Judicial Council of California
Administrative Office of the Courts
Office of Court Construction and Management
455 Golden Gate Avenue, San Francisco, CA 94102-3688

For the benefit of the Superior Court of California, County of San Francisco
Location: 575 Polk Street, San Francisco, California

SUBLEASE AGREEMENT

This Sublease Agreement ("**Sublease**") dated DEC 2 2011, is made by and between the Judicial Council of California, Administrative Office of the Courts (the "**AOC**"), and the City and County of San Francisco, a municipal corporation (the "**City**"), for the benefit of the Superior Court of California, City and County of San Francisco ("**Court**"). AOC and City will hereinafter be collectively referred to as the "**Parties**" or individually as a "**Party**."

RECITALS

A. City is tenant under that certain Lease between City and the Mattison Family Trust, a California Trust (the "**Master Landlord**"), dated November 18, 2011 (the "**Master Lease**"), pursuant to which City leases the ground floor portion (the "**Ground Floor**") of a two-story free-standing building located at 575 Polk Street, San Francisco, California (the "**Building**"). The Master Lease further grants City the right to use the portion of the Building mezzanine that is accessible from interior stairs within the Sublease Premises (the "**Mezzanine**"), with no Master Landlord representation regarding the habitability thereof or obligation to provide maintenance or services thereto, and permits the operation of courtrooms and public programs by City, the AOC, or the Superior Court of California for the County of San Francisco at the Ground Floor. A copy of the Master Lease is attached hereto as Exhibit "**A**" and incorporated herein. Any undefined, initially-capitalized term used in this Sublease shall have the meaning given to such term in the Master Lease.

B. City additionally occupies the second floor portion of the Building (the "**Second Floor**") pursuant a sublease with the California Culinary Academy, LLC, dated March 13, 2008 (the "**CCA Sublease**"). The CCA Sublease is scheduled to expire on the earlier date to occur of (i) the termination of that certain Lease Agreement between CCA and Master Landlord dated as of July 21, 2003, and (ii) March 15, 2013, and City has the right to cause the Master Lease to include the Second Floor (which is defined as the "Expansion Space" in the Master Lease) pursuant to the terms and conditions set forth in Section 22 of the Master Lease.

C. City wishes to sublease to AOC, and AOC wishes to sublease from City, the Ground Floor and the Mezzanine (the "**Sublease Premises**") subject to the terms and conditions of the Master Lease and this Sublease.

NOW THEREFORE, in consideration of the Sublease Premises subleased to AOC hereunder and the mutual covenants and conditions herein contained, City and AOC hereby agree as follows:

AGREEMENT

1. Sublease. City subleases to AOC, and AOC subleases from City, the Sublease Premises on the terms and conditions in this Sublease; provided, however, that City reserves the sole right to access and use the two holding cells located in the Sublease Premises (the "**Holding Cells**") to facilitate the operations of a community justice court in San Francisco, California.

2. Warranty by City. City warrants to AOC that the Master Lease has not been amended or modified; that to its knowledge, City is not now, and as of the commencement of the term of this Sublease will not be, in default or breach of any of the provisions of the Master Lease; and that City has no knowledge of any claim by Master Landlord that City is in default or breach of any of the provisions of the Master Lease.

3. Term.

3.1 Initial Term. The term of this Sublease ("**Term**") will commence on August 1, 2011 and will terminate on the earlier date to occur of (i) July 31, 2021 (the "**Outside Date**"), subject to any adjustment pursuant to the following paragraph, or (ii) the termination or expiration of the Master Lease; provided, however, that AOC shall have the right to terminate this Sublease at any time for lack of funding due to the State of California's failure to timely approve and adopt a State budget by delivering sixty (60) days' prior written notice of such termination to City, together with documentation reasonably evidencing such matter. AOC shall further have the right to terminate this Sublease as of June 30, 2016 for any reason if AOC delivers written notice of its exercise of such right to City on or before April 30, 2015.

3.2 Additional Term. Subject to the conditions in this Section 3, AOC shall have the right to extend the Outside Date by five (5) years by giving written notice to City of such extension (the "**AOC Notice**") on or before December 15, 2019; provided, however, that if AOC is in material default under this Sublease on the date it delivers the AOC Notice and AOC fails to timely cure such default as provided in this Sublease, City may reject the AOC Notice by delivering written notice thereof to AOC promptly after such failure to cure, and AOC shall have no right to extend the Outside Date.

If AOC timely delivers the AOC Notice to City, and such AOC Notice is not rejected by City pursuant to the foregoing paragraph, City shall timely exercise the Extension Option (as defined in Section 3.3 of the Master Lease). Notwithstanding anything to the contrary in this Section, if Master Landlord rejects City's exercise of the Extension Option or City's Board of Supervisors and Mayor do not duly adopt a resolution approving City's exercise of

the Extension Option during the Board Extension Approval Period (as defined in Section 3.3 of the Master Lease) (the "**Board Approval Requirement**"), the AOC Notice shall be automatically deemed to be revoked and AOC shall have no right to extend the Outside Date. City shall deliver written notice of any Master Landlord rejection of City's exercise of the Extension Option and any satisfaction of the Board Approval Requirement to AOC within ten (10) business days following the date of such occurrence.

If AOC timely delivers the AOC Notice, the Master Landlord does not reject City's exercise of the Extension Option, and the Board Approval Requirement is timely satisfied, the Outside Date shall automatically be revised to be July 31, 2026, and the period commencing on August 1, 2021 and terminating on such revised Outside Date shall be the "**Additional Term**".

4. Rent. In consideration of its rights under this Sublease, AOC has authorized City to use its Courthouse Construction Fund to pay all Base Rent (as defined in Section 4.1 of the Master Lease) and Additional Charges (as defined in Section 4.3 of the Master Lease) payable during the initial ten (10) year term of the Master Lease; provided that AOC has not authorized City to use its Courthouse Construction Fund to pay any Additional Charges that are comprised of janitorial or security services provided to the Sublease Premises. If AOC does not authorize City to use its Courthouse Construction Fund to pay all Base Rent and Additional Charges payable during the Extended Term (as defined in the Master Lease), then commencing on July 1, 2021, AOC shall pay to City an amount (the "**Sublease Rent**") equal to Base Rent and Additional Charges paid by City for such month under the Master Lease. Sublease Rent shall be paid in arrears on the last day of each month.

If any Base Rent and Additional Charges paid by City is for the Sublease Premises and the Expansion Space (as defined in the Master Lease), the Sublease Rent shall be adjusted by multiplying the Base Rent for such month by a fraction with a numerator of 16,100 and a denominator of 41,697, and reducing the Additional Charges for such month by the amount of such portion allocated to the provision of services, utilities or Additional Services (as defined in the Master Lease) to the Expansion Space or for the Building elevator.

If Master Landlord delivers any revised good faith estimate of Operating Costs (as defined in Section 4.4 of the Master Lease) and Real Estate Taxes (as defined in Section 4.4 of the Master Lease) to City during the Additional Term without copying AOC on such estimate, City shall deliver a copy to AOC within five (5) business days of City's receipt thereof. If Master Landlord delivers any Landlord Expense Statement (as defined in Section 4.5 of the Master Lease) to City during the Additional Term without copying AOC on such Landlord Expense Statement, City shall deliver a copy to AOC within five (5) business days of City's receipt thereof. If Master Landlord refunds City for any overpayment by City for any Additional Charges pursuant to Section 4.7 of the Master Lease during the Additional Term, City shall deliver such refund (less any audit costs incurred by City in determining such overpayment) to AOC; provided, however, that if such Additional Charge payment was for the Sublease Premises and the Expansion Space, such refund shall be reduced to the amount allocable to the Sublease Premises.

5. Use of Premises. AOC may use the Sublease Premises as a courtroom and for office space for personnel of the Superior Court of California for the County of San Francisco

("**Court**") or any other legal use that is reasonably comparable thereto and complies with the terms and conditions of the Master Lease.

6. **Delivery of Premises; Leasehold Improvements**. AOC acknowledges that it has had continuous possession of the Sublease Premises since November 14, 2008 and accepts the Sublease Premises in its current as-is condition (the "**Delivery Condition**"). After July 1, 2016, AOC shall have the right to receive the benefit of any leasehold improvements provided by the Master Landlord pursuant to Article 6 of the Master Lease as follows: on or before May 1, 2015, AOC shall deliver written notice (the "**AOC Work Notice**") to City of the leasehold improvement work AOC requests to be performed by Master Landlord in the Sublease Premises (the "**AOC Work**"), which shall include AOC's representation that the anticipated cost of the AOC Work will not exceed the AOC Leasehold Allowance (defined as follows). The "**AOC Leasehold Allowance**" shall be an amount equal to $54,000 multiplied by a fraction with a numerator of the Adjustment Index (as defined in Section 6.2 of the Master Lease) and a denominator of the Base Index (as defined in Section 6.2 of the Master Lease).

If AOC timely delivers the AOC Work Notice, City shall describe the AOC Work in the Leasehold Work Notice (as defined in Section 6.1 of the Master Lease) and shall obtain AOC's written consent to any plans or specifications prepared by Master Landlord for the AOC Work; provided, however, that if AOC does not deliver written notice of its disapproval of such plans or specifications within fifteen (15) business days of City's delivery thereof to AOC, AOC shall be deemed to have approved of such plans and specifications.

7. **Master Lease.** All applicable terms and conditions of the Master Lease are incorporated into and made a part of this Sublease as if AOC was the lessee, City was the landlord, the Sublease Premises was the premises, and City's Personal Property was AOC's Personal Property, except for the following articles, sections and exhibits: 1, 3, 4, 5.1, 5.3, 6, 7.1, 7.2, 7.3, 7.4, 8.1, 9.1, 9.2, 9.4, 10.1, 10.2, 12, 13, 14, 15, 16.1, 16.2, 17.1, 17.2, 21.2, 21.3, 22, 23.1, 23.7, 23.8, 23.12, 23.13, 23.18, 23.19, 23.20, 23.23, 23.25, 23.27, 23.31, 23.34, Exhibit B, Exhibit C, Exhibit E and Exhibit F.

AOC assumes and agrees to perform the City's obligations under the Master Lease other than those identified in the foregoing sentence during the Term, expect as otherwise expressly set forth in this Sublease. AOC will not commit or suffer any act or omission that will violate any of the provisions of the Master Lease. City shall have no obligation to perform any of the obligations of the Master Landlord under the Master Lease, provided that if AOC delivers written notice to City of the failure of Master Landlord to perform its obligations under the Master Lease, City will exercise reasonable due diligence in attempting to cause Master Landlord to perform its obligations under the Master Lease for the benefit of AOC. If the Master Lease terminates at any time, this Sublease shall automatically terminate as of such termination of the Master Lease and the parties will be relieved of any further liability or obligation under this Sublease. However, if the Master Lease terminates as a result of a default or breach by City or AOC under this Sublease or the Master Lease, the defaulting party will be liable to the non-defaulting party for the actual damages caused by such default or breach (but excluding any consequential or incidental damages).

8. Utilities; Services; Alterations.

8.1 Utilities and Services. If the AOC wishes to directly contract for any of the utilities or services to be provided to the Sublease Premises by Master Landlord pursuant to Section 9.1 of the Master Lease, AOC shall deliver written notice of such matter to the Master Landlord and the City, and AOC shall thereafter obtain such described utility or service at its sole cost. If the AOC wishes to request any additional work or services to the Sublease Premises by Master Landlord pursuant to Section 9.2 of the Master Lease, AOC shall deliver written notice of such matter to the Master Landlord and the City. If Master Landlord agrees to perform such additional services and AOC agrees to the cost of such services, AOC shall reimburse Master Landlord for the pre-approved actual cost of such expenses plus Master Landlord's ten percent (10%) administrative fee for such work or services.

8.2 Alterations. AOC shall not make or permit any alterations to the Sublease Premises or to the Building Systems (as defined in the Master Lease), and shall not make or permit any alterations, installations, additions or improvements, structural or otherwise (collectively, "**Alterations**"), in, to or about the Sublease Premises, without the prior written consent of City and Master Landlord in each instance. All Alterations shall be done at AOC's expense in accordance with plans and specifications approved by City and Master Landlord, only by duly licensed and bonded contractors or mechanics approved by City and Master Landlord, and subject to any conditions that City and Master Landlord may reasonably impose. With respect to any Alterations which would be visible from the exterior of the Building, AOC shall obtain the prior written approval of City's Arts Commission to the extent the Arts Commission has jurisdiction over the design of such proposed alterations under City's Charter Section 5.103. If the cost of any Alterations is in excess of Five Thousand Dollars ($5,000), then AOC shall pay to City an administrative fee equal to ten percent (10%) of the total "hard" costs of the work to compensate City for the costs of review.

9. Compliance with Disability Laws. AOC shall be responsible for causing the following items in the Sublease Premises to comply with all Disability Laws (as defined in Section 10.2 of the Master Lease): furniture, court seating, benches, specialty (non office) improvements, judge's washrooms, mechanical lifts, any previous tenant improvement or future alterations constructed by the AOC at the Sublease Premises, any furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Sublease Premises by or for the account of AOC and that can be removed without structural damage to the Sublease Premises (collectively, "**AOC's Personal Property**"), and any items at the Building that must be modified to comply with Disability Laws as a result of AOC's use of the Sublease Premises pursuant to this Sublease.

