

THIRD AMENDMENT TO LEASE

LEASE EXTENSION

THIS THIRD AMENDMENT TO LEASE (this "**Third Amendment**") is made and entered into as of March 31, 2012, by and between **BRCP 1390 Market, LLC**, a Delaware limited liability company ("**Landlord**") and the **City and County of San Francisco**, a municipal corporation ("**Tenant**" or "**City**").

RECITALS

- A. Calfox, Inc., as managing agent for Polk Market Co., a predecessor-in-interest to Landlord ("**Original Landlord**"), and Tenant entered into that certain Office Lease dated September 12, 2000 (the "**Original Lease**") as subsequently amended by the (1) First Amendment to Lease dated June 13, 2006 between City and API Fox Plaza, LLC ("**Subsequent Landlord**") as successor in interest to Original Landlord, and (2) Second Amendment to Lease dated September 25, 2007 (collectively, the "**Lease**"), for the premises consisting of approximately 69,402 rentable square feet known as Suite 110 on the ground floor, Suites 240 and 250 on the 2nd floor, Suites 401 and 418 on the 4th floor, Suite 500 on the 5th floor, Suite 600 on the 6th floor, Suite 700 on the 7th floor, and Suites 1008 and 1010 on the 10th floor (collectively, the "**Premises**"), all in a building known as Fox Plaza, 1390 Market Street, San Francisco, CA (the "**Building**").
- B. Landlord is the successor-in-interest to Original Landlord and Subsequent Landlord and is the current owner of the Building.
- C. The term of the Lease expires December 31, 2012 (the "**Current Term**").
- D. Landlord and Tenant now wish to amend the Lease to extend the Current Term, grant to City two (2) further options to extend the Current Term and make certain other modifications to the Lease more particularly set forth below.

AMENDMENT

NOW THEREFORE, in consideration of the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties do hereby agree as follows:

1. **LEASE EXTENSION.** Landlord and City hereby agree to extend the Current Term for an additional term (the "**Second Extended Term**") of five (5) years starting on the expiration of the Current Term. On the Effective Date (as defined in Section 6 below), all references in the Lease to the Term shall mean the Term as extended by the Second Extended Term, and the Term will expire on December 31, 2017.

2. **AMENDMENTS.**

(a) The following language is added to the end of Lease Paragraph 4(C)(a):

"City's lease of the Premises during the Second Extended Term shall be on all of the terms and conditions set forth in the Lease, except that (i) at the start of the Second Extended Term, the Base Monthly Rent shall be adjusted to One Hundred Seventy-Three Thousand Five Hundred and Five Dollars (\$173,505, or approximately \$30.00 psf), and shall remain fixed at this amount for the remainder of the Term; (ii) the Base Year and the Base Tax Year, for purposes of determining City's Additional Rent from and after the start of the Second Extended Term, shall be calendar 2013, and there shall be no Additional Rent during calendar year 2013; and (iii) City shall not be responsible for any increase in Direct Taxes or other costs or expenses resulting from any sale, transfer or subdivision of any interest in or title to the Building or the land on which the Building is located during calendar years 2013, 2014, or 2015."

3. **FREE RENT.** Base Rent for January 2013, February 2013, and March 2013 shall be abated.

4. **BASE BUILDING IMPROVEMENTS.** Landlord, at Landlord's sole cost, shall install security monitoring cameras, reasonably acceptable to City, in the elevator lobbies on the Suite 110, 4th, 5th, 6th, 7, and 10th floors and in the corridor entrance to Suite 110. Such cameras shall be connected and monitored by the Security Desk located in the Building lobby and recordings shall be kept for two (2) weeks. Such work shall be done after hours or on weekends and Landlord shall use commercially reasonable efforts to complete such work on or before March 31, 2013, subject to force majeure delays. Landlord's installation of such security cameras shall not increase Landlord's liability for damage or injury to City, its employees, invitees or others. City shall take reasonable actions to keep the Premises reasonably secure, keeping all exterior doors in and to the Premises locked or monitored during business hours.

