

DRAFT

LEASE

between

FOUR FIFTY TOLAND LLC, as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
450 Toland Street
San Francisco, California

[December 1st 2015]

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LEASE

THIS LEASE (this "Lease"), dated for reference purposes only as of [December 1st, 2015], is by and between Four Fifty Toland, LLC a California, 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: | December 1st, 2015 |
| Landlord: | Four Fifty Toland, LLC |
| Tenant: | CITY AND COUNTY OF SAN FRANCISCO |
| Building (<u>Section 2.1</u>): | 450 Toland Street |
| Premises (<u>Section 2.1</u>): | The building and land located at Assessor's Block 5230, Lot 18, containing approximately 46,221 rentable square feet. |
| Term (<u>Section 3</u>): | Estimated commencement date: December 15 th , 2015 Expiration date: December 14 th , 2025 |
| Extension Options (<u>Section 3.4</u>): | Two (2) additional term(s) of five (5) years (each), exercisable by City by notice to Landlord given not less than 12 months in advance, with rent determined pursuant to Section 4.2. |
| Base Rent (<u>Section 4.1</u>): | Annual Base Rent: \$735,600 Monthly payments: \$61,300 Base Rent is subject to partial abatement for the month of July during each of the first five years of the Term pursuant to Section 4.1. |
| Base Year (<u>Section 4.3</u>): | December 2015 |

Adjustment Dates (Section 4.2):

On each anniversary date of the Lease Commencement, the Monthly Base Rent shall be adjusted upward by 3%.

Additional Charges (Section 4.3):

Property Management Fee equal to 4% of the monthly rent.

Use (Section 5.1):

City shall have the right to use the Premises for the City's central shops, vehicle repair and maintenance, public equipment storage, public programs, general office and any other purpose commensurate with existing zoning and for no other purposes without prior written consent of Landlord which consent shall not be unreasonably withheld or delayed.

Alterations (Section 6)

Landlord shall permit/facilitate and authorize City to engage architect and contractors of City's selection to construct, at City's cost, improvements to the property. City shall present plans to the Landlord prior to construction for Landlord's approval which shall not be unreasonably withheld or delayed.

Utilities (Section 9.1):

City at its sole cost shall be responsible for its electricity, gas and water. Landlord shall provide and maintain existing main lines for electricity, gas, water and sewer.

Services (Section 9.2):

City at City's sole cost shall be responsible for window washing, parking lot and tree maintenance, recycling and refuse removal, pest control and security. City shall also be responsible for CRAC (Computer Room Air Conditioning), maintenance and an emergency generator and UPS maintenance, if installed.

Notice Address of Landlord (Section 23.1):

Four Fifty Toland, LLC.
c/o Robert Stoops
16 Bien Venida
Orinda, CA 94563
Fax No.: (925) 254-6008

Key Contact for Landlord:

Mr. Robert Stoops

Landlord Contact Telephone No.:

(925) 408-1840

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: 450 Toland Street
Fax No.: (415) 552-9216

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/Finance
Re: 450 Toland
Fax No.: (415) 554-4755

Key Contact for Tenant:

Jeff Suess

Tenant Contact Telephone No.:

415-554-9873

Alternate Contact for Tenant:

Marta Bayol

Alternate Contact Telephone No.:

415-554-9865

Brokers (Section 23.8):

Cushman & Wakefield
Tim Garlick & Matt Squires
201 California Street Suite 800
San Francisco, CA 94111

Other Noteworthy Provisions (Section 27):

Right of first refusal to Purchase: In the event Landlord desires to sell the property (without any obligation to do so) City shall be offered the first opportunity to purchase the property. As set forth in section 27.1 below and in the attached Exhibit C.

2. PREMISES

2.1 Lease Premises

In consideration of the obligation of City to pay Rent as herein provided and in consideration of the other terms, covenants, and conditions hereof, Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises identified in the Basic Lease Information, which includes the real property described and shown on the attached Exhibit A, and the Building and any other improvements located on such real property (collectively, the "Premises").

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 delivered the Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Premises, 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 later date or earlier date, with City's written acceptance, as Landlord shall have delivered the Premises to City vacant and free of other tenancies and occupants and the Premises shall have been accepted by City pursuant to approval by City's Mayor and Board of Supervisors of 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 Option(s)), below. The word "Term" as used herein shall refer to the Initial Term and any Extended Term(s) if City exercises the Extension Option(s) as provided below.

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 its best efforts to deliver possession of the Premises on or before the Estimated Commencement Date. 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. If the Term commences later or earlier than the Estimated Commencement Date, this Lease shall nevertheless expire on the Expiration 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 Thirty (30) 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.

3.4 Extension Option(s)

City shall have the right to extend the Initial Term of this Lease (the "Extension Option(s)") for the additional term(s) specified in the Basic Lease Information (the "Extended

Term(s)"). Such Extension Option(s) shall be on all of the terms and conditions contained in this Lease, except that Base Rent for the first twelve (12) months of an Extended Term, and each twelve (12) months thereafter, shall be adjusted as set forth in Section 4.2(b). City may exercise the Extension Option(s), if at all, by giving written notice to Landlord no later than Three hundred and 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 and fails to cure such default as provided in this Lease, Landlord may reject such exercise by delivering written notice thereof to City within five (5) business days after Landlord learns of 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, within sixty (60) days after the date such notice of exercise is given.