10. Insurance; Post Casualty Rent Abatement.

10.1 Insurance. City acknowledges and accepts that AOC does not maintain commercial insurance coverage for general liability, motor vehicle claims and is an authorized self insurer for workers compensation obligations. AOC acknowledges and agrees that City shall have no obligation to carry any insurance coverage for its obligations under this Sublease or the Master Lease. AOC shall be responsible, at no cost to the City, for separately insuring AOC's Personal Property.

10.2 Abatement of Rent. In the event the Sublease Premises is wholly or partially damaged or destroyed by casualty, any Sublease Rent will be wholly or proportionally abated, as the case may be, to the extent to which the Base Rent or Additional Charges are abated under the Master Lease from the date of the casualty event until the Sublease Premises are again as fully usable by AOC as they were before such partial damage or destruction. AOC acknowledges and agrees that any repairs required to be made by Master Landlord under Article 12 of the Master Lease shall not include, and the Sublease Rent shall not be abated as a result of, any damage by fire or other cause to any of AOC's Personal Property, or any damage caused by the negligence or willful misconduct of AOC or its Agents.

10.3 Repair of Premises by Master Landlord. If the Sublease Premises are damaged or destroyed by reason of flood or earthquake, and such damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Master Landlord is required to carry under the Master Lease (excluding any deductible, for which Master Landlord shall be responsible), AOC acknowledges that Master Landlord may terminate the Master Lease by written notice to City within thirty (30) days of the date Master Landlord receives written notice that such damage is not covered by insurance. Such notice from Master Landlord shall include adequate written evidence of the denial of insurance coverage. If Master Landlord does not elect to terminate the Master Lease pursuant to such right, this Sublease shall remain in full force and effect.

If Master Landlord delivers a notice (a "**Master Landlord Repair Notice**") to City that repairs for any casualty to the Sublease Premises cannot be made within the Repair Period (as defined in the Master Lease), City shall promptly deliver a copy of the Master Landlord Repair Notice to the AOC and either City or AOC may terminate this Sublease by delivering written notice of such termination to the other party (a "**Repair Termination Notice**") as of the date specified in the Repair Termination Notice, provided that such date shall be no earlier than thirty-five (35) days nor more than fifty-five (55) days following AOC's receipt of the Master Landlord Repair Notice from City.

If, at any time during the last six (6) months of the term of the Master Lease, but excluding the last six (6) months of the Initial Term (as defined in the Master Lease) if City has exercised the Extension Option, there is substantial damage that Master Landlord would be required to repair under the Master Lease, City or AOC may, at the respective option of each, terminate this Sublease as of the date such damage occurred by giving written notice to the other party of its election to do so within twenty (20) days after the date of such damage.

The parties intend that the provisions of this Section govern fully their rights and obligations in the event of damage or destruction, and City and AOC each hereby waives and releases any right to terminate this Sublease 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.

11. Eminent Domain.

11.1 Waiver. If there is any Taking (as defined in Section 13.1 of the Master Lease) of all or any part of the Sublease Premises or any interest in this Sublease during the

term hereof, the rights and obligations of the parties hereunder shall be determined pursuant to this Section. City and AOC 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 Sublease 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.

11.2 Total Taking. If there is a total Taking of the Sublease Premises, then this Sublease shall terminate as of the Date of Taking (as defined in Section 13.1 of the Master Lease). If there is a Taking of any portion (but less than all) of the Sublease Premises, then this Sublease shall terminate in its entirety if all of the following exist: (i) the partial Taking, in AOC's reasonable judgment, renders the remaining portion of the Sublease Premises untenantable or unsuitable for continued use by AOC for its permitted uses or otherwise materially adversely affects AOC's normal operations in the Sublease Premises, (ii) the condition rendering the Sublease Premises untenantable or unsuitable either is not curable or is curable but Master Landlord is unwilling or unable to cure such condition, and (iii) AOC elects to terminate.

11.3 Partial Taking. In the case of a partial taking of a substantial portion of the Building, and if Section 11.2 above does not apply, City and AOC shall each have the right to terminate this Sublease by written notice to the other within twenty (20) days after the Date of Taking, provided that, as a condition to AOC's right to terminate, the portion of the Building taken shall, in AOC's reasonable judgment, render the Sublease Premises unsuitable for continued use by AOC for its permitted uses or otherwise materially adversely affect AOC's normal operations in the Sublease Premises. Either party electing to terminate under the provisions of this Section shall do so by giving written notice to the other party before or within twenty (20) days after the Date of Taking, and thereafter this Sublease shall terminate upon the later of the twentieth (20^{th}) day after such written notice is given or the Date of Taking.

11.4 Rent; Award. Upon termination of this Sublease in its entirety pursuant to Section 11.2, or pursuant to an election under Section 11.3 above, then: (a) AOC's obligation to pay Sublease Rent shall continue up until the date of termination and thereafter shall cease, and (b) City shall be entitled to the entire Award (as defined in Section 13.1 of the Master Lease) in connection therewith, except that AOC shall receive any Award made specifically for AOC's relocation expenses or the interruption of or damage to AOC's business or damage to AOC's Personal Property. If there is a partial Taking of the Sublease Premises under circumstances where this Sublease is not terminated in its entirety under Section 11.3 above, then this Sublease shall terminate as to the portion of the Sublease Premises so taken, but shall remain in full force and effect as to the portion not taken, City shall be entitled to the entire Award in connection therewith, provided that AOC shall receive any Award made specifically for AOC's relocation expenses or the interruption of or damage to its business or damage to its Personal Property.

11.5 Temporary Taking. Notwithstanding anything to contrary in this Section, if a Taking occurs with respect to the Sublease Premises for a limited period of time not in excess of sixty (60) consecutive days, this Sublease shall remain unaffected thereby, and AOC shall continue to perform all of the terms, conditions and covenants of this Sublease. In the event of such temporary Taking, AOC shall be entitled to receive that portion of any Award

representing compensation for the use or occupancy of the Sublease Premises during the Term up to the total Sublease Rent, if any, owing by AOC for the Sublease Premises during such period of the Taking.

12. Default.

12.1 Event of Default. Any of the following shall constitute an event of default by AOC hereunder:

(a) AOC fails to make any timely payment of Sublease Rent and to cure such nonpayment within five (5) business days after receipt of written notice thereof from City, provided that an event of default shall not be deemed to occur if AOC is unable to pay any Sublease Rent when due because of the State of California's failure to timely approve and adopt a State budget. If AOC fails to pay any Sublease Rent when due as a result of the State of California's failure to timely approve and adopt a State budget, the AOC shall promptly pay any previously due and unpaid Sublease Rent upon approval and adoption of the State budget.

(b) AOC abandons the Sublease Premises (within the meaning of California Civil Code Section 1951.3).

(c) AOC fails to perform any other covenant or obligation of AOC hereunder (not involving the payment of money) and to cure such non-performance within twenty (20) days of the date of receipt of notice thereof from City, provided that if more than twenty (20) days are reasonably required for such cure, no event of default shall occur if AOC commences such cure within such period and diligently prosecutes such cure to completion.

12.2 Remedies. Upon the occurrence of any event of default by AOC that is not cured within the applicable grace period as provided above, City 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 AOC's right to possession of the Sublease Premises and to recover the worth at the time of award of the amount by which the unpaid Sublease Rent for the balance of the term of this Sublease 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 City to continue this Sublease in effect and to enforce all of its rights and remedies under this Sublease, including the right to recover Sublease Rent as it becomes due, for so long as City does not terminate AOC's right to possession, if AOC has the right to sublet or assign, subject only to reasonable limitations.

13. Surrender. AOC shall perform all obligations of City under Section 20 of the Master Lease as to the Sublease Premises; provided however, that AOC shall have no obligation to remove the Holding Cells.

14. Assignment and Subletting. AOC will not assign this Sublease or further sublet all or any part of the Sublease Premises without the prior written consent of City and Master Landlord; provided, however, that AOC shall have the right to sublease the Sublease Premises to any department or agency of the State of California provided that AOC delivers written notice of such sublease to City and Master Landlord. If City consents to AOC's request enter into a Private Sublease (as defined in Article 14 of the Master Lease), City shall be entitled to receive fifty percent (50%) of any rent or other consideration realized by AOC under any such Private Sublease in excess of the Sublease Rent (or the amount thereof proportionate to the portion of the Sublease Premises subject to such Private Sublease) ("**Bonus Rent**"), which AOC shall pay to City after AOC has recovered its direct costs, including any reasonable brokers' commissions and the cost of any leasehold improvements for such subtenant that AOC incurs, in connection with such Private Sublease. Notwithstanding anything to the contrary in the foregoing sentence, the Bonus Rent shall not exceed nor be less than the additional rent or consideration that City must pay to Master Landlord pursuant to Section 14 of the Master Lease with respect to such Private Sublease.

15. Indemnity.

(a) AOC shall indemnify, defend and hold harmless ("**Indemnify**") City and its employees, representatives, contractors, subcontractors, and agents (collectively "**Agents**") from and against any and all claims, costs and expenses, including, without limitation, reasonable attorneys' fees (collectively, "**Claims**"), incurred as a result of (i) AOC's use of the Sublease Premises, (ii) any default by AOC in the performance of any of its material obligations under this Sublease, or (iii) any negligent acts or omissions of AOC or its Agents in, on or about the Sublease Premises or the Property; provided, however, AOC shall not be obligated to Indemnify City or its Agents to the extent any Claim arises out of the gross 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 AOC hereunder, AOC may, at its sole option, elect to defend such Claim by AOC attorneys, by other attorneys selected by AOC, or both. AOC 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. AOC's obligations under this Section shall survive the termination of this Sublease.

(b) City shall Indemnify AOC and its Agents against any and all Claims incurred as a result of (i) any default by City in the performance of any of its obligations under this Sublease, (ii) any negligent acts or omissions of City or its Agents in, on or about the Sublease Premises or the Property; provided, however, City shall not be obligated to Indemnify AOC or its Agents to the extent any Claim arises out of the negligence or willful misconduct of AOC or its Agent. City shall further Indemnify AOC and its Agents against any and all Claims arising during or after the term of this Sublease (i) related to any incorrect Master Landlord representation or breach of any of Master Landlord's warranties or covenants in Section 21.1 of the Master Lease, or (ii) in connection with the presence or Release of Hazardous Material (each as defined in Section 21.1 of the Master Lease) in the Building or

on, under or about the Property, unless AOC or its Agents caused such presence or Release or AOC had actual knowledge of such presence or Release before the Commencement Date.

In any action or proceeding brought against AOC 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 AOC 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 this Sublease.

16. No Broker. City and AOC each warrant that they have not dealt with any real estate broker in connection with this transaction. City and AOC each agree to indemnify, defend, and hold the other harmless against any damages incurred as a result of the breach of the warranty contained in this Sublease.

17. Notices. Every notice required by this Sublease shall be delivered either by (i) personal delivery (including delivery by an overnight courier service which obtains confirmation of receipt) or (ii) postage prepaid return receipt requested certified mail addressed to the party for whom intended at the addresses given below. A party may change its address by written notice to the other party.

If to City:	City and County of San Francisco Attn: Director of Property Real Estate Division 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Telephone: 415-554-9875 Fax: 415-552-4755
With a copy to:	City and County of San Francisco Office of City Attorney Attn: Real Estate/Finance Team City Hall, Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102 Telephone: 415-554-4700 Fax: 415-554-4755
If to AOC:	Administrative Office of the Courts Office of Court Construction and Management Attn: Portfolio Administration Analyst 455 Golden Gate Avenue San Francisco, CA 94102-3688 Telephone: 415-865-5334 Fax: 415-865-4986

With a copy to: Administrative Office of the Courts
Office of Court Construction and Management
Attn: Manager, Real Estate
455 Golden Gate Avenue
San Francisco, CA 94102-3688
Telephone: 415-865-4048
Fax: 415-865-4986

In addition, all notices relating to termination of the Sublease or an alleged breach or default by AOC must also be sent to:

Administrative Office of the Courts
455 Golden Gate Avenue
San Francisco, CA 94102-3688
Attention: Senior Manager, Business Services
Telephone: 415-865-4090
Fax: 415-865-4326

18. Successors and Assigns. This Sublease will be binding on and inure to the benefit of the parties to it, their heirs, executors, administrators, successors in interest, and assigns.

19. Attornment. If the Master Lease terminates, AOC will, if requested, attorn to Master Landlord and recognize Master Landlord as City under this Sublease, provided that this Sublease shall be automatically amended as of such attornment date so all obligations of Master Landlord to City under the Master Lease shall be incorporated in this Sublease and shall become the obligations of Master Landlord to AOC under this Sublease. However, AOC's obligation to attorn to Master Landlord will be conditioned on AOC's receipt of a non-disturbance agreement.