5. **OPTIONS TO EXTEND.** City shall have the right to extend the Term of the Lease (the "**Third Extension Options**") for two (2) additional terms of five (5) years each (the "**Third Extension Terms**"). The Third Extension Options shall be on all of the terms and conditions contained in this Lease, except that the Base Rent shall be adjusted as provided below. City may exercise each of the Third Extension Options, if at all, by giving written notice to Landlord no later than three hundred sixty five (365) days before the 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 promptly after such failure to cure. Landlord acknowledges and agrees that City's notice of its intent to exercise a Third 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 ninety (90) days after the date the Base Rent for the applicable Third Extended Term is determined. If such resolution is not enacted within such ninety (90) day period, the City's Third Extension Option shall terminate and City shall have no further option to extend the Term

2. **AMENDMENTS.**

- (a) The following language is added to the end of Lease Paragraph 4(C)(a):

"City's lease of the Premises during the Second Extended Term shall be on all of the terms and conditions set forth in the Lease, except that (i) at the start of the Second Extended Term, the Base Monthly Rent shall be adjusted to One Hundred Seventy-Three Thousand Five Hundred and Five Dollars (\$173,505, or approximately \$30.00 psf), and shall remain fixed at this amount for the remainder of the Term; (ii) the Base Year and the Base Tax Year, for purposes of determining City's Additional Rent from and after the start of the Second Extended Term, shall be calendar 2013, and there shall be no Additional Rent during calendar year 2013; and (iii) City shall not be responsible for any increase in Direct Taxes or other costs or expenses resulting from any sale, transfer or subdivision of any interest in or title to the Building or the land on which the Building is located during calendar years 2013, 2014, or 2015."

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5. **OPTIONS TO EXTEND.** City shall have the right to extend the Term of the Lease (the "**Third Extension Options**") for two (2) additional terms of five (5) years each (the "**Third Extension Terms**"). The Third Extension Options shall be on all of the terms and conditions contained in this Lease, except that the Base Rent shall be adjusted as provided below. City may exercise each of the Third Extension Options, if at all, by giving written notice to Landlord no later than three hundred sixty five (365) days before the 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 promptly after such failure to cure. Landlord acknowledges and agrees that City's notice of its intent to exercise a Third 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 ninety (90) days after the date the Base Rent for the applicable Third Extended Term is determined. If such resolution is not enacted within such ninety (90) day period, the City's Third Extension Option shall terminate and City shall have no further option to extend the Term

of the Lease. The City shall notify Landlord of the enactment or rejection of the proposed resolution.

The Base Rent during each Third Extension Term shall be adjusted at the start of each Third Extension Term to ninety five percent (95%) of the then-prevailing Fair Market Rent and then shall remain constant for the remainder of that Third Extension Term. At the start of each Third Extension Term, the Base Year shall also be adjusted to the calendar year of the first year of the applicable Third Extension Term. City and Landlord hereby agree that Fair Market Rent shall be determined as follows:

(a) "Fair Market Rent" shall be the prevailing market rate for space of comparable size and location to the Premises having recently been leased to tenants in the Building or other Civic Center buildings similar in age, seismic condition, location and quality to the Property. As used herein, the term "prevailing market rate" shall mean the rental for such comparable space, taking into account all factors that make such spaces comparable to the Premises, including but not limited to (i) any expense adjustments such as separately metered electricity, taxes, operating expenses, and maintenance paid, (ii) the condition of the premises, (iii) the physical amenities and services provided, (iv) the location and size of the premises of such comparable leases, (v) the credit worthiness of the tenant, (vi) the duration of the renewal term and the term of such comparable space, (v) any free rent and any other tenant concessions offered under such comparable space, and (vi) any tenant improvements allowances and other allowances offered by such comparable space. Fair Market Rent shall be determined on a per square foot basis, and may include different rates for office, ground floor and basement space.