4. RENT

4.1 Base Rent; Scheduled Rent Abatement

Beginning on the Commencement Date, City shall pay to Landlord during the Term the annual Base Rent specified in the Basic Lease Information (the "Base Rent") provided that the Base Rent (but not Additional Charges) shall be abated in full for the month of July for each of the first five (5) years of the Term. The Base Rent shall be payable in equal consecutive monthly payments on or before the first day of each month, in advance, at the address specified for Landlord in the Basic Lease Information, or such other place as Landlord may designate in writing upon not less than thirty (30) days' advance notice. City shall pay the Base Rent without any prior demand and without any deductions or setoff except as otherwise provided in this Lease. If the Commencement Date occurs on a day other than the first day of a calendar month or the Expiration Date occurs on a day other than the last day of a calendar month, then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30)-day month.

4.2 Adjustments in Base Rent

(a) Adjustment Date.

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 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 and three percent (103%) of the Base Rent for the lease year preceding such Adjustment Date.

(b) Extension Term(s).

City's exercise of each Extension Option shall be subject to authorizing legislation within seventy five (75) days following the determination of the Base Rent for each Extension Term as follows:

At the commencement of an Extension Term, the Base Rent shall be adjusted to equal ninety five percent (95%) of the prevailing market rate for space of comparable size, age, and condition as existed prior to City's improvements and alterations. Specifically, City's Leasehold Improvements shall not be included in determining the prevailing market rate for an Extension

Term. Location is defined by the following boundaries ("Reference Area"). The Bayshore District of San Francisco with a western boundary of Bayshore Blvd., a northern boundary of Cesar Chavez, a southern boundary of Silver Street to Quint Street connecting at Oakdale, and Third Street to the East; provided, however, in no event shall the Base Rent be reduced below 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, size, and condition of the premises covered by leases of such comparable space as existed prior to any City Leasehold Improvements or other Alterations, (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 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:

(i) 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.

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

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

(iv) If City's Director of Property does not approve of the prevailing market rate as determined by the appraisal procedure specified above, the Director of Property shall revoke the exercise of the Extension Option by City.

(v) 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 situated

within the Reference Area. Landlord and City shall each pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other costs incurred in the arbitration.

4.3 Additional Charges

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, Landlord's Insurance Costs, the Management Fee, provided for herein below and, if applicable, charges for Additional Services, as provided for herein below. 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."

4.4 Definitions

For purposes hereof, the following terms shall have the meanings hereinafter set forth:

(a) "Base Year" means the year specified in the Basic Lease Information.

(b) "Expense Year" means each calendar year commencing January 1st of each year during the Term, including any partial year in which this Lease commences; provided that Landlord, upon advance written notice to City, may change the Expense Year to any other twelve (12) consecutive month period and, in the event of any such change, the Management Fee shall be equitably adjusted for the Expense Years involved in any such change.

(c) "Management Fee" means a property management fee, equal to 4% of the then-current Base Rent.

(d) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the Premises, or Landlord's interest in the Premises. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes.

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

(e) "Tax Year" means each calendar year during the Term, including any partial year during which this Lease may commence; provided that Landlord, upon notice to City, may change the Tax Year from time to time to any other twelve (12) consecutive month period and, in the event of any such change, the Real Estate Taxes shall be equitably adjusted for the Tax Year involved in any such change. Real Estate Taxes during any partial Tax Year within the Term shall be prorated per Section 4.6.

4.5 Payment of Additional Expenses

During the Term, commencing after the end of the Base Year, City shall pay to Landlord each month, as additional rent, one twelfth (1/12) of the Additional Charges. City shall make such payments, in advance, in an amount estimated by Landlord in reasonable detail in a writing delivered to City. Landlord may revise such estimates of Additional Charges from time to time and City shall thereafter make payments on the basis of such revised estimates, provided that no such revisions shall be retroactive and Landlord may not make any such revisions more than twice in any given Expense Year and no such revision may be made any earlier than four (4) months subsequent to the prior estimate for such Expense Year. With reasonable promptness not to exceed the date which is the later of (a) sixty (60) days after the expiration of each Expense Year or (b) thirty (30) days after Landlord has received the tax bills for any Tax Year, Landlord shall furnish City with a statement (herein called "Landlord's Expense Statement"), prepared by Landlord's independent certified public accountant, setting forth in reasonable detail the Additional Charges for such Expense Year. If the Additional Charges for such Expense Year exceeds the additional rent paid by City for such Expense Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the amount of additional rent paid by City and the Additional Charges within thirty (30) days after the receipt of Landlord's Expense Statement. If the total additional rent paid by exceeds the actual Additional Charges for such Expense Year, such excess shall be credited against the next installments of Additional Charges due from City to Landlord hereunder, or refunded to City, at City's option.

