall be \$905,319.60 per year (\$26.63 per square foot) and the Monthly Base Rent payment shall be \$75,443.30 per month (\$2.22 per square foot).*

(c) The subparagraph entitled "Notice Address for Tenant (Section 23.1)" is amended as follows:

(i) Delete the phrase "Attn: Anthony J. Delucci" and replace the deleted language with the following:

*Attn: Amy L. Brown, Director*

and

(ii) Delete the addressee immediately following the words "with a copy to" and replace the deleted language with the following addressee:

*Department of Child Support Services  
Attn. Director  
617 Mission Street, 2<sup>nd</sup> floor  
San Francisco, CA 94105  
Fax No.: (415) 356-2789*

and

(iii) Delete the addressee immediately following the words "and to" and replace the deleted language with the following addressee:

*Office of the City Attorney  
City Hall, Room 234  
Attn: Richard Handel, Deputy City Attorney  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102  
Fax No.: (415) 554-4755*

(d) The subparagraph entitled "Key Contact for Tenant" is amended to read:

*Karen Roye, Director*

(e) The subparagraph entitled "Telephone No." that immediately follows the subparagraph entitled "Key Contact for Tenant" is amended to read:

(415) 356-2919

4. Amendment of Section 2.1: Leased Premises. Section 2.1 is amended by adding the following language to the end of the Section:

*Provided that City is not then in default hereunder beyond any applicable cure period, City may reduce the scope of the Premises effective July 31, 2012 or afterwards by terminating this Lease with respect to the fourth floor portion of the Premises consisting of 9,593 square feet without cost or penalty. City may exercise such termination right by giving Landlord written notice at least two hundred ten (210) days prior to the effective date of such termination. Upon the effective date of such termination, City's obligations to pay Base Rent, City's Percentage Share, and Additional Charges shall be proportionately reduced.*

5. Clarifying Amendment of Section 3.1: Term of Lease. Section 3.1 is amended by adding the following language to the end of the Section:

*The initial Extended Term provided for by the First Amendment that will commence on /the First Amendment Effective Date and expire on December 31, 2014 (the "**First Amendment Extended Term**") may be further extended as provided in Section 3.4.*

6. Clarifying Amendment of Section 3.4: Extension Option. Section 3.4 is amended by adding the following language to the end of the Section:

*City shall have one (1) further right to extend the term of the Lease beyond the First Amendment Extended Term for a period of five (5) years commencing on January 1, 2015 and expiring on December 31 2019 (the "**First Amendment Second Extended Term**") pursuant to the terms and conditions of Section 3.4, except that the sixty (60)-day period provided for in Section 3.4 for the enactment of a resolution by the Board of Supervisors and the Mayor shall begin upon the date the Base Rent for the First Amendment Second Extended Term is determined pursuant to the procedures stated in Section 4.3.*

7. Amendment of Section 4.3 – Base Rent during First Amendment Second Extended Term. Section 4.3, Base Rent during Extended Term shall be deleted in its entirety and replaced with the following:

*At the commencement of the First Amendment Second Extended Term, the Base Rent shall be adjusted to equal ninety five (95%) of the prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location, and quality to the Premises situated within the Central business District of San Francisco ("**Reference Area**"); provided, however, in no event shall the Base Rent be reduced below the Base Rent for the lease year prior to the 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 all factors to make such spaces comparable to the Leased Premises, including but not limited to (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by*

leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) building standard tenant improvement allowances and other allowances given under such comparable leases.

Within thirty (30) days following City's exercise of the extension option for the First Amendment Second Extended Term, Landlord shall notify City of Landlord's determination of the prevailing market rate for the Premises along with comparable lease transactions used to make such Landlord's determination. If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord within fourteen (14) days following Landlord's notice to City of the prevailing market rate and such dispute shall be resolved as follows:

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

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

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

(d) If the two agents fail to appoint a third, within ten (10) days after demand by either party, the necessary agent shall be appointed by the San Francisco Superior Court or, in its failure or refusal to act, the then Dean of the Graduate School of Business of the University of California at Berkeley.