(b) Within thirty (30) days of Landlord's receipt of City's notice of its intent to exercise a Third Extension Option, Landlord shall provide written notice to City of Landlord's good faith determination of the prevailing market rate along with reasonable substantiation for such rate, including, but not limited to, at least three (3) recent comparable lease transactions. If City disputes Landlord's determination of the prevailing market rate, City shall so notify Landlord of the City's determination of prevailing market rate and reasonable substantiation for such rate within fourteen (14) days following Landlord's notice to City. If City and Landlord still disagree, then the dispute shall be resolved as follows:

(i) Within thirty (30) days following City's notice of the prevailing market rate (the "**Consultation Period**"), 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 the disagreement. Landlord and Tenant may agree in writing to extend the Consultation Period for a reasonable period to resolve their disagreement.

(ii) If within this Consultation 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 be an "MAI" designated appraiser with at least five (5) years experience appraising commercial office properties in San Francisco. Each 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 Consultation Period.

(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, with the qualifications specified above, who will within twenty (20) days of his or her selection choose either Landlord's or City's appraisers' determination of the prevailing market rate and provide the reasoning for such selection. All appraisals and determinations hereunder shall be in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and the Standards of Professional Appraisal Practice of the MAI. Landlord and City shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

6. **LANDLORD'S OBLIGATION TO CONSTRUCT IMPROVEMENTS DURING EXTENSION PERIOD(S)**. At the start of each Third Extension Term, Landlord, through its general contractor shall construct additional Leasehold Improvements, as requested in writing by City, up to a Leasehold Improvement Allowance calculated as follows:

The Index which is published for the October 2012 (the "**Base Index for Extension Term**") shall be compared with the Index published for the October most immediately preceding the commencement date of the applicable Third Extended Term (the "**Adjustment Index for Extension Term**"). As used herein the term "**Index**" shall mean the Consumer Price Index for All Urban Consumers (San Francisco/Oakland/San Jose Area; all items; 1982-84 equals 100) which is published by the United States Department of Labor, Bureau of Statistics.

If the Adjustment Index for the applicable Third Extension Term has increased over the Base Index for that Third Extension Term, then the amount of \$347,010.00 shall be increased by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index.

Accordingly, if City exercises one or more of the Third Extension Options, the amount of the allowance for each applicable Third Extended Term shall be calculated as follows:

<u>Extension Period</u>	<u>Base Index for Extended Term</u>	<u>Adjustment Index for Extended Term</u>
1 st Third Extension Term	October 2012	October 2017
2 nd Third	October 2012	October 2022

rate and submit his or her conclusions to Landlord and City within thirty (30) days of the expiration of the Consultation Period.

(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, with the qualifications specified above, who will within twenty (20) days of his or her selection choose either Landlord's or City's appraisers' determination of the prevailing market rate and provide the reasoning for such selection. All appraisals and determinations hereunder shall be in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and the Standards of Professional Appraisal Practice of the MAI. Landlord and City shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

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Accordingly, if City exercises one or more of the Third Extension Options, the amount of the allowance for each applicable Third Extended Term shall be calculated as follows:

<u>Extension Period</u>	<u>Base Index for Extended Term</u>	<u>Adjustment Index for Extended Term</u>
1 st Third Extension Term	October 2012	October 2017
2 nd Third	October 2012	October 2022

Extension Term

If the Index is changed so that the base year differs from that used as of the date most immediately preceding the Base Index, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

The Leasehold Improvement Allowance for each of the Third Extension Terms shall be the \$347,010.00, as adjusted above.

Upon receipt of City's written desired improvements to be constructed from the Leasehold Improvement Allowance, Landlord shall diligently pursue the construction of City's desired improvements, provided that Landlord's obligation to pay for such improvements shall not to exceed the Leasehold Improvement Allowance (unless City agrees in writing to pay the amounts above the Leasehold Improvement Allowance as provided below. Landlord, prior to commencing such improvements, shall submit to City a written good faith estimate setting forth the anticipated cost of the desired improvements including but not limited to labor and materials, contractor's fees and permit fees. Within five (5) business days thereafter, City shall either notify Landlord in writing of its approval of the cost estimate and improvements, or specify any objections or desired changes to the proposed improvements. If City notifies Landlord of such objections and desired changes, City shall work with Landlord to reach a mutually acceptable alternative cost estimate. Following approval of the cost estimate and the proposed improvements, Landlord shall enter into a contract for the work with a guaranteed maximum price including all applicable sales or use taxes that does not exceed the maximum cost approved by the City. If the Landlord is not able to enter into such contract, the parties shall meet and confer to reduce the scope of work so that the guaranteed maximum price does not exceed the cost amount approved by the City. If guaranteed maximum price approved by the City exceeds the Leasehold Improvement Allowance (such amounts exceeding the Leasehold Improvement Allowance being herein referred to as the "**Excess Costs**"), then City shall pay to Landlord such Excess Costs, within thirty (30) days following Landlord's written demand and completion of the work, whichever occurs later. Landlord's payment of costs to contractors in accordance with the guaranteed maximum price contract shall be conclusive for purposes of determining the actual cost of the work. The amounts payable by City hereunder constitute Additional Rent payable pursuant to the Lease.