20. Entry. City reserves the right to enter the Sublease Premises on reasonable advance written notice to AOC and Court to inspect the Sublease Premises or the performance by AOC of the terms and conditions of this Sublease. In an emergency, no notice will be required for entry. AOC acknowledges that Master Landlord has reserved the right to enter the Sublease Premises under Section 18 of the Master Lease and this Sublease is expressly subject to such reserved right of Master Landlord.

21. Entire Agreement. This Sublease sets forth all the agreements between City and AOC concerning the Sublease Premises, and there are no other agreements either oral or written other than as set forth in this Sublease.

22. Consent by Master Landlord. This Sublease will have no effect unless consented to by Master Landlord within thirty (30) days after its execution. City shall use commercially reasonable best efforts to obtain the consent of the Master Landlord within such 30-day period.

23. Governing Law. This Sublease will be governed by and construed in accordance with California law without regard to conflict of law rules.

24. Controller's Certification of Funds. The terms of this Sublease 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 Sublease, there shall be no obligation for the payment or expenditure of money by City under this Sublease or the Master 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 commences, sufficient funds for the payment of any payments required of City under this Sublease or the Master Lease are not appropriated, then City may terminate this Sublease, 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 AOC reasonable advance notice of such termination.

25. Attorneys' Fees. If either AOC or City fails to perform any of its obligations under this Sublease or a dispute arises concerning the meaning or interpretation of any provision of this Sublease, 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 Sublease, 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, and reasonable attorneys' fees of the attorneys of the AOC 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 services of the AOC's attorneys were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the AOC. 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.

26. Holding Over. If AOC holds over in possession of the Sublease Premises after the expiration of the Term with City's consent, such holding over shall not be deemed to extend the Term or renew this Sublease, 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 Sublease.

27. No Relocation Assistance; Waiver of Claims. AOC acknowledges that it will not be a displaced person at the time this Sublease is terminated or expires by its own terms, and AOC fully RELEASES, WAIVES AND DISCHARGES forever any and all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses, including,

without limitation, direct and vicarious liability of every kind against, and covenants not to sue, City, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from City under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 *et seq.*), except as otherwise specifically provided in this Sublease with respect to a Taking.

28. Pesticide Prohibition. AOC shall comply with the provisions of Section 308 of Chapter 3 of the San Francisco Environment Code (the "**Pesticide Ordinance**") which (i) prohibit the use of certain pesticides on City owned or leased property, (ii) require the posting of certain notices and the maintenance of certain records regarding pesticide usage and (iii) require AOC to submit to City's Director of Property an integrated pest management ("**IPM**") plan that (a) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that AOC may need to apply to the Sublease Premises during the terms of this Sublease, (b) describes the steps AOC will take to meet the City's IPM Policy described in Section 300 of the Pesticide Ordinance and (c) identifies, by name, title, address and telephone number, an individual to act as the AOC's primary IPM contact person with the City. In addition, AOC shall comply with the requirements of Sections 303(a) and 303(b) of the Pesticide Ordinance.

29. Non-Discrimination. In the performance of this Sublease, AOC and City each agree not to discriminate against any of its respective employees, any City employee working with AOC, any AOC or Court employee working with the City, any applicant for employment with AOC, Court or City or 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.

30. Successors and Assigns. Subject to the provisions of Section 14 relating to assignment and subletting, the terms, covenants and conditions contained in this Sublease shall bind and inure to the benefit of City and AOC and, except as otherwise provided herein, their personal representatives and successors and assigns. There are no third-party beneficiaries to this Sublease.

31. Quiet Enjoyment and Title. City covenants and represents that it has full right, power and authority to grant the subleasehold estate hereunder, and covenants that AOC, upon paying the Rent (if any) payable hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Sublease Premises and all appurtenances during the full term of this Sublease as against all persons or entities claiming by and through City or on account of any action, inaction or agreement of City or its Agents. Without limiting the provisions of Section 15(b), City agrees to Indemnify AOC and its Agents against Claims arising out of any assertion that would interfere with AOC's right to quiet enjoyment as provided in this Section.

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IN WITNESS WHEREOF, the parties have executed this Sublease as of the date first above written.

APPROVED AS TO FORM:
Administrative Office of the Courts,
Office of the General Counsel

By: _____
Name: Leslie G. Miessner
Title: Supervising Attorney
Date: 11/17/11

AOC: JUDICIAL COUNCIL OF CALIFORNIA, ADMINISTRATIVE OFFICE OF THE COURTS

By: _____
Name: Grant S. Walker
Title: Senior Manager, Business Services
Date: 11/28/11

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

By: _____
Name: Carol Wong
Title: Deputy City Attorney
Date: 03/13/12

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

By: _____
Name: John Updike
Title: Acting Director of Property
Date: 3-13-12

MASTER LANDLORD'S CONSENT TO SUBLEASE

The undersigned ("**Master Landlord**"), lessor under the Master Lease, consents to the Sublease without waiver of any restriction in the Master Lease concerning further assignment or subletting. Master Landlord certifies that, as of the date of Master Landlord's execution, City is not in default or breach of any of the provisions of the Master Lease, and that the Master Lease has not been amended or modified except as expressly set forth in the Sublease. Landlord's approval is given with the explicit acknowledgement and agreement that City shall remain primarily and directly liable to Master Landlord for performance and payment of all tenant responsibilities and obligations under the Master Lease, notwithstanding any provisions of this Sublease.

MASTER LANDLORD:

The Mattison Family Trust, a California Trust

By: _____
J. Stanley Mattison

Its: Trustee

Date: March 16, 2012

EXHIBIT A

MASTER LEASE

(See Attached)

LEASE

between

MATTISON FAMILY TRUST,

as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
575 Polk Street
San Francisco, California

November 18, 2011

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EXHIBIT F Services and Estimated Operating Costs for First Lease Year

LEASE

THIS LEASE (this "Lease"), dated for reference purposes only as of November 18, 2011, is by and between the MATTISON FAMILY TRUST ("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:	November 18, 2011
Landlord:	Mattison Family Trust
Tenant:	CITY AND COUNTY OF SAN FRANCISCO
Building (Section 2.1):	555 – 575 Polk Street, San Francisco
Premises (Section 2.1):	The entire ground floor of the Building, commonly known as 575 Polk Street and shown on the attached Exhibit A-2, subject to Section 22
Rentable Area of Premises (Section 2.1):	Approximately 9,000 square feet
Term (Section 3):	Commencement date: August 1, 2011 Expiration date: July 31, 2021, subject to City's termination rights under Section 3.1
Extension Option (Section 3.3):	One (1) additional term of 5 years, exercisable by City by notice to Landlord prior to February 15, 2020, with Base Rent for the Extended Term at 95% of the then fair market rent.
Initial Term Base Rent (Section 4.1):	Annual Base Rent: $307,164.00 ($34.14/sq.ft.), subject to Section 22 Monthly payments: $25,597.00 ($2.84/sq.ft.), subject to Section 22
Extended Term Base Rent (Section 4.2):	Base Rent during the Extended Term shall be 95% of then fair market rent for the Premises.
Real Estate Taxes and Operating Costs (Section 4.3):	Monthly payments of City's Percentage of Real Estate Taxes and Operating Costs. The estimated Real Estate Taxes and Operating Costs for the first Expense Year are attached as

	Exhibit F.
City's Percentage Share (Section 4.4):	50%, subject to Sections 4.3 and 22
Use (Section 5.1):	The operation of courtrooms, public programs and related office uses by City, the Judicial Council of California, Administrative Office of the Courts ("AOC"), or the Superior Court of California for the County of San Francisco, and any similar use
Leasehold Improvements (Section 6)	At any time after July 1, 2016, City shall have the right to require Landlord to provide leasehold improvements at Landlord's cost up to the Leasehold Improvement Allowance.
Maintenance (Section 8):	Landlord to perform the maintenance described in Section 8.1 and Tenant to perform the maintenance described in Section 8.2
Utilities and Basic Services (Section 9.1):	Landlord shall provide the utilities and basic services described in Section 9.1, unless such utilities or basic services are separately metered or directly billed to City
Additional Services (Section 9.2):	City shall reimburse Landlord for any additional services supplied to the Premises at City's written request
Notice Address of Landlord (Section 23.1):	The Mattison Family Trust c/o JS Mattison + Co., Inc. 50 California St., Suite 1500 San Francisco, CA 94111 Fax No.: (415) 394-6062
Landlord's Manager (Section 4.4):	JS Mattison + Co., Inc. jsmco@pacbell.net Stan Mattison , Pres.
Landlord Contact Telephone No.:	(415) 543-1898
Notice Address for Tenant (Section 23.1):	Real Estate Division 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Attn: Director of Property Re: 575 Polk St. Fax No.: (415) 552-9216
with a copy to:	Administrative Office of the Courts 2860 Gateway Oaks Drive, #400 Sacramento, CA 95833-3509 Attn: Portfolio Administration Analyst Fax No.: 415-865-7524

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 Team Re: 575 Polk St. Fax No.: (415) 554-4755
State Contact for Tenant:	Kathy Kunitake
Contact Telephone No.:	415-865-5334
City Contact for Tenant:	Charlie Dunn
Contact Telephone No.:	415-554-9861
Brokers (Section 23.8):	None
Expansion Option (Section 22):	If City exercises the Expansion Option, as of the date that City takes possession of the Expansion Premises, City's Percentage Share shall be adjusted to 100% and Base Rent shall be $41,697.00/month

2. PREMISES

2.1 Lease Premises

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, those premises in the building identified in the Basic Lease Information (the "Building") and shown on the floor plan attached hereto as Exhibit A-2 (the "Premises"). The Premises contain the approximate area and are located on the ground floor of the Building, as specified in the Basic Lease Information. The Parties acknowledge that the stipulated rentable area of the Building specified in the Basic Lease Information is an approximation, not an exact determinant of the agreed Base Rent for this Lease. The Building, the real property upon which the Building is located (described on the attached Exhibit A-1) and all other improvements on or appurtenances to such real property are referred to collectively as the "Property." Landlord represents and covenants that, as of the Commencement Date, Landlord has good and marketable title to the Property, including the Premises.

2.2 Mezzanine

Landlord grants City the right to utilize the portion of the Building mezzanine accessible from interior stairs within the Premises, as further depicted on Exhibit A-2 (the "Mezzanine"), provided that Landlord makes no representations or covenants regarding the habitability of the Mezzanine and shall have no obligation to provide any maintenance or services with respect to the Mezzanine.

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 (the "Commencement Date"), or such later date City's Mayor and Board of Supervisors shall have approved the transaction contemplated by this Lease

in their respective sole and absolute discretion, as further provided in this Lease. City shall not have the right to occupy the Premises under this Lease until such approval occurs and this Lease is fully executed. Within thirty (30) days of such approval, at Landlord's option, Landlord and City shall execute an amendment to this Lease memorializing, and modifying if necessary, the actual Commencement Date. 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, if this Lease has not been terminated at such time, City shall have the right to extend the Initial Term pursuant to Section 3.3 (Extension Option). The word "Term" as used herein shall refer to the Initial Term and any Extended Term if City exercises the Extension Option as provided below.

Notwithstanding anything to the contrary herein, City shall have the right to terminate this Lease without any penalty or fee if City delivers written notice of such termination to Landlord prior to June 30, 2015 (the "General Termination Notice"). If City timely delivers the General Termination Notice, the Term shall terminate as of on June 30, 2016.

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."

3.3 Extension Option

City shall have the right to extend the Initial Term of this Lease (the "Extension Option") for the additional term specified in the Basic Lease Information (the "Extended Term"). Such Extended Term shall be on all of the terms and conditions contained in this Lease except that the Base Rent shall be adjusted pursuant to Section 4.2. City may exercise the Extension Option, if at all, only by giving written notice to Landlord of such exercise on or before February 15, 2020; 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 the Extension Option shall be (i) 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 such notice of exercise is given (the "Board Extension Approval Period"), and (ii) conditioned on the agreement to such exercise by the AOC. If such resolution is not duly enacted during the Board Extension Approval Period, or if AOC does not provide such approval (unless City elects, at its sole option, to waive such condition), City shall have the right to revoke its exercise of the Extension Option by delivering written notice of such revocation to Landlord within thirty (30) days following the termination of the Board Extension Approval Period.

4. RENT

4.1 Base Rent

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"). 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 Determination of Base Rent for the Extended Term

At the commencement of the Extended Term, the Base Rent shall be adjusted to equal the prevailing market rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises situated within the Civic Center/Van Ness Corridor area of San Francisco ("Reference Area"); provided, however, in no event shall Base Rent be reduced below the Base Rent payable during the Initial Term. As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) floor location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) building standard tenant improvement allowances and other allowances given under such comparable leases.

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

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

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

(c) If only one determination is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both determinations are submitted within such time period, and if the two determinations 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 determinations differ by more than ten percent (10%) of the higher of the two, then the two commercial real estate broker shall immediately select a third appraiser who will within thirty (30) days of his or her selection make a determination of which of the two submitted prevailing market rates closest reflects its determination and submit such determination to Landlord and City.

(d) If City's Director of Property does not in good faith believe that the prevailing market rate as determined by the appraisal procedure specified above will be approved by the City's Board of Supervisors and Mayor in their sole and absolute discretion, and if such rate exceeds the Base Rent payable during the Initial Term, the Director of Property shall revoke the exercise of the Extension Option by City by delivering written notice of such revocation on or before the termination of the Initial Term.