4.6 Proration

If the Commencement Date or Expiration Date shall occur on a date other than the first or last day of a Tax Year or Expense Year, then Real Estate Taxes, Landlord's Insurance Costs, and the Management Fee for the Tax Year or Expense Year in which the Commencement Date or Expiration Date occurs shall be prorated based on a three hundred sixty-five (365)-day year.

4.7 Audits

City shall have the right, upon not less than ten (10) business days' notice to Landlord, to audit the books and records related to the Management Fee, Landlord's Insurance Costs, and Real Estate Taxes. If such audit discloses any discrepancies which would result in a reduction of Management Fee or Landlord's Insurance Costs for any Expense Year, Landlord shall immediately refund to City the amount of any overpayment by City. City shall pay the cost of such audit, provided that if such audit discloses any discrepancies which result in a reduction of the Management Fee or Landlord's Insurance Costs of five percent (5%) or more for any Expense Year, then Landlord shall pay the costs of such audit.

4.8 Records

Landlord shall maintain at its offices, in a safe, complete and organized manner all of its records pertaining to this Lease and Real Estate Taxes, the Management Fee, Landlord's Insurance Costs and any other charges paid by City pursuant hereto, for a period of not less than

three (3) years following expiration of the Term. 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, at City's expense, subject to the provisions of Section 4.7 above. At City's request, Landlord shall delivery copies of such records to City within ten (10) business days; City shall pay the actual costs for copying and delivery.

5. USE

5.1 Permitted Use

City may use the Premises for the City's central shops, vehicle repair and maintenance, public equipment storage, public programs, general office use and any other purpose commensurate with existing zoning, and the construction of Alterations related to the forgoing, and for no other purposes without prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

5.2 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, interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises or any portion of the Building being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's (or a Subtenant's) default hereunder, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition continues for five (5) business days and impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated based on the extent to which such 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, 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 such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. PREPARATION OF PREMISES.

Landlord shall deliver the Premises in broom clean condition, vacant and free of other tenancies and occupants and free of the personal property of Landlord or any previous tenant, provided, that existing furniture, racking, cold storage infrastructure and equipment will be left in place for either the use of or removal by City, in its sole discretion.

7. ALTERATIONS

7.1 Alterations by City

(a) City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's

written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment (including trade fixtures used in the maintenance, repair, storage of vehicles and equipment as well as related supporting functions of the use described in Section 5.1 (Permitted Use)), painting, replacement or installation of flooring surfaces and cosmetic improvements, none of which affect the Building Systems or structural integrity of the Building, shall not constitute Alterations requiring Landlord's consent.

(b) Landlord acknowledges that City intends to construct, at City's cost, certain substantial Alterations to the Premises, which may include, without limitation, (i) reconfiguration of the Building, including but not limited to modifications of or new openings, new roof penetrations, removal of existing walls, or installation of new walls, new windows, doors, structural modifications, or seismic upgrades; (ii) changes or modification of the parking area and loading docks, including but not limited to, installation of ramps or reconfiguration of this area, including removal of loading docks, or changes to the elevations; (iii) changes to the Building Systems; plumbing and electrical, including but not limited to new service, additional panels, outlets or power required to support installed equipment, lighting, drains, pipes, sinks, restrooms; (iv) installation of HVAC systems, filtration systems, building management systems, or any other modifications required, in City's sole discretion to modify the Premises to suit the uses described in Section 5.1 (Permitted Use), and Landlord hereby authorizes City to engage a construction manager, architect and other contractors of City's selection to construct such Alterations (collectively, the "Leasehold Improvements"). City, at its sole cost and expense (except as otherwise specifically set forth herein), and through a general contractor approved by City (the "Contractor"), shall furnish and install within the Premises the Leasehold Improvements, as shown on the Construction Documents finally approved by Landlord pursuant to this Section 7.1 in accordance with the provisions of this Section 7.1(b).

1. Plans and Specifications.

a. Schematic Design Documents; Design Development Documents. City shall cause schematic design plans for the Leasehold Improvements (the "Schematic Design Documents") to be prepared in accordance with the program requirements of City. Based on the Schematic Design Documents as approved by Landlord pursuant to Section 7.1(b)1.c., below, and any adjustments approved by City and Landlord, City or City's construction manager shall cause its architect or space planner approved by City in City's sole and absolute discretion (the "Architect") and its qualified and licensed engineer approved by City in City's sole and absolute discretion (the "Engineer") to prepare and submit to Landlord 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 Schematic Design Documents and the Design Development Documents shall be subject to approval by Landlord in accordance with Paragraph 7.1(b)1.c below.

b. Construction Documents. Based on the approved Design Development Documents and any further adjustments approved by Landlord, City or City's construction manager shall cause its Architect and Engineer to prepare and submit to Landlord 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 Section 7.1 (collectively, the "Construction Documents"). Such Construction Documents shall be subject to approval by Landlord in accordance with Paragraph 7.1(b)1.c, below.