At City's option, and upon prior written notice to Landlord delivered no later than the first anniversary of the commencement date for the applicable Third Extended Term (the "**Outside Request Date**"), City may use all or a part of the then unused Leasehold Improvement Allowance to abate rent. Landlord, thirty (30) days prior to the Outside Request Date, shall send City a written notice detailing the amount of the unused Leasehold Improvement Allowance remaining, if any. If City does not thereafter submit a request for application of the entire Leasehold Improvement Allowance to Landlord for

desired improvements or abatement of rent by the applicable Outside Request Date, then any unused amount shall accrue to the sole benefit of Landlord and City shall not thereafter be entitled to any credit, abatement or other concession based on the unused Leasehold Improvement Amount.

7. **LANDLORD'S ADDRESS.** Landlord's address set forth in the Lease for notices and payment of rent and other amounts due under the Lease is hereby deleted in its entirety and replaced by the following:

Landlord's notice address:

BRCP 1390 Market, LLC
c/o Broadreach Capital Partners
248 Homer Avenue
Palo Alto, California 94301
Attention: Asset Manager

With copy to

Transwestern
1390 Market Street, Suite 316
San Francisco, California 94102

Landlord's address for rent and other payments:

BRCP 1390 Market, LLC
c/o Transwestern
P.O. Box 51864
Los Angeles, California 90051-6191

8. **ADDITIONAL PROVISIONS.** The Lease is amended and updated to include the provisions in Exhibit B, which replace the corresponding language, if any, in the Lease. Paragraph 40 (Right of First Offer to Lease) of the Original Lease is hereby deleted in its entirety and of no further force and effect.

9. **NO BROKERS.** Tenant represents and warrants that it has not dealt with any real estate broker in connection with this Third Amendment, and no compensation is due to Tenant's broker in connection with this Third Amendment. Tenant agrees to indemnify and hold Landlord harmless for any loss, cost, liability or expense incurred by Landlord as a result of a claim for brokerage commissions or finder's fee from any broker based on the act or omission of Tenant in breach of the foregoing warranty. Landlord represents and warrants that it has not dealt with any real estate broker in connection with this Third Amendment, and no compensation is due to Landlord's broker in connection with this Third Amendment. Landlord agrees to indemnify and hold Tenant harmless for any loss, cost, liability or expense incurred by Tenant as a result of a claim for brokerage commissions or finder's fee from any broker based on the act or omission of Landlord in breach of the foregoing warranty.

desired improvements or abatement of rent by the applicable Outside Request Date, then any unused amount shall accrue to the sole benefit of Landlord and City shall not thereafter be entitled to any credit, abatement or other concession based on the unused Leasehold Improvement Amount.

7. LANDLORD'S ADDRESS. Landlord's address set forth in the Lease for notices and payment of rent and other amounts due under the Lease is hereby deleted in its entirety and replaced by the following:

Landlord's notice address:

BRCP 1390 Market, LLC
c/o Broadreach Capital Partners
248 Homer Avenue
Palo Alto, California 94301
Attention: Asset Manager

With copy to

Transwestern
1390 Market Street, Suite 316
San Francisco, California 94102

Landlord's address for rent and other payments:

BRCP 1390 Market, LLC
c/o Transwestern
P.O. Box 51864
Los Angeles, California 90051-6191

8. ADDITIONAL PROVISIONS. The Lease is amended and updated to include the provisions in Exhibit B, which replace the corresponding language, if any, in the Lease. Paragraph 40 (Right of First Offer to Lease) of the Original Lease is hereby deleted in its entirety and of no further force and effect.