(e) All commercial real estate broker specified herein shall have not less than five (5) years' experience with leases of commercial properties similar to the Premises in the Reference Area. Landlord and City shall pay the cost of the commercial real estate broker selected by such party and one-half of the cost of the third commercial real estate broker, if any.

4.3 Additional Charges

City shall pay to Landlord any charges or other amounts required under this Lease as additional rent ("Additional Charges"), including City's Percentage Share of Real Estate Taxes and Operating Costs provided for in this Lease. For any Operating Costs that apply only to the Premises or are only for any Additional Services (as defined in Section 9.2), City's Percentage Share shall be one hundred percent (100%). 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 herein as "Rent."

4.4 Definitions

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

(a) "City's Percentage Share" means fifty percent (50%), subject to Section 4.3, provided, however, that if City exercises the Expansion Option (Section 22), "City's Percentage Share" shall mean one hundred percent (100%) as of the date that City takes possession of the Expansion Area (as defined in Section 22).

(b) "Expense Year" means each fiscal year (commencing July 1st and ending June 30th) during the Term.

(c) "Landlord's Manager" means JS Mattison + Co., Inc., or any other party designated by Landlord in a written notice delivered to City.

(d) "Operating Costs" means (i) the total reasonable and prudent costs and expenses actually paid or incurred by Landlord in connection with the utilities and services to be provided by Landlord pursuant to Section 9.1 and the maintenance to be provided by Landlord pursuant to Section 8.1, (ii) the cost incurred by Landlord in carrying the insurance policies required under Section 17.2, provided that any increases in such insurance policies shall not be included as "Operating Costs" to the extent such increases are caused by lowering of the deductible amounts of such policies, and (iii) the Property Management Fee (as defined in Section 4.4(e), provided that "Operating Costs" shall not include capital improvements or capital repairs (as determined by general accounting principles) to the Building or the Building Systems (as defined in Section 8.1), any of the exclusions listed in the attached Exhibit C, any Additional Services performed by Landlord pursuant to Section 9.2 (unless City elects in writing to be billed for such items as Operating Costs), or any utilities or services provided to the Premises where the provider of such utilities or services directly bills City (or its subtenant) therefor.

(e) "Property Management Fee" means the reasonable and actual costs of Landlord's cost to provide management, utilities, services and maintenance to the Building during an Expense Year pursuant to its obligations under this Lease, provided, however, that the Property Management Fee for any Expense Year shall not exceed three percent (3%) of the Rent (excluding any expenses for Additional Services, which already include an administrative fee paid by City pursuant to Section 9.2) payable for such Expense Year (e.g., for the first Expense Year, the Property Management Fee shall not exceed $18,191). Notwithstanding anything to the contrary in the foregoing, during any period that City contracts directly for all utilities and services to be provided by Landlord pursuant to Section 9.1, all maintenance and repair to be provided by Landlord pursuant to Section 8.1, and manage the Building in lieu of Landlord's Manager, the Property Management Fee shall be $0. If City elects to directly contract for any Building maintenance, repair, or improvement Landlord is otherwise required to perform or provide under Section 6.1 or Section 8.1 or to separately contract for any of the services Landlord is otherwise required to perform or provide under Section 9.1, Landlord shall be provided with current copies of contracts, agreements, work specifications, activity logs, plans

and permits obtained or prepared by City for such activities in order to remain fully informed of the quality of work being done in the Building and to verify and approve the qualifications of the contractors, agents, or other City designees involved in such activities.

(f) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the Property owned by Landlord or Landlord's interest in the Property. 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, or capital stock taxes or income taxes measured by the net income 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 increase in the assessed value of the Property beyond $5,500,000 upon a transfer of any of Landlord's interest in the Property or the installation of any Property improvements that are made by or for a third party tenant in the Building. As of the Commencement Date, the Parties acknowledge the assessed value of the Property is $3,343,665.

(g) "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, City's Percentage Share of Real Estate Taxes shall be equitably adjusted for the Tax Year involved in any such change.

4.5 Payment of Percentage Share of Real Estate Taxes and Operating Costs

Landlord and City hereby agree that the Landlord's good faith estimate of Operating Costs and Real Estate Taxes for the first Expense Year are as outlined on Exhibit F. During the Term, City shall pay to Landlord each month, as Additional Charges, one twelfth (1/12) of City's Percentage Share (subject to Section 4.3) of Operating Costs and Real Estate Taxes for the then current Expense Year. Landlord may revise such estimate of Operating Costs and Real Estate Taxes in good faith from time to time by providing a written summary of such revised estimate in reasonable detail and City shall thereafter make payments on the basis of such revised estimates, provided that no such revisions shall be retroactive.

With reasonable promptness not to exceed sixty (60) days after the expiration of each Expense Year, Landlord shall furnish City with a statement (herein called "Landlord's Expense Statement"), prepared by the controller of Landlord's Manager (who will provide supporting documentation for any items requested) and setting forth in reasonable detail the actual Operating Costs and Real Estate Taxes for such Expense Year. If City's Percentage Share of Operating Costs and Real Estate Taxes for such Expense Year exceeds the estimated amounts paid by City for City's Percentage Share of Operating Costs and Real Estate Taxes for such Expense Year, City shall pay to Landlord (whether or not this Lease has terminated) the difference between the estimated and actual City's Percentage Share of the actual Operating Costs and Real Estate Taxes within thirty (30) days after the receipt of Landlord's Expense Statement. If the total amount paid by City for City's Percentage Share of Operating Costs and

Real Estate Taxes for an Expense Year exceeds the actual City's Percentage Share of Operating Costs and Real Estate Taxes for such Expense Year, such excess shall be credited against the next installments of City's Percentage Share of Operating Costs and Real Estate Taxes due from City to Landlord hereunder, or refunded to City, at City's option.

4.6 Prorations

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, City's Percentage Share of Real Estate Taxes or Operating Costs 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 five (5) business days' notice to Landlord, to audit the books and records of the Building related to Operating Costs and Real Estate Taxes. If such audit discloses any discrepancies which would result in a reduction of City's Percentage Share of Operating Costs or Real Estate Taxes 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 total reduction of City's Percentage Share of Operating Costs and Real Estate Taxes 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 the offices of Landlord's Manager in San Francisco in a safe, complete and organized manner all of its records pertaining to this Lease and Real Estate Taxes, Operating 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 cause Landlord's Manager to maintain such records on a current basis and in sufficient detail to facilitate adequate audit and review thereof, and shall cause the controller of Landlord's Manager to promptly provide supporting documentation regarding any expense item for which City requests such documentation. 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.

5. USE

5.1 Permitted Use

City may use the Premises for the uses specified in the Basic Lease Information, and for no other use without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed.

5.2 Observance of Rules and Regulations

City shall observe Landlord's reasonable rules and regulations for the Building subject to the provisions of this Lease. City acknowledges and agrees to the current Building rules and regulations attached hereto as Exhibit D (the "Rules and Regulations"). Landlord may make reasonable additions or modifications thereto, which shall be binding upon City within a reasonable implementation period upon Landlord's delivery to City of a copy thereof, provided that such additions or modifications shall not reduce Landlord's obligations hereunder nor interfere with City's business in the Premises, and such additions or modifications must be applicable to the other Building tenants, are not in conflict with the provisions of this Lease, do not materially increase the burdens or obligations upon City, do not impose a charge upon City for services which this Lease expressly states are to be provided to City at no charge, and do not

materially adversely affect the conduct of any business in the Premises which City is permitted to conduct pursuant to Section 5.1 hereof. Landlord shall administer the Rules and Regulations in a fair and nondiscriminatory manner and use reasonable efforts to cause other Building tenants to comply with them. City shall be entitled upon request to any waiver or special dispensation granted by Landlord to any other tenant in the Building with respect to the Rules and Regulations, and Landlord shall notify City of any such waiver or special dispensation.

5.3 Interference with Access

Landlord shall provide to City access to the Building and the Premises twenty-four (24) hours per day, seven (7) days per week, together with uninterrupted access thereto to the maximum extent possible, including, without limitation, during any power outages affecting the Premises or any portion of the Building; provided, however, that Landlord may, after consultation with the City's Administrator, interrupt City's access to the Premises or the Building in the event of an immediate threat of the Premises or any other 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 or any other portion of the Building being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or any actions of Landlord or Landlord's Manager, then Landlord shall immediately undertake all necessary steps to correct such condition. In the event such condition impairs City's ability to carry on its business in the Premises, 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. LEASEHOLD IMPROVEMENTS

6.1 Landlord's Obligation to Construct Improvements

Landlord shall cause Landlord's Manager to perform, at Landlord's sole cost, the leasehold improvement work (the "Leasehold Work") described in a written notice delivered by City to Landlord any time on or after July 1, 2016 (a "Leasehold Work Notice"), provided, however, that Landlord's direct costs in performing the Leasehold Work shall not exceed the Leasehold Improvement Allowance (as defined in Section 6.2). Landlord shall cause Landlord's Manager, through a general contractor approved by Landlord and City, to perform the Leasehold Work pursuant to the Construction Documents (as defined in this Section below) approved by City, and in accordance with the provisions of this Section below. Landlord's costs to perform the Leasehold Work shall include all costs associated with performing the activities described in this Section 6.1 and in the Leasehold Work Notice (which costs shall not exceed the Leasehold Improvement Allowance and thus shall not include the ten percent (10%) administrative fee described in Section 9.2). Any installations made as part of the Leasehold Work shall be the "Leasehold Improvements."

(a) Plans and Specifications. Upon receipt of a Leasehold Work Notice, which shall not be given prior to July 1, 2016, Landlord shall cause Landlord's Manager to have its architect, engineer or contractor reasonably approved by Landlord and City to prepare and submit to City for its approval an architectural plan, if required, and tenant finish specifications for the Leasehold Improvements, based on City's program requirements for use of the Premises, and in form and detail sufficient for purposes of contractor pricing. City shall have fifteen (15)

business days to approve the plans and specifications (the "Pricing Plans"). Based on the approved Pricing Plans and any adjustments authorized by City, Landlord shall cause Landlord's Manager to have final plans, specifications and working drawings, as necessary, for the Leasehold Improvements prepared in conformity with the requirements hereof.

(b) Permits. Landlord shall cause Landlord's Manager to secure and pay for any building and other permits and approvals, government fees, licenses and inspections required for the proper performance and completion of the Leasehold Work. City has adopted a First Source Hiring Ordinance (Board of Supervisors Ordinance No. 264-98) which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry level positions. Within thirty (30) days after the City and County of San Francisco Real Estate Division of the Department of Administrative Services adopts a First Source Hiring Implementation and Monitoring Plan in accordance with the First Source Hiring Ordinance, Landlord shall cause Landlord's Manager to enter into a First Source Hiring Agreement that meets the applicable requirements of Section 83.9 of the First Source Hiring Ordinance in connection with certain building permit applications.

(c) Construction. Immediately upon approval of the Construction Documents and procurement of all necessary permits and approvals, Landlord shall cause Landlord's Manager to instruct the approved contractor(s), engineer(s) and architect to commence construction and cause the Leasehold Improvements to be completed in a good and professional manner in accordance with sound building practice. Landlord shall cause Landlord's Manager to comply with and give notices required by all laws, rules, regulations, ordinances, building restrictions and lawful orders of public authorities bearing on construction of the Leasehold Improvements. Without limiting the foregoing, construction of the Leasehold Improvements shall comply with all applicable disabled access laws, including, without limitation, the most stringent requirements of the Americans With Disabilities Act of 1990, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. Landlord shall cause Landlord's Manager to cause approved contractor to pay prevailing wages in connection with construction of the Leasehold Work as further provided in Section 23.24 (Prevailing Wages) below, and to not use tropical hardwood wood products, or virgin redwood wood products as further provided in Section 23.26 (Tropical Hardwood and Virgin Redwood Ban) below. Landlord and Landlord's Manager must require that any third party performing any of the Leasehold Improvements to, as part of its cost, provide proof of Workers' Compensation Insurance and general liability insurance with regard to all exposure associated with its Leasehold Improvement project as part of its cost of performing such project, and to name City and the AOC as additional insured on such insurance.

(d) Construction Schedule; Substantial Completion. Landlord shall cause Landlord's Manager to keep City appraised on a regular basis of the status of plan preparation, permit issuance and the progress of construction. From time to time during the design and construction of the Leasehold Improvements, City shall have the right upon reasonable advance oral or written notice to Landlord to inspect the Leasehold Improvements, provided such inspections do not unreasonably interfere with the construction. Landlord or its representative may accompany City during any such inspection. When construction progress so permits, Landlord shall cause Landlord's Manager to notify City of the approximate date on which the Leasehold Work will be substantially completed in accordance with the Construction Documents. On such date or other mutually agreeable date as soon as practicable thereafter, City and its authorized representatives shall have the right to accompany Landlord's Manager or the approved architect, engineer or contractor for such Leasehold Work on an inspection of the Premises.