c. Landlord's Approval of Plans. The Schematic Design Documents, Design Development Documents and Construction Documents (and any Change Orders thereto, as described below) shall be subject to approval by Landlord, which approval shall not be unreasonably withheld or delayed, in accordance with the following procedure. After submission of the Schematic Design Documents, Design Development Documents, Construction Documents or proposed Change Order by City to Landlord, Landlord shall have ten (10) days to disapprove any element thereof. If Landlord does so, then Landlord shall notify City within such period of its disapproval and of the revisions that Landlord reasonably requires in order to obtain approval consistent with the terms of this Lease. City shall submit to Landlord documents incorporating the required revisions. Such revisions shall be subject to approval by Landlord, which shall not be unreasonably withheld or delayed. Such revisions shall be deemed approved by Landlord if Landlord fails to notify City of any objection within ten (10) days after receipt of the revision.

d. Change Orders. If following Landlord's approval of the Construction Documents, City requests or is required to make any material change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("Change Order"), City shall provide Landlord with proposed plans and specifications with respect to such change, addition or alteration. Any such Change Order shall be subject to Landlord's prior written approval, in accordance with Paragraph 7.1(b)1.c, above. City shall be solely responsible for the cost of the Change Order, including, without limitation, the costs of preparing the plans and specifications relating thereto.

2. Responsibility for Obtaining Permits. City shall have the responsibility for obtaining all governmental permits and approvals required to commence and complete the Leasehold Improvement Work and any other Alterations if applicable, and promptly upon receipt thereof shall deliver copies of all of such permits and approvals to Landlord. Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration.

3. Construction of Leasehold Improvements. Following Landlord's approval of the Construction Documents, City 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 Lease. City shall not have any obligation with respect to any such work other than as provided herein.

4. 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 between Landlord and City arising out of the construction of the Leasehold Improvements in a manner which shall allow work to proceed expeditiously.

5. 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 Premises, Building or Leasehold Improvements fail in any respect to comply with applicable laws, rules and regulations; and (ii) any known material adverse change in the physical condition of the Premises, including, without limitation, any damage suffered as a result of earthquakes.

7.2 Title to Improvements

Except for City's Personal Property (as defined in the next Section), all appurtenances, fixtures, improvements, equipment, additions and other property permanently installed in the

Premises as of the Commencement Date or during the Term shall be and remain Landlord's property. City may not remove such property unless Landlord consents thereto.

7.3 City's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Premises by or for the account of City and that can be removed without structural damage to the Premises (collectively, "City's Personal Property") shall be and remain City's property. At any time during the Term or at the expiration thereof, City may remove any of City's Personal Property, provided City shall repair any damage to the Premises resulting therefrom. Upon the expiration or earlier termination of this Lease, City shall remove City's Personal Property from the Premises in accordance with Section 20 (Surrender of Premises), below. Landlord acknowledges that some of City's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to City. Landlord, upon City's reasonable request, shall execute and deliver any document required by any supplier, lessor, or lender

in connection with the installation in the Premises of any items of City's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to City's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Property from the Premises within thirty (30) days after the Expiration Date (but if it does not remove City's Personal Property within such time it shall have waived any rights it may have had to City's Personal Property), and (ii) will repair any damage caused by the removal of City's Personal Property. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within thirty (30) days after the Expiration Date.

7.4 Interference by Landlord

Landlord shall use commercially reasonable efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any repairs, maintenance, alterations, installations, additions or improvements to the Premises. Landlord shall promptly remedy any such interference or disruption upon receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1 Reserved

8.2 City's Repairs

Subject to Landlord's repair, maintenance and replacement obligations under Article 9 (Utilities), City shall repair, maintain and/or replace (a) the exterior portions of the Premises including the roof, sidewalk, exterior walls, and Building Systems, (b) the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Building (collectively, the "Building Systems") and (c) the interior portions of the Building, 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 fully covered by Landlord's insurance subject to Article 12. City shall perform any such required repairs, maintenance and replacements that are City's responsibility hereunder (i) at City's cost, (ii) by contractors or mechanics selected by City and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, (iv) in a manner and using equipment and

materials that will not materially interfere with or impair the operations, use or occupation of the Building or the Building Systems, and (v) in compliance with all applicable Laws, including, without limitation, any applicable contracting requirements under City's Charter and Administrative Code. Landlord shall assign to City any construction warranty or other warranties or guaranties held by Landlord with respect to the Premises or any part or component thereof.

8.3 Liens

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

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Landlord shall be responsible for maintaining the existing main lines for electricity, gas, water and sewer utilities to the Building in a good condition. Without limiting Landlord's obligations hereunder, Landlord shall provide such maintenance in a manner consistent with such utilities and services normally provided in other buildings similar to the Building in the San Francisco Bayview District.

9.2 Services

(a) Janitorial Service

City shall provide, at City's cost, janitorial service to the Premises.