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10. **DEFINED TERMS.** All capitalized terms used but not defined in this Third Amendment will have the meanings set forth for such terms in the Lease. All terms that are defined in this Third Amendment and used in any provisions that are added to the Lease pursuant to this Third Amendment will have the meanings in the Lease set forth for such terms in this Third Amendment.

11. **WHOLE AGREEMENT.** This Third Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Except as amended herein, there shall be no other changes or modifications to the Lease between the parties and the Lease and the terms and provision contained therein shall remain in full force and effect.

12. **MISCELLANEOUS.** This Third Amendment shall be binding upon the parties hereto, their heirs, successors and assigns. Except as modified hereby, there shall be no other changes or modifications to the Lease unless in writing and executed by the parties. No reference to this Third Amendment is necessary in any instrument or document at any time referring to the Lease. From and after the Effective Date, any reference to the Lease shall be deemed a reference to such document as amended hereby. This Third Amendment shall be governed by, construed and enforced in accordance with, the laws of the State of California.

13. **CONFIRMATION OF LEASE.** As amended by this Third Amendment, Landlord and Tenant confirm and ratify in all respects the terms and conditions of the Lease, and further confirm that, [except as provided in Section 1 of the First Amendment and Section 2 of this Third Amendment,?] there are no outstanding tenant improvement obligations of Landlord regarding the Premises. The execution of this Third Amendment shall not constitute a waiver of relinquishment of any rights which Landlord or Tenant may have relating to the Lease.

14. **NO JOINT VENTURE.** This Third Amendment or any activity by Tenant hereunder does not create a partnership or joint venture between Tenant and Landlord relating to the Lease or otherwise. This Third Amendment does not constitute authorization or approval by the City of any activity conducted by Landlord.

15. **COUNTERPARTS.** This Third Amendment may be executed in one or more counterparts, each of which shall be deemed an original, including transmittals by facsimile, all of which together shall constitute one and the same instrument.

16. **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.

17. **EFFECTIVE DATE.** This Third Amendment shall become effective on the date (the "**Effective Date**") that (i) the City's Board of Supervisors enacts such resolution

authorizing this Third Amendment and (ii) the Third Amendment is fully executed and delivered by both parties.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS THIRD AMENDMENT, 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 THIRD AMENDMENT 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 THIRD AMENDMENT SHALL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS THIRD AMENDMENT, IN THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS THIRD AMENDMENT 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.

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IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Third Amendment as of the day and year first above written.


LANDLORD

TENANT

BRCP 1390 Market, LLC, a Delaware limited liability company

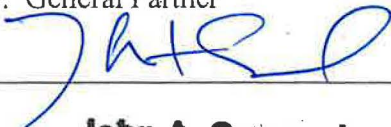
City and County of San Francisco, a municipal corporation

By: BRCP Realty II, L.P.,
a Delaware limited partnership
Its: Sole Member

By: 
Name: John Updike, Acting Director of Real Estate

By: BRCP Gen-Par II, LLC,
a Delaware limited liability company
Its: General Partner

RECOMMENDED:

By: 
Name: **John A. Osmond**
Senior Director
Its: _____

DENNIS J. HERRERA, City Attorney

By: 

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

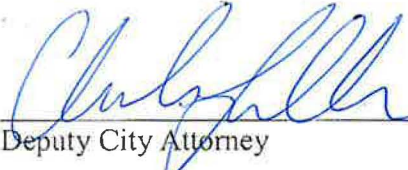
By: 
Deputy City Attorney

EXHIBIT A

Premises

<u>SUITE</u>	<u>SQ. FT.</u>
1008-1010	3,601
7 TH Floor	18,488
6 TH Floor	18,168
5 TH Floor	18,127
401, 408, 418	9,281
Ground Floor Suite 110	1,737
Total Rentable Sq. Ft.	69,402
% Share of Operating Expenses	31.75%

General Director
Thomas A. Adol

EXHIBIT A

Premises

<u>SUITE</u>	<u>SQ. FT.</u>
1008-1010	3,601
7 TH Floor	18,488
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5 TH Floor	18,127
401, 408, 418	9,281
Ground Floor Suite 110	1,737
Total Rentable Sq. Ft.	69,402
% Share of Operating Expenses	31.75%

EXHIBIT B

City Provisions

1.1 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.