The Leasehold Work shall be deemed to be "substantially completed" for purposes of this Lease when the Leasehold Improvements shall have been sufficiently completed in accordance with the approved Construction Documents. City may, at its option, approve the

Leasehold Improvements even though there may remain minor details that would not interfere with City's use. Landlord shall cause Landlord's Manager to diligently pursue to completion all such details. Notwithstanding the foregoing, City shall have the right to present to Landlord within thirty (30) days after acceptance of the Premises, or as soon thereafter as practicable, a written punchlist consisting of any items that have not been finished in accordance with the Construction Documents. Landlord shall cause Landlord's Manager to promptly complete all defective or incomplete items identified in such punchlist, and shall in any event complete all items within thirty (30) days after the delivery of such list. City's failure to include any item on such list shall not alter the Landlord's responsibility hereunder to complete all Leasehold Work in accordance with the approved Construction Documents, nor constitute any waiver of any latent defects.

No approval by City or any of its Agents of the Pricing Plans, Construction Documents or completion of the Leasehold Work for purposes of this Lease shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises, and nothing herein shall limit Landlord's obligations to obtain all such approvals.

6.2 Leasehold Improvements Allowance

Landlord shall perform the Leasehold Work at its sole cost, provided the total of its costs of performing the Leasehold Work as described above shall not exceed the Leasehold Improvement Allowance. The "Leasehold Improvement Allowance" shall be the sum of $54,000 ($108,000 if the City exercises its Expansion Option) increased by the proportional increase in the Consume Price Index as follows:

The Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics (the "Index"), which is published most immediately preceding the date of the Leasehold Work Notice (the "Adjustment Index"), shall be compared with the Index published most immediately preceding the Commencement Date (the "Base Index").

If the Adjustment Index has increased over the Base Index, then the Leasehold Improvement Allowance shall be set by multiplying the $54,000 ($108,000 if the City exercises its Expansion Option) by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index.

If the Index is changed so that the Adjustment Index differs from that used as of the date most immediately preceding the Commencement Date, 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.

All actual costs for the performance of the Leasehold Work in excess of the Leasehold Improvement Allowance and approved by City shall be paid by City to Landlord prior to the start of the Leasehold Work, together with the ten percent (10%) administrative fee described in Section 9.2 thereon, as follows. If, prior to commencing the Leasehold Work, Landlord reasonably determines that the estimated costs for the Leasehold Work may exceed the Leasehold Improvement Allowance, Landlord shall deliver written notice of such determination to City, together with reasonable documentation thereof. City shall have no obligation to pay for any such excess Leasehold Work costs unless City agrees in writing to pay for such excess costs to Landlord. In such event, City shall pay Landlord for such excess costs prior to the start of the Leasehold Work and, if the actual excess costs are less than such payment, Landlord shall promptly reimburse such excess amount to City. If, after commencing the Leasehold Work,

Landlord reasonably determines that the estimated costs for the Leasehold Work has increased and may exceed the Leasehold Improvement Allowance, Landlord shall deliver written notice of such determination to City, together with reasonable documentation thereof. City shall have no obligation to pay for any such excess Leasehold Work costs unless City agrees in writing to pay for such excess costs to Landlord. In such event, City shall pay Landlord at the time of delivering such written agreement to Landlord, and if the actual excess costs are less than such payment, Landlord shall promptly reimburse such excess amount to City. If City does not agree in writing to pay any excess Leasehold Work costs, the scope of the proposed Leasehold Work shall be accordingly revised in a manner approved by City and Landlord.

6.3 Construction of Improvements that Disturb or Remove Exterior Paint

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

7. ALTERATIONS

7.1 Alterations by City

(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 or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Premises shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at City's cost in compliance with applicable Laws (as defined below). Landlord shall, without cost to itself, cooperate with City in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. City shall not be required to remove any Alterations upon the expiration or sooner termination of

this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

(b) City may, from time to time, request that Landlord make Alterations to the Premises on City's behalf to maintain the ongoing functionality of the Premises. Any such Alterations shall be (i) subject to Landlord's reasonable approval and consent, (ii) made at City's cost and (iii) shall be constructed in compliance with applicable Laws (as defined below) and, as applicable, the provisions of Leasehold Improvement (Section 6) shall apply. Landlord shall, without cost to itself, cooperate with City in all facets of the construction. In the event of such City requested Alterations, Landlord shall be entitled to an administrative fee of ten percent (10%) of the total cost for the Alterations. City shall not be required to remove any such Landlord provided Alterations upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

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 or the earlier termination of this Lease or abandonment of the Premises by City (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 or the earlier termination of this Lease or abandonment of the Premises by City.

7.4 Alteration by Landlord

Landlord shall use its best efforts to minimize interference with or disruption to City's use and occupancy of the Premises during any alterations, installations, additions or improvements to the Building, including without limitation any leasehold improvement work for other tenants in the Building. Landlord shall promptly remedy any such interference or disruption upon receiving City's notice thereof.

8. REPAIRS AND MAINTENANCE

8.1 Landlord's Repairs

Landlord shall repair and maintain, at its cost and in a good condition at least equal to the condition existing as of the Commencement Date, the exterior and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls (but excluding the glass portions of any exterior walls) and subflooring, the heating, ventilating, air conditioning system, fire protection, life safety, fire alarm, and other mechanical, electrical or supply systems of the Building, the window frames and door frames, the plumbing mains from the abutting streets up to, and including, the exterior walls of the Premises, the electrical feeds from the abutting streets up to, and including, the main electrical panel, the utility stubs to and from the Building to the abutting streets, and the sidewalks abutting the Building (collectively, the "Building Systems"), make all needed capital improvements or capital repairs (as determined by general accounting principles) to the Building Systems, and perform the activities to be performed by Landlord as specifically described in Exhibit E, except to the extent that City elects in writing to perform any such activities. Without limiting the foregoing, Landlord shall maintain the Building Systems in a clean, safe and attractive manner, and shall not permit any other tenants of the Building to disturb or interfere with City's use of the Premises or permit to be done in or about the Building anything that is illegal, is dangerous to persons or property or constitutes a nuisance.

8.2 City's Repairs

City shall repair and maintain at its cost the interior portions of the Premises and the glass portion of any exterior walls, excluding the items to be repaired and maintained by Landlord pursuant to Section 8.1, and perform the activities to be performed by City as specifically described in Exhibit E. City shall keep the Premises in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall repair any portion of the Building or the Building Systems to the extent damaged by the physical acts of City or any of its Agents or Invitees, but excluding any damage caused by normal wear and tear. City shall make any such required repairs and replacements that Landlord specifies in writing **(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. At all times during the Term of this Lease, Landlord shall, upon reasonable notice by City, afford City and its Agents with access to those portions of the Building which are necessary to maintain or repair the telecommunications and data and computer cabling facilities and equipment installed by City.

8.3 Liens

City shall keep the Premises free from liens arising out of any work performed, material furnished or obligations incurred by or on behalf of City (at City's request) during the Term, including all work referenced in Section 7.1, Section 7.3 or Section 8.2 Landlord shall have the right to post on the Premises any notices permitted or required by law or that are needed for the protection of Landlord, the Premises, or the Building, from mechanics' and material suppliers' liens. City shall give Landlord at least ten (10) days' prior written notice of commencement of any repair or construction by City on the Premises. City's active commitment to diligently prevent and/or promptly remove mechanics and suppliers liens against the Property threatened or filed by any City-approved contractor or subcontractor for work performed by or on behalf of City (at City's request), is a material consideration for Landlord to enter into this Lease and to

agree to do or to allow improvement work on the Building by or on behalf of City. Failure to comply with this commitment, at its cost, shall be an event of default by City under the Lease.

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities and Basic Services

Landlord agrees to furnish or cause to be furnished to the Premises, at its cost (subject to any reimbursement by City pursuant to Section 4.3 or Section 4.5), the utilities and services listed as a Landlord responsibility in Exhibit E attached hereto unless City elects, in writing, to directly contract for any of such utilities or services. Landlord acknowledges that if City or its subtenant elect to directly contract for any utilities or services, such utilities or services shall not be included in the Operating Expenses unless City elects in writing to have them billed as Operating Expenses.

9.2 Additional Services

City shall have the right to request that the Landlord, at City's cost, perform minor lease related additional services for the Premises not included as a Landlord obligation in Exhibit E or incur additional expenses for the Premises not covered under the Lease that the City may require from time to time, as requested by the City and approved by the City's Director of Property (collectively, "Additional Services"). The City shall reimburse the Landlord the pre-approved actual cost for such expenses plus a ten percent (10%) administrative fee for such work or services, but such administrative fee shall not apply to Landlord's performance of the Leasehold Work except to the extent, if any, that the Leasehold Work costs exceeds the Leasehold Improvement Allowance.

9.3 Conservation

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

9.4 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished by Landlord hereunder, Landlord shall immediately notify City of such failure, stoppage or interruption, 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, heating, air conditioning, water, elevator, fire protection, fire alarm, and security, or other essential services serving the Premises that Landlord is required to provide under this Lease (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for a period of one (1) or more business days if such failure is in the reasonable control of Landlord or a period of five (5) 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, or, alternatively at City's election, 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 its best efforts to restore disrupted Essential Services as soon as possible. However, if such failure to provide any Essential Services continues for any reason for thirty (30) days and such failure interferes with City's ability to carry on its business in the Premises, then City may, without limiting any of its other rights or remedies hereunder or at law or in

equity, terminate this Lease upon written notice to Landlord, unless Landlord supplies City with evidence reasonably satisfactory to City that the Essential Services will be restored within sixty (60) days of the date City's use was interrupted, and 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 to the extent that Landlord is unable to supply Essential Services to City due to the acts, omissions or negligence of City and its Agents.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

10.1 Pre-Existing City Tenancy

City and Landlord acknowledge that City, prior to the Commencement Date, was a tenant in the Premises for approximately twenty (20) years pursuant to a lease by and among Stephen L. Pasquan, Pamela Pasquan, Joseph J. Giraudo, and Beverly Giraudo, Landlord's predecessors in interest, and dated as of December 3, 1990, as amended by an Exercise of Option Agreement between Landlord and City, dated as of May 4, 2001 (together, the "Expired Lease"), and the Base Rent under the Expired Lease for June of 2011 is the same as the first monthly installment of Base Rent payable under this Lease. City and/or AOC has constructed and/or caused to be constructed extensive improvements throughout the Premises under the Expired Lease (and with Landlord's approval thereto) prior to the Commencement Date to render the Premises suitable for their desired uses, and both parties are well informed about the Premises as a result of such improvements. As of the Commencement Date, neither City nor Landlord is aware of any outstanding notices with regard to deficiencies in the suitability, condition or legality of the Building or Premises. City and Landlord further acknowledge that, as of the Commencement Date, City occupies the Expansion Space (as defined in Section 22) pursuant a Sublease between the California Culinary Academy, LLC and City, dated for reference purposes only as of March 13, 2008 (the "CCA Sublease"), and City has improved the Expansion Space under the CCA Sublease (and with Landlord's approval thereto).

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

Landlord represents and covenants to and with City, as follows: **(a)** to the best of Landlord's knowledge; **(b)** the Building is not an unreinforced masonry building, and is now, and as of the Commencement Date will be, in compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); **(c)** the Building, and Building Systems serving the Premises are now, and as of the Commencement Date will be, in full compliance with all applicable federal, state, local and administrative laws, rules, regulations, orders and requirements relating to fire and life safety (including, without limitation, the San Francisco High-Rise Sprinkler Ordinance) (collectively, "Life Safety Laws"); **(d)** Landlord has received no notice that the Building or the Building Systems serving the Premises are not now, and as of the Commencement Date will not be, in compliance with all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements. Landlord shall at all times during the Term maintain, at its cost, the Property, Building, and the Building Systems serving the Premises in compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws"), including, without limitation, Seismic Safety Laws, and Life Safety Laws as consistently applied to all comparable building located in San Francisco. 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 Article 10.

10.3 Compliance with Disability Laws

Except for the Mezzanine and as otherwise expressly a Tenant obligation under this Section, Landlord, at its cost, shall be responsible for causing the Building to comply with the

requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disability Laws"), including the Building's entrances, main public washrooms and path of travel to and through the lobby and, if City exercises the Expansion Option, the existing Building elevator. City shall be responsible for causing the following items in the Premises to comply with all Disability Laws at its sole cost: furniture, court seating, benches, specialty (non-office) improvements, Judge's washrooms, mechanical lifts, any previous tenant improvement constructed by or for City (except for any compliance required by a change in the Disability Laws that were in effect at the time such improvement was constructed, which compliance is not triggered by new work being done by or on behalf of the City), or future Alterations constructed by or for the City, City's Personal Property, and any items at the Building that must be modified to comply with Disability Laws as a result of City's use of the Premises pursuant to this Lease.

10.4 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 to the extent that any Alterations to the Premises are made by City or on City's behalf pursuant to Section 7 hereof and such modifications are not otherwise Landlord's responsibility under this Lease. 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.

10.5 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 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. 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

If the Premises, the Building or any Building Systems are damaged by fire or other casualty, Landlord shall repair the same without delay (and if Landlord is then carrying insurance on the Leasehold Improvements or if City at its sole option makes funds available to Landlord, Landlord shall also repair the Leasehold Improvements), provided that such repairs can be made under applicable laws within ninety (90) 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.