(b) HVAC

City shall maintain, throughout the term of the Lease, a service contract with a licensed and qualified contractor for maintenance of heating, ventilation and air conditioning ("HVAC") at City's sole cost. The scope of such services shall be in accordance with the requirements of Exhibit C and Title 8 California Code of Regulations, Chapter 4. Division of Industrial Safety, Subchapter 7. General Industry Safety Orders, Group 16. Control of Hazardous Substances, Article 107. Dusts, Fumes, Mists, Vapors and Gases Section 5142, Mechanically Driven Heating, Ventilating and Air Conditioning (HVAC) Systems to Provide Minimum Building Ventilation. City, at City's option, shall have the right to also (i) perform such service with qualified City personnel, or (ii) request that Landlord, at City's cost, engage Landlord's contractor to provide the services described herein, which shall be treated as an Additional Service as described below.

(c) Additional Services

City reserves the right to request that the Landlord, at City's sole cost, perform minor Lease related services or incur additional expenses not covered under this Lease from time to time, as reasonably requested by the City and approved by the Real Estate Division, acting through the Director of Property or his or her designee. If Landlord, in its sole discretion, agrees to perform such services or incur such additional expenses, which shall be capped at \$2,500 per month, City shall reimburse Landlord for the pre-approved cost for such expenses as Additional

Charges within thirty (30) days after receipt of Landlord's estimate for such service or expense, which cost may include a three (3%) percent Landlord administrative fee. Landlord shall provide an invoice for the actual cost of the service or expense, including reasonable backup documentation, as promptly as possible, and any difference between the estimated and actual cost will be subject to true-up adjustment pursuant to Section 4.3.

9.3 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, City shall immediately notify Landlord of such failure, stoppage or interruption, and Landlord shall diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, water or other essential services serving the Premises pursuant to Section 9.1 (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for (i) a period of three (3) or more business days if such failure is in the reasonable control of Landlord or (ii) a period of one hundred twenty (120) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises. At City's election but only with Landlord's written approval, not to be unreasonably withheld, City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use commercially reasonable efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for over hundred twenty (120) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date of City's notice of termination, and the Essential Services are actually restored within such 60 day period. City shall not be entitled to any abatement of Rent or right to terminate if Landlord's inability to supply Essential Services to City is due to the acts, omissions or negligence of City and its Agents at the Premises.

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: (i) Landlord has good and marketable title to the Premises, (ii) there are no property defects or conditions which would affect the City's intended use of the Premises, (iii) Landlord has no knowledge of any hazardous materials or contaminations in or about the Premises. Landlord shall at all times during the Term perform its obligations under this Lease, at its cost, 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. Subject to the forgoing and all other express representations and warranties provided explicitly in this Lease, Tenant acknowledges and agrees that the Premises are being leased and accepted in their "as is" condition. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of any misrepresentation by Landlord under this Section.

10.2 City's Compliance with Laws; Indemnity

City shall use the Premises during the Term in compliance with applicable Laws, 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 hereof 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. 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.

(b) In the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or in the event any ground lease or underlying lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed nor shall the rights and possession of City hereunder be disturbed if City shall not then be in default in the payment of rental or other sums due hereunder or otherwise be in default under the terms of this Lease, and as a condition to City's subordination under Section 11(a) above, any Encumbrance shall provide for the forgoing. City shall attorn to and become the tenant of the successor-in-interest to Landlord, provided that City has received proper written notice of such succession and the name and address of the successor landlord. City's covenant under subsection (a) above to subordinate this Lease to any Encumbrance or other hypothecation hereafter executed is conditioned upon each such senior instrument containing the commitments specified in this subsection (b). The provisions of this Section shall be self-operative and no further instrument shall be required other than as provided in this Section. City agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to City, any additional documents evidencing the priority or subordination of this Lease with respect to any such Encumbrance as provided herein.

12. DAMAGE AND DESTRUCTION

12.1 Minor Damage

If the Premises, the Building or any Building Systems are damaged by fire or other casualty not principally resulting from any willful or negligent act or omission of City, its Agents or its Invitees, such that less than 33% of the Premises is deemed to not be of beneficial use to the City, Landlord shall repair the same without delay (and if Landlord is then carrying insurance on the Alterations or if City at its sole option makes funds available to Landlord, Landlord shall also repair the Alterations), 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. 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 or Invitees.

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 ("Repair Notice"). If such repairs cannot be made within the Repair Period, then City may, by written notice, given within thirty (30) days after the date of receipt of the Repair Notice, terminate this Lease as of the date specified in City's notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by City. 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.

12.2 Major Damage

If the Premises, the Building or any Building Systems are damaged by fire or other casualty not principally resulting from any willful or negligent act or omission of City, its Agents or its Invitees, such that 33% or more of the Premises is deemed to not be of beneficial use to the City, Landlord shall repair the same without delay (and if Landlord is then carrying insurance on the Alterations or if City at its sole option makes funds available to Landlord, Landlord shall also repair the Alterations), 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 seven hundred and thirty (730) days after the date of such damage (the "Major Repair Period"). In such event, this Lease shall remain in full force and effect, except that City shall be entitled to an abatement of Rent while such repairs are being made. Such abatement in Rent shall be based upon the extent to which 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 or Invitees.