(e) All agents specified above shall have not less than five (5) years' experience leasing commercial properties similar to the Premises in the central business district area of San Francisco. Landlord and City shall pay the cost of the agent selected by such party. If a third agent is required, the party whose determination was not selected shall pay the cost of the third agent.

8. Addition of Section 23.30: Sunshine Ordinance. The Lease is further amended by adding the following language as (new) Section 23.30:

23.30 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 that is covered by this Section will be made available to the public upon request.*

9. Addition of Section 23.31: Resource-Efficient City Buildings and Pilot Projects. The Lease is further amended by adding the following language as (new) Section 23.31:

*23.31 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 707 relating to resource-efficient City buildings and resource-efficient pilot projects. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections while this Lease is in effect. Tenant is accepting the Premises and the Building in their "as is" condition. In the event that Landlord is required to perform work or services to comply with such Environment Code sections, Landlord shall perform the same and City shall promptly reimburse Landlord for the reasonable and actual costs incurred by Landlord.*

10. Addition of Section 23.32: Conflicts of Interest. The Lease is further amended by adding the following language as (new) Section 23.32:

*23.32 Conflicts of Interest. Through its execution of this Lease, Landlord acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that 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, Landlord shall immediately notify City.*

11. Addition of Section 23.33: Notifications of Limitations on Contributions. The Lease is further amended by adding the following language as (new) Section 23.33:

*23.33 Notifications 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 City for the selling or leasing of any land or building to or from City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for such contract until the termination of negotiations for such contract or three (3) months has elapsed from the date the contract is approved by the City elective officer, or the board on which that City elective officer serves.*

12. Addition of Section 23.34: Preservative-Treated Wood Containing Arsenic. The Lease is further amended by adding the following language as (new) Section 23.34:

*23.34 Preservative-Treated Wood Containing Arsenic. As of July 1, 2003, Landlord may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code, Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a*

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

### 13 Miscellaneous.

13.1 Reference. No reference to this Amendment is necessary in any instrument or document at any time referring to the Lease. Any future reference to the Lease shall be deemed a reference to such document as amended by this Amendment.

13.2 No Other Amendment. Except as expressly amended as provided herein, the Lease shall continue unmodified and remain in full force and effect. The Lease as amended by this Amendment constitutes the entire agreement between Landlord and City and may not be modified except by an instrument in writing signed by the party to be charged. In the event of any conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall control.

13.3 Applicable Law. This Amendment shall be governed by, construed, and enforced in accordance with the laws of the State of California.

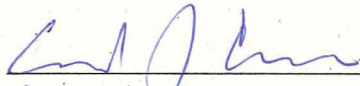

13.4 Further Instruments. The parties hereto agree to execute such further instruments and to take such further actions as may be reasonably required to carry out the intent of this Amendment.


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

IN WITNESS WHEREOF, Landlord and City have executed this Amendment as of the date above written.

LANDLORD:

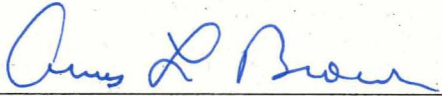
EDWARD J. CONNER AND  
DOUGLAS G. MOORE, Co-Trustees Under  
the Conner Children Trust No. 2

By:   
Its: 

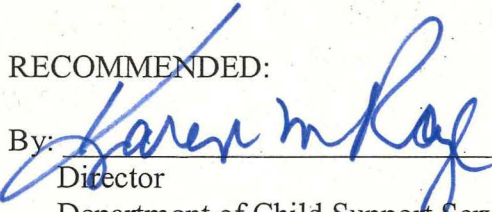
By:   
Its: \_\_\_\_\_

MacLean Properties LLC  
By: Donald M. Gregory Jr., Trustee  
CITY:

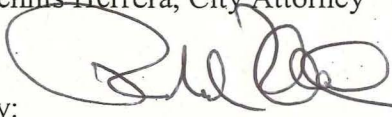
CITY AND COUNTY OF SAN  
FRANCISCO, a municipal corporation

By:   
Director of Property

RECOMMENDED:

By:   
Director  
Department of Child Support Services

APPROVED AS TO FORM:  
Dennis Herrera, City Attorney

By:   
Richard Handel  
Deputy City Attorney