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

Notwithstanding the foregoing, in the event the Premises are damaged or destroyed by reason of flood or earthquake, and such damage or destruction is not fully covered by insurance proceeds payable under the insurance policies Landlord is required to carry hereunder (excluding any deductible, for which Landlord shall be responsible), Landlord may terminate this Lease by written notice to City within thirty (30) days of the date Landlord receives written notice that such damage is not covered by insurance. Such notice from Landlord shall include adequate written evidence of the denial of insurance coverage. If Landlord does not elect to terminate this Lease as provided above, this Lease shall remain in full force and effect, and Landlord shall repair and restore the Premises as provided above.

If, at any time during the last six (6) months of the Term of this Lease (but excluding the last six (6) months of the Initial Term if City has exercised the Extension Option (Section 3.3), there is substantial damage that Landlord would be required to repair hereunder, Landlord or City may, at the respective option of each, terminate this Lease as of the date such damage occurred by giving written notice to the other party of its election to do so within thirty (30) days after the date of such damage; provided, however, Landlord may terminate this Lease only if it would take more than thirty (30) days to repair such damage.

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

13. EMINENT DOMAIN

13.1 Definitions

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

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

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

13.2 General

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

13.3 Total Taking; Automatic Termination

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

13.4 Partial Taking; Election to Terminate

(a) If there is a Taking of any portion (but less than all) of the Premises, then this Lease shall terminate in its entirety if all of the following exist: **(i)** the partial Taking, in City's reasonable judgment, renders the remaining portion of the Premises untenantable 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 untenantable 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 (30^{th}) 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

Except as provided in this Section below, City shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Premises or its leasehold estate hereunder or 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. Notwithstanding the foregoing, Landlord acknowledges that City intends to sublease the Premises to the State of California pursuant to the terms of the Sublease Agreement dated December 2, 2011, a copy of which is attached hereto as Exhibit G (the "State Sublease"), and City shall have the right to sublease all or any portion of the Premises to any department or agency of the State of California, or to any non-profit organizations funded by City, provided

that City delivers written notice of such sublease to Landlord. Further, City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises to any department, commission or agency of the City and County of San Francisco for uses permitted under this Lease.

If Landlord's consents to City's request to sublease all or any portion of the Premises to a private company (a "Private Sublease"), Landlord shall be entitled to receive fifty percent (50%) of any rent or other consideration realized by City under any such Private 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 Private Sublease, provided that if the Private Sublease is for any portion of the Expansion Space, the Base Rent for the Expansion Space shall be used in determining the proportionate amount allocable to such Expansion Space portion), which City shall pay to Landlord after City has recovered its direct costs, including any reasonable brokers' commissions and the cost of any leasehold improvements for such subtenant that City incurs, in connection with such Private Sublease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

(a) City's failure to make any timely payment of Rent and to cure such nonpayment within five (5) days after receipt of written notice thereof from Landlord, provided that if City fails to timely make a Rent payment at the beginning of any new fiscal year, City shall have twenty (20) days to cure such nonpayment after written notice thereof from Landlord;

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

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

15.2 Landlord's Remedies

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

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

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

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 material 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 and such default interferes with the use of the Premises by City or its subtenant (provided such use is otherwise permitted under this Lease) or results in additional costs to City or its subtenant (a "Material Landlord Default"), then, whether or not City elects to cure such Material Landlord Default as provided herein, the Base Rent and Additional Charges shall be abated, based on the extent to which such default interferes with the ability of City or its subtenant to carry on its respective activities at the Premises, while such Material Landlord Default continues, provided that City or its subtenant delivers reasonable documentation of the costs caused by such Material Landlord Default. Notwithstanding the foregoing, if any Material Landlord Default continues for sixty (60) days, 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 Section 5.3 (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 gross 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 gross 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 casualty and public liability 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 the Premises or any of City's Personal Property, except for damage caused by Landlord or its Agents, but including the risk of any damage caused to the Property by City and/or its Agents. City's right to maintain a program of self-insurance shall not limit any of City's obligations under Section 16.1, including any other indemnities made by City in favor of Landlord under this Lease, or to provide the same standard of protection under such indemnities as would be provided in a primary commercial liability insurance policy.

17.2 Landlord's Insurance

At all times during the Term, Landlord shall keep the Property 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 for the Building (Building 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 lessor-liability commercial general liability insurance with limits not less than Two Million Dollars ($2,000,000) each occurrence (with a minimum $4,000,000 aggregate) 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)), and personal injury. This policy will name the City, the AOC and the Superior Court of California, County of San Francisco and their respective officers, agents, and employees as Additional Insureds with respect to the Building and with the same coverage as the principal insured. Landlord shall cause Landlord's Manager to keep in effect during the term of this Lease Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars ($1,000,000) each accident, and will also require proof of Workers' Compensation Insurance for each contractor engaged by Landlord or Landlord's Manager in work at the Property. Landlord's casualty insurance shall be primary, and its lessor-liability insurance shall be secondary to City's primary protection.

17.3 Waiver of Subrogation

Notwithstanding anything to the contrary contained herein, Landlord hereby waives any right of recovery against City for any loss or damage sustained by Landlord with respect to the Building or the Premises or any portion thereof or the contents of the same or any operation 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 which Landlord is required to purchase under this Lease

or is otherwise actually recovered from valid and collectible insurance covering Landlord. Landlord agrees to obtain a waiver of subrogation endorsement from each insurance carrier issuing policies relative to the Building or the Premises; provided, 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 or mortgagees, **(d)** showing the Premises to any prospective tenants during the last nine (9) months of the Term, during the period there is any uncured event of default by City, or immediately following Landlord's receipt of any notice of termination by City pursuant to Section 3.1 or Section 23.23, **(e)** posting notices of non-responsibility or leasing signs for the Premises under Section 23.17, and **(f)** 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 such entry shall not interfere with the use of the Premises by City or its subtenant, including, but not limited to, court operations, the use of judge's chambers, or the operation of restricted areas.

19. ESTOPPEL CERTIFICATES

Each party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, agrees 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. Such certificate may also require the signing party to provide, and **(e)** other relevant information regarding the Lease, to the extent the parties mutually agree to such additional information.

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Prior to the Expiration Date, City shall remove all of City's Personal Property from the Premises and the Mezzanine, remove the two (2) holding cells located in the Premises as of the Commencement Date, and any Alterations City is required to remove from the Premises pursuant to the provisions of Section 7.1 (Alterations by City), above. City shall repair or pay the cost of patching any damage to the Premises, the Mezzanine or the Building resulting from such removal. Notwithstanding anything to the contrary in this Lease, City shall not be required to demolish or remove from the Premises any of the Leasehold Improvements. 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 Environmental Representations and Covenants

Landlord represents 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. City acknowledges City has occupied the Premises prior to the Commencement Date under the Existing Lease, has constructed, or caused to be constructed, improvements in the Premises pursuant to the Existing Lease with Landlord's consent, and City's Real Estate Division is not aware of, and has not notified Landlord of, any violation of Environmental Laws at the Property prior to the Commencement Date.

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)** related to any incorrect Landlord representation or the breach of any of Landlord's 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 caused such presence or Release or City's Real Estate Division had actual knowledge of such presence or Release before the Commencement Date.

21.4 City's Covenants

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

21.5 City's Environmental Indemnity

If City breaches its obligations contained in the preceding Section 21.4, or if City or its Agents 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. EXPANSION OPTION

City shall have the right (the "Expansion Option") to expand the Premises to include the second floor of the Building, consisting of approximately 9,000 square feet of area, as shown on the floor plan(s) attached hereto as Exhibit B (the "Expansion Space"), on the terms and conditions set forth below. City shall exercise the Expansion Option, if at all, by written notice to Landlord not later than March 30, 2012, provided City is not then in default hereunder. Landlord acknowledges and agrees that City's notice of its intent to exercise the Expansion 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 such notice of exercise is given (the "Board Expansion Approval Period"), unless City provides written notice to Landlord, on or before March 30, 2012, that such resolution is not required to exercise the Expansion Option. If such resolution is so required, but is not duly enacted during the Board Expansion Approval Period, City shall have the right to revoke its exercise of the Expansion Option by delivering written notice of such revocation to Landlord within thirty (30) days following the termination of the Board Expansion Approval Period. City's exercise of the Expansion Option is also subject to the termination of that certain lease agreement between the California Culinary Academy, LLC and Landlord dated as of July 21, 2003 (the "CCA Lease"), and Landlord shall take commercially reasonable efforts to cause the termination of the CCA Lease if City timely exercises the Expansion Option.

If City exercises the Expansion Option and the Board of Supervisors and the Mayor duly enact a resolution approving such exercise, if such resolution is required, and the CCA Lease is terminated, then as of the date that City takes possession of the Expansion Space (the "Expansion Date"): (a) City's Percentage Share shall be 100% (Section 4.4), (b) the Leasehold Improvement Allowance shall be $108,000 (Section 6.2), as adjusted for any Consumer Price Index increases pursuant to Section 6.2, (c) monthly Base Rent shall be $41,697, (d) the definition of "Premises" in Section 2.1 shall be automatically amended to mean the entire premises in the Building shown on the floor plans attached hereto as Exhibit A-2 and Exhibit B, and (e) the definition of "Mezzanine" in Section 2.2 shall be automatically amended to mean the portion of the Building mezzanine accessible from interior stairs within the Premises and the portion of the Building mezzanine accessible from the Expansion Space.

As of the Expansion Date (if any), City shall be responsible, at its sole cost, for regular maintenance and servicing of the existing Building elevator and the glass portions of the windows and doors located in the Expansion Space, provided that Landlord shall be responsible, at its sole cost, for any capital improvements or capital repairs (as determined by general accounting principles) to the Building elevator, as described in Exhibit E and Exhibit F. City shall have the right to take over maintenance of the Building Systems and Landlord's obligations under Section 8.1 at any time on or after the Expansion Date by delivering written notice of such to Landlord (the "Maintenance Election Notice"). If City delivers the Maintenance Election Notice to Landlord, the "Operating Costs" from and after such delivery date shall not include any costs incurred by Landlord in performing such maintenance obligations or any Property Management Fee. Following the Expansion Date, Landlord shall cause all good faith estimates of Operating Costs and Real Estate Taxes under Section 4.5 and all Landlord's Expense Statements to include information that clarifies whether such costs arise with respect to the original Premises or the Expansion Space. If City terminates this Lease pursuant to Section 3.1 prior to exercising the Expansion Option, the Expansion Option shall automatically terminate as of the date that City delivers such termination notice to Landlord.

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 the address for Landlord's Manager 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, provided that the Agents of Landlord shall additionally include the Landlord's Manager, and the term "Invitees" when used with respect to City shall include the clients, customers, invitees, guests, detainees, 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, to any extent, 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.

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 and Costs

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), together with interest on such amount at the annual rate of eight percent (8%) that accrues from the date such amount is due and owing until the date such amount is paid to the prevailing party. 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 and at the monthly Base Rent in effect during the last month of the Term of this Lease or such other rental as Landlord and City may mutually agree in writing as a condition to Landlord's consent to such holding over, and City shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving City or City giving Landlord at least thirty (30) days' prior written notice of termination. Should City hold over without Landlord's consent after City delivers the Early Termination Notice, the rent payable by City during the period of such holding over shall be one hundred fifty percent (150%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein. Should City hold over without Landlord's consent but City has not delivered the Early Termination Notice, the rent payable by City during the period of such holding over shall be one hundred ten percent (110%) of the monthly Base Rent in effect during the last month of the Term of this Lease for the first thirty (30) days of such holdover and one hundred fifty percent (150%) thereafter, and such tenancy shall otherwise be on the terms and conditions contained herein.

23.14 Cumulative Remedies

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

23.15 Time of Essence

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

23.16 Survival of Indemnities

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

23.17 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. If City delivers written notice of its early termination of this Lease pursuant to Section 3.1 or Section 23.23, or if City elects to not exercise the Extension Option or the Expansion Option, or during the period of any uncured event of default by City, Landlord may post signs for leasing the Premises in such a manner that does not materially interfere with the use of the Premises by City or its subtenant, including, but not limited to, court operations, the use of judge's chambers, or the operation of restricted areas.

23.18 Quiet Enjoyment and Title

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

23.19 Bankruptcy

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

23.20 Transfer of Landlord's Interest

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

23.21 Non-Liability of City Officials, Employees and Agents

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

23.22 MacBride Principles - Northern Ireland

The City 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.

23.23 Controller's Certification of Funds

The terms of this Lease shall be governed by and subject to the budgetary and fiscal provisions of the City's Charter. Notwithstanding anything to the contrary contained in this Lease, there shall be no obligation for the payment or expenditure of money by City under this Lease unless the Controller of the City and County of San Francisco first certifies, pursuant to Section 3.105 of the City's Charter, that there is a valid appropriation from which the expenditure may be made and that unencumbered funds are available from the appropriation to pay the expenditure. Without limiting the foregoing, if in any fiscal year of City after the fiscal year in which the Term of this Lease commences, sufficient funds for the payment of Rent and any other payments required under this Lease are not appropriated, then City shall deliver written notice of such non-appropriation to Landlord within ten (10) days of such event, and either Landlord or City may thereafter terminate this Lease, without penalty, liability or expense of any kind to the other party, as of the last date on which sufficient funds are appropriated. City shall use its reasonable efforts to give Landlord reasonable advance notice of the last date on which sufficient funds are appropriated for this Lease by the City's Controller.