Within forty five (45) 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 Major Repair Period ("Major Repair Notice"). If such repairs cannot be made within the Major Repair Period, then City may, by written notice, given within thirty (30) days after the date of receipt of the Major Repair Notice, terminate this Lease as of the date specified in City's notice, which date shall be not less than thirty (30) nor more than sixty (60) days after notice is given by City. If such repairs cannot be made within one thousand and ninety five (1,095) days, then Landlord may, by written notice, 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 City.

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.

12.3 Rights and Obligations; Waiver

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, or pursuant to an election under Section 13.4 above, then: (a) City's obligation to pay Rent shall continue up until the date of termination and thereafter shall cease, and (b) Landlord shall be entitled to the entire Award in connection therewith, except that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.6 Partial Taking; Continuation of Lease

If there is a partial Taking of the Premises under circumstances where this Lease is not terminated in its entirety under Section 13.4 above, then this Lease shall terminate as to the portion of the Premises so taken, but shall remain in full force and effect as to the portion not taken, and the rights and obligations of the parties shall be as follows: (a) Rent shall be reduced by an amount that is in the same ratio to the Rent as the area of the Premises taken bears to the area of the Premises prior to the Date of Taking, and (b) Landlord shall be entitled to the entire Award in connection therewith, provided that City shall receive any Award made specifically for City's relocation expenses or the interruption of or damage to City's business or damage to City's Personal Property.

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

14.1 Assignment; Subletting

Except as provided in Section 14.2 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 permit all or any portion of the Premises to be occupied by anyone other than itself 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. If Landlord consents to a sublease or assignment of fifty one percent (51%) or more of City's interest in the Premises to a third party, fifty percent (50%) of any rent that City receives under such assignment or sublease in excess of the Base Rent and Additional Charges payable hereunder (or the amount thereof proportionate to the portion of the Premises subject to such assignment or sublease) shall be paid to Landlord after City first recovers any costs it incurs in connection with such assignment or sublease. Landlord's consent to any assignment or sublease of City's interest in this Lease or the Premises shall not release City of its obligations under this Lease. Should City desire to sublease in excess of fifty one percent (51%) of the property, Landlord shall have the right to recapture the premises, provided that Landlord provides ninety (90) days' notice of its election to exercise its recapture right concurrently with its approval of said sublease or assignment.

14.2 Permitted Transfers

Notwithstanding the forgoing, 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 for the uses permitted under this Lease to any (i) department, commission, or agency of City, or (ii) non-profit organization, if City provides funds to such non-profit organization for such uses. Any transfer by City to a non-profit organization pursuant to the foregoing sentence shall not release City from its obligations under this Lease. The sublease or assignment of all or any part of Premises to any City Departments, non-profits, vendors or contractors of City shall not be subject to Landlord approval and shall not entitle Landlord to any profit participation under Section 14.1.

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 of the date due, 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, City shall have twenty (20) days to cure any such nonpayment after written notice thereof from Landlord.

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

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

15.2 Landlord's Remedies

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

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

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

15.3 Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of City's other cure rights under this Lease) City may, at its sole option, cure such default at Landlord's expense if such default continues after ten (10) days from the date City gives notice to Landlord of City's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such 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. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and

any other charges hereunder shall be abated based on the extent to which such default interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and impairs City's ability to carry on its business in the Premises, then City shall have the right to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of such sixty (60)-day period. City's rights hereunder and under Section 3.3 (Delay in Delivery of Possession), Section 5.2 (Interference with Access), and Section 9.4 (Disruption in Essential Services), shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1 City's Indemnity

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

16.2 Landlord's Indemnity

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

17. INSURANCE

17.1 City's Self-Insurance

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

17.2 Landlord's Insurance

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

In addition, Landlord 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.

The actual costs of all insurance policies required to be maintained by Landlord hereunder ("Landlord Insurance Costs") shall be reimbursed by City under this Lease as Additional Rent.

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, however, Landlord's failure to do so shall not affect the above waiver.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Premises at all reasonable times and, except in cases of emergency (in which event Landlord shall 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 nine (9) 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, broom clean and free of debris, in good operating order, condition and state of repair reasonable use and wear and damage by fire or other casualty excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good and ordinary maintenance practices. City shall remove from the Premises on or prior to the Expiration Date all of City's Personal Property, trade fixtures, City's telecommunications, data and computer facilities, hazardous substances brought onto the Premises by or for the City and any Alterations City desires to remove from the Premises, provided, that at Landlord's written notice prior to expiration of the Term, City will not remove any HVAC equipment or systems installed by it. 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 Alterations, including without limitation any Leasehold Improvements. 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 the best of Landlord's knowledge, the following statements are true and correct and will be true and correct as of the Commencement Date **(a)** the Property is not in violation of any Environmental Laws; **(b)** the Property is not now, nor has it been, used for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except for the use of such substances in such limited quantities as are customarily used in offices, which limited use has been and is in compliance with Environmental Laws; **(c)** the Property does not consist of any landfill or contain any underground storage tanks; **(d)** the Building does not consist of any asbestos-containing materials or building materials that contain any other Hazardous Material, nor do the Premises or the common areas of the Building contain any lead-based paints; **(e)** there has 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 or after the Term of this Lease **(a)** as a result of any breach of any of Landlord's representations, warranties or covenants in the preceding Section, or **(b)** in connection with any presence or Release of Hazardous Material in the Building or on, under or about the Property, unless City or its Agents or Invitees caused such Release.