1.2 Non-Liability of City Officials, Employees and Agents

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

1.3 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.

1.4 Prevailing Wages for Construction Work

Landlord agrees that any person performing labor in the construction of the Leasehold Improvements or other improvements to the Premises, 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 Leasehold Improvements or other 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 Leasehold Improvements or other improvements to the Premises.

1.5 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(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, in any of its operations in San Francisco or where the work is being performed for the City elsewhere in 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 specified above within the United States, between employees with domestic partners and employees with spouses, and/or between 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 condition set forth in Section 12.B2(b) of the San Francisco Administrative Code.

(d) HRC Form

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

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violation of the provisions of this Lease may be assessed against Landlord and/or deducted from any payments due Landlord.

1.6 Tropical Hardwood and Virgin Redwood Ban

(a) Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, neither Landlord nor any of its contractors shall provide any items to City in the construction of the Leasehold Improvements or otherwise in the performance of this Lease which are tropical hardwood, tropical hardwood wood products, virgin redwood, or virgin redwood wood products.

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

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

1.7 Bicycle Storage Facilities

Article 1.5, Section 155.1, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle storage at City-leased buildings at no cost to Landlord and if funds are available. Landlord agrees to continue at no cost to the City, the existing bicycle facilities located in the garage. In the event public and/or private donations, grants or other funds for additional facilities become available, at any time during the Term of this Lease including any extension thereof, City may, by giving a 60-day advanced written notice to Landlord, install additional compliant bicycle storage in the Building garage provided the garage owner approves the same. Landlord agrees to use best efforts to obtain such approval. If parking spaces are lost, City shall pay the monthly rent value for any such parking spaces used for such bicycle parking, and Landlord also agrees that City may install bicycle racks in other location(s) in front of the Building, which are required to meet the Class 1 and/or Class 2 requirements of the Planning Code. Landlord, at no cost to Landlord, shall reasonably cooperate with City regarding the location of such spaces in furtherance of the implementation of such requirements of the Planning Code. The above notwithstanding, City acknowledges that Landlord does not own the entire building and only has limited rights to the parking garage and the common areas.

1.8 Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 707 relating to resource-efficient City buildings and resource-efficient pilot projects. Landlord hereby agrees that it shall comply with all applicable provisions of such code sections.

1.9 Certification by Landlord

By executing this Lease, Landlord certifies that neither Landlord nor any of its officers or members have been suspended, disciplined or disbarred by, or prohibited from contracting with, any federal, state or local governmental agency. In the event Landlord or any

of its officers or members have been so suspended, disbarred, disciplined or prohibited from contracting with any governmental agency, it shall immediately notify the City of same and the reasons therefore together with any relevant facts or information requested by City. Any such suspension, disbarment, discipline or prohibition may result in the termination or suspension of this Lease. Landlord acknowledges that this certification is a material term of this Lease.

1.10 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.

1.11 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.

1.12 Notification of Limitations on Contributions

Through its execution of this Lease, Landlord acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Landlord acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Landlord further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Landlord's board of directors, chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Landlord; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Landlord. Additionally, Landlord acknowledges that Landlord must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Landlord further agrees to provide to City the names of each person, entity or committee described above."

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1.13 Preservative-Treated Wood Containing Arsenic

As of July 1, 2003, Landlord may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code, Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Landlord may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Landlord from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

1.14 Graffiti Removal

(a) Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti.

(b) Landlord shall use good faith and best efforts to remove all graffiti from the Building and from any real property owned or leased by Landlord in the City and County of San Francisco within forty eight (48) hours of the earlier of Landlord's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require Landlord to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

(c) Any failure of Landlord to comply with this section of this Lease shall constitute a breach of this Lease.