23.24 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.

23.25 Non Discrimination in City Contracts and Benefits Ordinance

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

(b) Subcontracts. Landlord shall include in all subcontracts relating to the Premises a non-discrimination clause applicable to such subcontractor in substantially the form of subsection (a) above. In addition, Landlord shall incorporate by reference in all subcontracts

the provisions of Sections 12B.2(a), 12B.2(c)-(k) and 12C.3 of the San Francisco Administrative Code and shall require all subcontractors to comply with such provisions. Landlord's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease.

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

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

23.26 Tropical Hardwood and Virgin Redwood Ban

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

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

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

23.27 Bicycle 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 that City may install bicycle racks in 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.

23.28 Resource-Efficient City Buildings and Pilot Projects

Landlord acknowledges that the City and County of San Francisco has enacted San Francisco Environment Code Sections 700 to 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.

23.29 Counterparts

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

23.30 Effective Date

Subject to Section 3.1, the date on which this Lease shall become effective (the "Effective Date") is the date upon which **(a)** City's Mayor and Board of Supervisors, in their sole and absolute discretion, adopt a resolution approving this Lease in accordance with all applicable laws and **(b)** this Lease is duly executed by the parties hereto.

23.31 Certification by Landlord

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

23.32 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.

23.33 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.

23.34 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.

23.35 Preservative-Treated Wood Containing Arsenic

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

23.36 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, ON OR BEFORE SEPTEMBER 1, 2011, 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.

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

LANDLORD: MATTISON FAMILY TRUST, a California trust

By: _____

Its: TRUSTEE

By: Christine A. Mattison

Its: trustee

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

By: _____
John Updike
Acting Director of Property

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Carol Wong
Deputy City Attorney

EXHIBIT A-1

LEGAL DESCRIPTION OF PROPERTY

The land referred to is situated in the City and County of San Francisco, State of California, and is described as follows:

BEGINNING at the point of intersection of the southerly line of Turk Street with the westerly line of Polk Street; running thence along said line of Polk Street southerly 120 feet to the northerly line of Elm Street; thence along the last-mentioned line westerly 97 feet and 6 inches; thence at a right angle northerly 30 feet; thence at a right angle easterly 30 feet; thence at a right angle northerly 90 feet to the said southerly line of Turk Street; thence along the last-mentioned line easterly 67 feet and 6 inches to the point of beginning.

BEING a portion of Block No. 64 of Western Addition.

EXHIBIT A-2

DEPICTION OF PREMISES

SEE FOLLOWING PAGE

EXHIBIT A

575 POLK

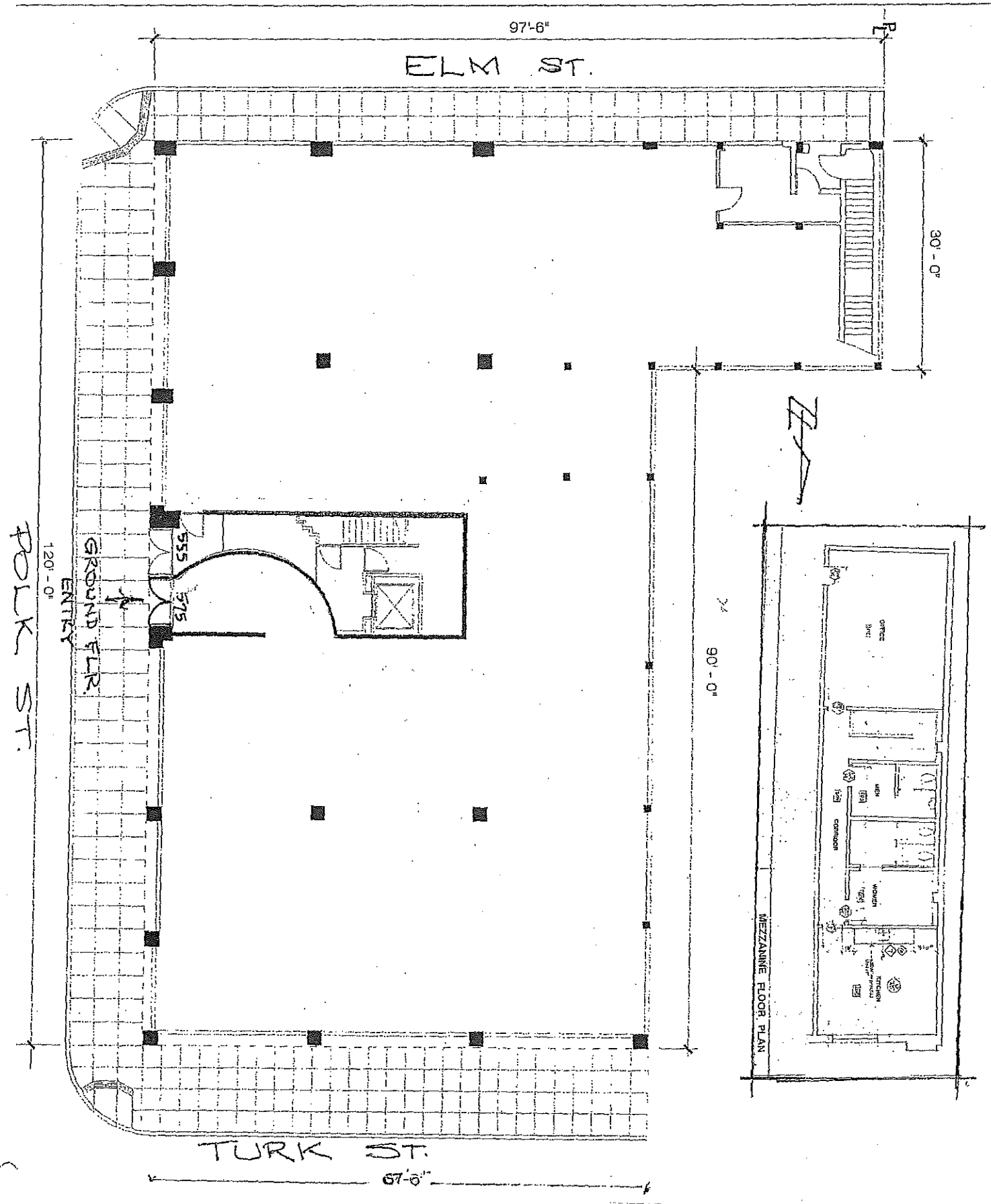

EXHIBIT B

DEPICTION OF EXPANSION PREMISES

SEE FOLLOWING PAGE

EXHIBIT B
(EXPANSION SPACE)

555 POLK

ELM ST.

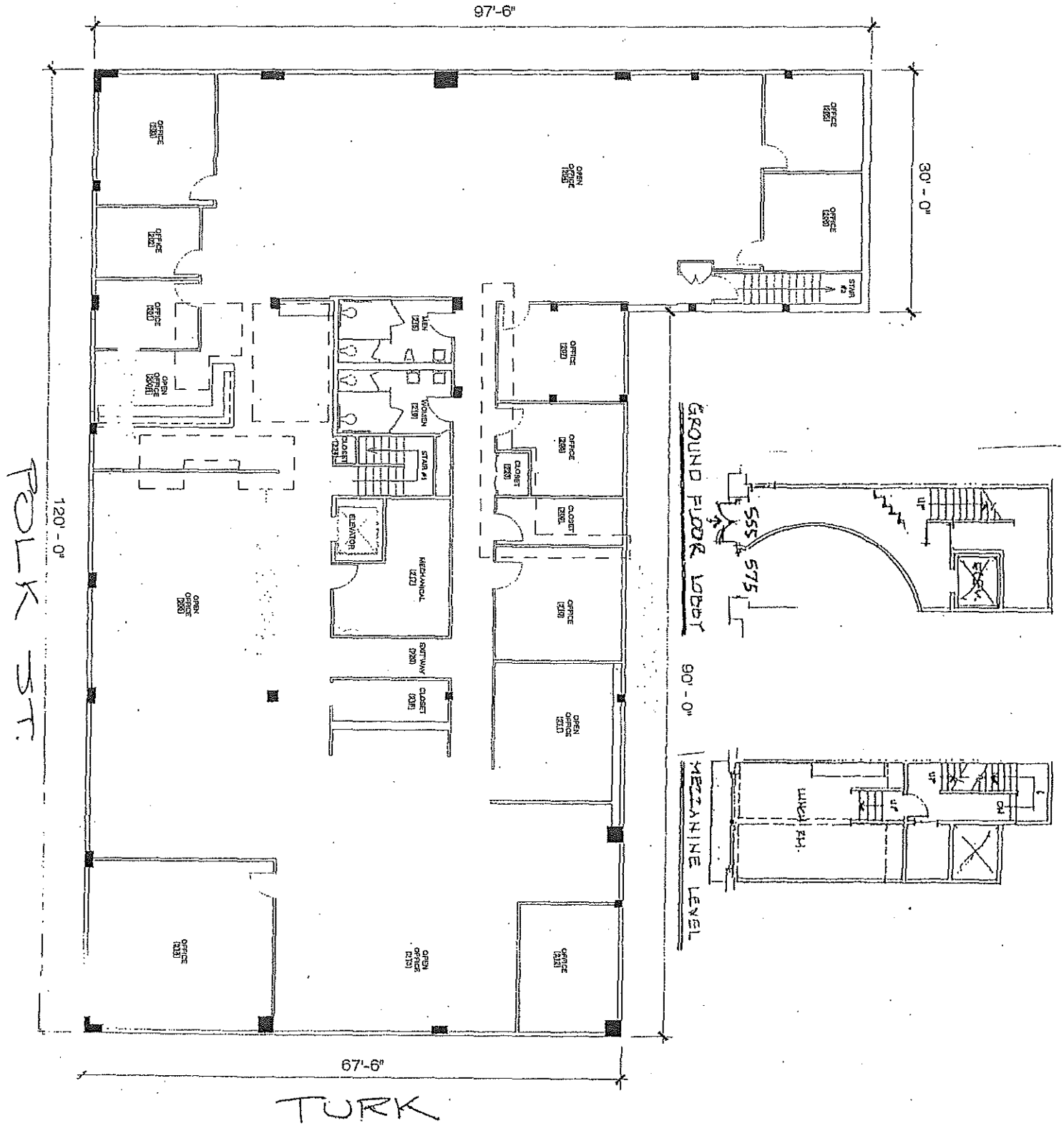

EXHIBIT C

EXCLUSIONS FROM OPERATING COSTS

1. Subject to any provisions of this Lease to the contrary, costs of capital repairs, capital improvements and equipment, except to the extent that such capital repairs or capital improvements are required as a result of the physical acts of City or any of its Agents or Invitees (but excluding any damage caused by normal wear and tear)

2. Rentals and other related expenses for items (except when needed in connection with normal repairs and maintenance of permanent systems) which if purchased rather than rented, would constitute a capital improvement which is specifically excluded in item 1 above (excluding, however, equipment not affixed to the Building which is used in providing janitorial or similar services);

3. Subject to any provisions of this Lease to the contrary, costs incurred in connection with upgrading the Building to comply with disabled access, life, fire and safety codes in effect prior to the date of the Lease, and costs incurred in connection with upgrading the Building to comply with the Americans with Disabilities Act of 1990 and Title 24 of the California Code of Regulations (or its successor), the San Francisco Sprinkler Ordinance and the San Francisco Unreinforced Masonry Building Ordinance

4. Costs incurred by Landlord due to violation by Landlord or any other tenant or occupant of the Building of applicable laws, rules or regulations, the terms and conditions of any lease, ground lease, mortgage or deed of trust, or other covenants, conditions or restrictions encumbering the Building or the real property on which it is located;

5. Any ground lease rental or rental under any other underlying leases;, interest, principal, points and fees on debts or amortization on any mortgage, deed of trust or any other debt instrument encumbering any of the Building or the real property on which it is located;

6. Depreciation, amortization and interest payments,

7. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due;

8. Costs arising from the presence of Hazardous Material in or about the Building including, without limitation, groundwater or soil conditions, except if such Hazardous Material is brought onto the Building by City in violation of applicable laws;

9. Overhead and profit increments paid to Landlord or to subsidiaries or affiliates of Landlord.

10. Landlord's general corporate overhead and general and administrative expenses; and

11. Leasing commissions, attorneys' and other professionals' fees, space planning costs and all other costs and expenses in connection with negotiations with present or prospective tenants or other occupants in the Building or any present or future ground lessors or holders of any mortgages or other encumbrances affecting any of the Building or the defense of Landlord's title to the Building or the real property on which it is located;

12. Advertising or promotional expenditures, and the costs of acquiring and installing signs in or on any of the Building identifying the owner of the Building or any other tenant or occupant of the Building;

13. Landlord's charitable or political contributions;

14. Any costs incurred by Landlord in the event any portion of the Building is made untenantable by fire or other casualty required to be insured against pursuant to the terms of the Lease;

15. All direct cost of refinancing, selling, exchanging or otherwise transferring ownership of the Building or the real property on which it is located or any interest therein or portion thereof, including broker commissions, attorney's fees and closing costs;

16. Reserves for bad debts, rent loss, capital items or further Operating Costs;

17. Any other expense that under generally accepted accounting principles would not be considered a maintenance, operating or other type of expense permitted as an Operating Cost in this Lease.