21.4 City's Covenants

Neither City nor its Agents or Invitees shall cause any Hazardous Material to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or the Property, or transported to or from the Premises or the Property, in violation of any Environmental Laws, provided that City may use such substances in such limited amounts as are customarily used for office purposes, to store vehicles and to operate a vehicle repair and maintenance shop, public equipment storage, public programs, and in connection with such uses may use substances such as cleaning fluids, gasoline, diesel, oil, coolant, brake fluid and other vehicle fluids, paints and solvents, so long as such use is in compliance with all applicable Environmental Laws.

21.5 City's Environmental Indemnity

If City or its Agents or Invitees breaches its obligations contained in the preceding Section 21.4, 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 arising during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release. The foregoing Indemnity shall not include any Claims resulting from the non-negligent aggravation by City, its Agents or Invitees of physical conditions of the Premises, or other parts of the Property, existing prior to City's occupancy.

22. SPECIAL PROVISIONS

22.1 Right of First Refusal to Purchase

In the event Landlord desires to sell the property (without any obligation to do so), City shall be offered the first opportunity to purchase property pursuant to the terms attached hereto as Exhibit C.

22.2 Existing Lease Termination

Landlord shall be responsible for all costs associated with the termination of any existing leases of the Premises.

23. GENERAL PROVISIONS

23.1 Notices

Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, to: (a) City at Tenant's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) such other address as either Landlord or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by facsimile.

23.2 No Implied Waiver

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

23.3 Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease requires or permits the giving by City of its consent or

approval, the Director of Property, or his or her designee, shall be authorized to provide such approval, except as otherwise provided by applicable law, including the Charter of the City and County of San Francisco. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of City and Landlord, and City's agreement may be made upon the sole approval of the Director of Property, or his or her designee; provided, however, material amendments or modifications to this Lease (a) changing the legal description of the Premises, (b) increasing the Term, (c) increasing the Rent, (d) changing the general use of the Premises from the use authorized under Section 5.1 of this Lease, and (e) any other amendment or modification which materially increases City's liabilities or financial obligations under this Lease shall additionally require the approval of City's Board of Supervisors.

23.4 Authority

Landlord represents and warrants to City that the execution and delivery of this Lease by Landlord has been duly authorized and does not violate any provision of any agreement, law or regulation to which Landlord or the Property is subject.

23.5 Parties and Their Agents; Approvals

If applicable, the word "Landlord" as used in this Lease shall include the plural as well as the singular. As used in this Lease, the term "Agents" when used with respect to either party shall include the agents, employees, officers and contractors of such party, and the term "Invitees" when used with respect to City shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of City. All approvals, consents or other determinations permitted or required by City under this Lease, 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 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 reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Lease, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees

incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

23.13 Holding Over

Should City hold over in possession of the Premises after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease, except that the monthly Base Rent during the holdover period shall be one hundred twenty percent (120%) 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. 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.

23.14 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.

23.15 Survival of Indemnities

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

23.16 Signs

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

23.17 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. Landlord further represents and warrants that there are no property defects or conditions which would affect City's intended use of the Premises and there are no Encumbrances on the Premises as of the Lease Reference Date. Without limiting the provisions of Section 16.2 (Landlord's Indemnity), Landlord agrees to Indemnify City and its Agents against Claims arising out of any assertion that would interfere with City's right to quiet enjoyment as provided in this Section.

23.18 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.

23.19 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.

23.20 Non-Liability of Officials, Employees, Agents and Others

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

23.21 MacBride Principles - Northern Ireland

The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Landlord acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

23.22 Controller's Certification of Funds

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

23.23 Prevailing Wages for Construction Work

Landlord agrees that any person performing labor in the construction of improvements or repair or maintenance on the Premises, if any, which Landlord provides under this Lease, shall be paid not less than the highest prevailing rate of wages as required by Section 6.22(E) of the San Francisco Administrative Code, shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco, California. Landlord shall include, in any contract for construction of such improvements to the Premises, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Landlord shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing labor in the construction of any improvements to the Premises.

23.24 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 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.

23.25 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 any repairs, maintenance, 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.

23.26 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.

23.27 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. In performance of Landlord's obligations, Landlord hereby agrees that it shall comply with all applicable provisions of such code sections.

23.28 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.

23.29 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.

23.30 Memorandum of Lease

On the Effective Date, Landlord and City shall execute the memorandum of lease in the form attached hereto as Exhibit D (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 two (2) business days thereafter. Upon termination of the Right of First Refusal, City shall execute in recordable form such documents as reasonably requested by Landlord to establish that the Property is no longer subject to the Right of First Refusal.

23.31 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.