EXHIBIT D

RULES AND REGULATIONS – 555-575 POLK STREET

1. Except as otherwise expressly provided in the Lease: sidewalks, passages, elevators, vestibules, stairways and corridors shall not be obstructed or used for any purpose other than ingress and egress.
2. No tenant, nor any agent or invitee of tenant, shall go onto the roof of the Building without the written consent of Landlord.
3. No awnings or other projections shall be attached to the outside walls or surfaces of the Building, nor shall the interior or exterior of any windows be coated or modified without Landlord's prior written consent.
4. No sign, picture, plaque, advertisement, notice or other material shall be exhibited or affixed on any exterior part of the Building without the prior written consent of Landlord.
5. The toilets, wash basins and other restroom and plumbing fixtures shall not be used for any purpose other than those for which they were designed and constructed; no sweepings, rubbish, trash, rags, towels or objects or substances shall be disposed of therein. All damage caused by violation shall be the responsibility of the tenant whose employees, agents or invitees caused such damage.
6. The Premises shall not be used for any manufacturing or assembly purposes, nor shall Premises be used for lodging or sleeping or any illegal purposes.
7. Unless expressly permitted in the Lease, no tenant shall bring or allow into the Building any flammable, foul or noxious fluid, chemical or other hazardous substance, or do or permit any activity or bring in any substance or material which shall cause an increase in insurance rates at the Building.
8. Landlord reserves the right to prohibit or impose conditions upon the installation in the Building of heavy objects which might overload the floors and/or cause damage to the Building.
9. Canvassing, soliciting or peddling in the Building are prohibited.
10. Landlord's written approval must be obtained for any proposed introduction and/or distribution of electrical and electronic wiring and communications cabling and equipment, particularly with regard to the means of affixing same, and the location and scope of drilling/boring/cutting, and the proposed locations and installation details for control boxes, server racks, electronic equipment, antennae, and all similar and related items.
11. Tenants shall endeavor to enforce energy conservation measures, and shall not allow obstruction of air flow registers and returns, or light fixtures.
12. Tenants shall enforce prohibition of smoking throughout their Premises and related vestibules, corridors, restrooms, stairways and entry areas.

EXHIBIT E

Maintenance Responsibilities

Description	Landlord	City
Routine servicing and maintenance of HVAC Equipment, per existing HVAC Routine Service Contract with Alpine Mechanical or equivalent qualified contractor	Administer HVAC contract and pay costs, at City request	Reimburse Landlord for City's Percentage Share of contract costs per Section 4
Capital improvements or capital repairs to major components of all Building Systems, including HVAC Equipment and the Building elevator	Landlord, at its sole cost	None
Routing of Sewer lines – clearing blockages; repairing damages to the extent caused by physical acts of City or its Agents or Invitees	Administer plumbing contractor and pay costs, at City request	Reimburse Landlord for City's Percentage Share of plumbing contractor costs per Section 4
Replacement or major repair of sewage lines due to broken or collapsed pipes	Landlord, at its sole cost	None
Elevator and ADA lift – routine maintenance	Until the Expansion Date, if any, monthly routine servicing and preventive maintenance paid directly by Landlord at its sole cost, or per the existing lease for the Expansion Space	Routine maintenance of ADA lift paid directly by City at its sole cost As of the Expansion Date, if any, monthly routine servicing and preventive maintenance paid directly by City at its sole cost, through Elevator Maintenance Agreement between City or AOC and Ascent Elevator Services or equivalent qualified contractor(s).
Elevator and ADA lift - capital repairs and replacements	All capital improvements or capital repairs to elevator (as determined by general accounting principles) paid directly by Landlord at its sole cost.	Any capital repairs or replacements to ADA lift paid directly by City at its sole cost
Pest Control, scavenger, graffiti, glass cleaning/replacement, tree trim, power washing, janitorial services, and other minor maintenance or damage repair as necessary	Performed promptly as needed or at the written request of City or the AOC	Reimburse Landlord or pay directly for any such requested services
Damage to the Building to the extent caused by the physical acts of City or its Invitees or Agents	None	City, at its sole cost

Code change that mandates upgrade compliance work for all similar buildings, and not as a part of or triggered by an improvement project at the Premises initiated by or on behalf of City or triggered by City's particular use of the Premises.	Landlord, at its sole cost	None
Code upgrade compliance work which is a part of or triggered by an improvement project at the Premises initiated by or on behalf of City or is triggered by City's particular use of the Building.	None	City, at its sole cost

EXHIBIT F

Services and Estimated Real Estate Taxes and Operating Costs for First Expense Year

Item	Notes	Annual Amount
Real Estate Taxes	Paid directly by Landlord, subject to City reimbursement for City's Percentage Share	$41,000
Property Insurance (Section 17.2)	Paid directly by Landlord, subject to City reimbursement for City's Percentage Share	$10,000
Operating Costs:		
Janitorial Services	Paid directly by Landlord, subject to City reimbursement for City's Percentage Share	$46,000
Refuse Removal	Paid directly by City at its sole cost	
Pest Control and allowance for minor maintenance as requested, such as sewer clearing, minor drips, locks & keys	Paid directly by Landlord, subject to City reimbursement for City's Percentage Share	$5,500
Window Washing	Paid directly by City at its sole cost	
Graffiti Removal	Paid directly by City at its sole cost	
Tree Trimming	Paid directly by Landlord, subject to City reimbursement for City's Percentage Share	$500
PUC Electricity	Paid directly by City at its sole cost	
Water & Sewer	Paid directly by City at its sole cost	
PG &E Gas	Paid directly by City at its sole cost	
HVAC Maintenance Costs (Per Routine Service Contract w/Alpine Mechanical)	Paid directly by Landlord at its sole cost, subject to City reimbursement for City's Percentage Share	$3,500
Property Management Fee (Sections 4.2 and 4.3)	Part of Operating Costs, subject to City reimbursement for City's Percentage Share	$18,191
Security (** For informational purposes only – Landlord is not responsible for providing security services obligation)	Paid directly by City (AOC) at its sole cost	(** For informational purposes only – security is not a Landlord obligation and shall not be part of the Operating Costs for the first Expense Year)

Amended in Committee
2/15/12

FILE NO. 120039 RESOLUTION NO. 67-12

[Real Property Lease, Sublease, and Transfer Agreement Amendment - Court Facility - 575 Polk Street]

Resolution: 1) approving a lease of approximately 9,000 square feet at 575 Polk Street with the Mattison Family Trust for an initial base rent of $25,597 per month; 2) a sublease of 575 Polk Street premises with the State of California, Judicial Council of California - Administrative Office of the Courts for use by the San Francisco Superior Court; 3) an amendment to the transfer agreement for the court facility at 575 Polk Street; and 4) authorizing other actions in furtherance of this Resolution.

WHEREAS, In 1991, the City leased approximately 9,000 square feet of ground floor space at 575 Polk Street for additional Superior Court court rooms and administrative offices (Polk Street Court Facility) under a lease dated as of December 3, 1990 (the "Polk Street Lease"); and,

WHEREAS, In 2001, the Polk Street Lease term was extended through June 30, 2011 pursuant to Board of Supervisors Resolution 297-01; and,

WHEREAS, In 2002, the State of California passed the Trial Court Facilities Act of 2002, as set forth in California Government Code Section 70301 et seq. (the "Act"); and,

WHEREAS, The Act required California cities and counties to transfer their existing court facilities to the State's Administrative Office of the Courts (the "AOC") and to make ongoing, fixed county facility payments (the "CFP") to the State of California after such transfer, with AOC taking over the maintenance and management responsibilities for the transferred court facilities; and,

WHEREAS, The Act prevents City from using the Courthouse Facility Construction Fund (the "CCF"), which is funded with a portion of parking ticket surcharges, filing fees, traffic

fines and interest earnings, to make CFP payments, but it permits City to use the CCF to make rental payments for court facilities leased by City for use by the AOC and the Superior Court of San Francisco for one additional extension period; and,

WHEREAS, In 2009, the City's Controller's Office and the AOC established the CFP for the Polk Street Court Facility as $322,190.00 per year (the "Polk Street CFP"); and,

WHEREAS, On December 31 2008, pursuant to Board of Supervisor's Ordinance 249-08, the City transferred City's maintenance and management responsibilities for the Polk Street Court Facility to the AOC under a Transfer Agreement between City and AOC (the "Polk Street Transfer Agreement"), subject to City's continuing obligation to remain as tenant under the Polk Street Lease; and,

WHEREAS, The Act and the Polk Street Transfer Agreement required City to begin its payment in perpetuity of the Polk Street CFP following such transfer, but the Polk Street Transfer Agreement allowed City to reduce the Polk Street CFP by an amount equal to the Polk Street Lease rent payments (only until the Polk Street Lease expired on June 30, 2011 with one extension), and City uses the CCF for such rent payments; and,

WHEREAS, The Polk Street Lease expired on June 30, 2011, and AOC requested that City enter into a new lease for the Polk Street Court Facility with the Mattison Family Trust (the "Landlord") and sublease the Polk Street Court Facility to AOC for use by the AOC and the Superior Court of San Francisco; and,

WHEREAS, City negotiated with Landlord for a ten year lease with a five year extension option for the Polk Street Court Facility, which has an initial base rent of $25,597.00 per month (approximately $2.84 per sq. ft. monthly), requires City to pay its prorata share of real estate taxes and operating expenses, and its own costs for utilities, refuse removal, security and other typical tenant costs, on the terms and conditions set forth in the form of the

lease (the "New Lease") on file with the Clerk of the Board of Supervisors in File No. 120039, which is incorporated herein by reference; and,

WHEREAS, City negotiated with AOC for a ten year sublease with a five year extension option for the Polk Street Court Facility, which does not require AOC to pay sublease rent if City is able to use the CCF for its New Lease rent payments, all on the terms and conditions set forth in the form of sublease (the "Sublease") on file with the Clerk of the Board of Supervisors in File No. 120039, which is incorporated herein by reference; and,

WHEREAS, AOC has agreed to amend the Polk Street Transfer Agreement to allow City to reduce the amount of the Polk Street CFP payable during the term of the New Lease by an amount equal to the New Lease rent payments made by City, and a copy of the proposed amendment (the "Transfer Agreement Amendment") is on file with the Clerk of the Board of Supervisors in File No. 120039 and incorporated herein by reference; and,

WHEREAS, By structuring the transaction with the New Lease, the Sublease, and the Transfer Agreement Amendment, the City can continue to use the CCF to make rent payments under the New Lease and reduce the amount of the Polk Street CFP payable during the term of New Lease by an amount equal to such New Lease rent payments – thus saving the City in excess of $300,000 per year; now, therefore, be it

RESOLVED, That the Director of Property is hereby authorized to enter into the New Lease, the Sublease, and the Transfer Agreement Amendment, and to take all actions under such documents, including the exercise of the New Lease extension option and any amendments or modifications to such documents (including without limitation, the exhibits), that the Director of Property determines, in consultation with the City Attorney, are in the best interest of the City, do not materially increase the rent or other obligations or liabilities of the City or materially reduce the benefits to City, are necessary or advisable to effectuate the

purposes of the New Lease, the Sublease, the Transfer Agreement Amendment, and this Resolution, and are in compliance with all applicable laws, including City's Charter; and, be it

FURTHER RESOLVED, That all actions heretofore taken by the officers of the City with respect to the New Lease, the Sublease and the Transfer Agreement Amendment are hereby approved, confirmed and ratified; and, be it

FURTHER RESOLVED, That the New Lease shall be subject to certification as to funds by the Controller, pursuant to Section 3.105 of the Charter.

Controller

RECOMMENDED:

Acting Director of Property
Real Estate Division

City and County of San Francisco
Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 120039 **Date Passed:** February 28, 2012

Resolution: 1) approving a lease of approximately 9,000 square feet at 575 Polk Street with the Mattison Family Trust for an initial base rent of $25,597 per month; 2) a sublease of 575 Polk Street premises with the State of California, Judicial Council of California - Administrative Office of the Courts for use by the San Francisco Superior Court; 3) an amendment to the transfer agreement for the court facility at 575 Polk Street; and 4) authorizing other actions in furtherance of this Resolution.

February 15, 2012 Budget and Finance Committee - AMENDED

February 15, 2012 Budget and Finance Committee - RECOMMENDED AS AMENDED

February 28, 2012 Board of Supervisors - ADOPTED

Ayes: 11 - Avalos, Campos, Chiu, Chu, Cohen, Elsbernd, Farrell, Kim, Mar, Olague and Wiener

File No. 120039

I hereby certify that the foregoing Resolution was ADOPTED on 2/28/2012 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor

3/5/12
Date Approved