23.32 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 of this Lease, Landlord shall immediately notify City.

23.33 Notification of Limitations on Contributions

Through its execution of this Lease, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer, 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.

23.34 Preservative-Treated Wood Containing Arsenic

Landlord or City 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 or City 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 or City 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.

23.35 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 FOLLOWING PAGE]

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

LANDLORD:

FOUR FIFTY TOLAND, LLC
a California Limited Liability Company

By: _____

Its: Manager

By: _____

Its: Manager

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

JOHN UPDIKE
Director of Property

RECOMMENDED:

[Department Authority]

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

Deputy City Attorney

DRAFT

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 _____
(Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises
known as _____ located at _____

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 _____, 20__.

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

Very truly yours,

By: _____
Title: _____

Accepted and Agreed:

By: _____
John Updike
Director of Property

Dated: _____

Exhibit C**Right of First Refusal to Purchase.**

In the event Landlord should decide to sell the property containing the Premises (the "Property") during the Term of the Lease, or if Landlord receives an offer to purchase the Property, Landlord shall first offer the Property to the City at the purchase price that the Property will be offered to the real estate market or contained in the prior offer, as applicable. Said purchase price shall be contained in a written notice ("Sale Notification") from Landlord to City and said purchase price shall be subject to adjustment as provided below. The City shall have thirty (30) days from the Sale Notification date by Landlord to submit (i) an offer to purchase at the price contained in the notice or (ii) counteroffer at a lesser price and otherwise upon the other business terms contained herein.

City's offer to purchase shall be subject to the approval of the Board of Supervisors and the Mayor within sixty (60) days of execution of a purchase agreement on City's standard form that provides for the City to purchase the Property on the terms herein (the "Purchase and Sale Agreement"), the title company being willing to issue ALTA Title Insurance acceptable to City, and in the event of a purchase in excess of \$5,000,000, City's successful issuance of debt to fund the purchase.

Within seven (7) days of the execution of a Purchase and Sale Agreement, Landlord shall deliver copies of all reports, appraisals and other documents in Landlord's possession reasonably necessary to City's due diligence investigation, not previously delivered to City. Landlord shall cooperate with the City in its due diligence investigation.

Close of escrow shall occur on or before thirty (30) days from the date of City's notice of the approval by City's Board of Supervisors and Mayor of the purchase.

At closing, City shall pay for the cost of the premium of the extended coverage title insurance policy, one half the escrow fees, and one half of the other typical closing expenses. Landlord shall pay transfer taxes, one half the escrow fees, and one half the other typical closing expenses such as notary fees and overnight express charges. Landlord shall deliver the following (among other customary items) through a mutually agreeable escrow company:

- (i) a grant deed conveying ALTA insurable title subject only to taxes not yet due and payable, and other exceptions acceptable to City,
- (ii) a bill of sale for all personal property on the Property, and
- (iii) a written disclosure of all known facts (including any and all property inspection reports) which would affect the marketability or City's intended use of the Property.

This right of first refusal shall terminate and Landlord shall be free to sell the Property to any person whomever and upon any terms whatsoever without any obligation to City if: (a) City does not agree to purchase the property upon purchase price contained in the Notification and does not make any counter offer within the thirty (30) day period; (b) after agreeing to purchase the property upon the purchase price contained in the Notification (or any counter offer duly accepted by Landlord), City fails to obtain any required approvals or funding, or to close escrow, within the

deadlines set forth herein. If, however, City while not accepting the purchase price set forth in the Sale Notification, has made an all- cash- on – closing counter offer (the "City's Counter Offer") within the thirty (30) day period that has not been accepted by Landlord, then Landlord may sell the property, free of any claim of City, to any potential buyer who is willing to pay a gross purchase price (an amount determined without regard to any brokerage commission liability, but reduced by any Landlord credits or give backs to the potential buyer for such items as existing building conditions or improvements herein after to referred to as "Gross Purchase Price") exceeding the amount of City's Counter Offer.

In the event Landlord is unable to sell the Property for more than the City Counter Offer, Landlord shall deliver another Sale Notification with a reduced purchase price and the above procedure for City's right of first refusal shall be repeated.

This right of first refusal shall terminate and be of no further effect if a sale of the Property to an arm's length third party is consummated in accordance with the foregoing provisions. If Landlord sells or otherwise transfers the Property to a third party, Landlord must deliver to City an express assumption of all of Landlord's obligations under this Lease fully executed by the proposed transferee and in a form reasonably acceptable to City.

EXHIBIT D

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

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

MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum"), dated for reference purposes as of _____, 20__, is by and between _____, a California [corporation/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 _____, 2015 (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. The Lease provides City a right of first refusal to purchase the Property (the "Right of First Refusal") on the terms specified in Section 22 of the Lease.

C. Landlord and City desire to execute this Memorandum to provide constructive notice of the Lease and the Right of First Refusal 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 December 14, 2025, subject to two

(2) five (5)-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:

_____ a California [corporation/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

[ALL SIGNATURES MUST BE NOTARIZED]

EXHIBIT A

Legal Description of Property