

4.13.15 draft

LEASE

between

KLW Investments, LLC

as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,
as Tenant

For the lease of
3119 – 3127 Mission Street
San Francisco, California

March 9, 2015

TABLE OF CONTENTS

(REQUIRES UPDATING)

	<u>Page</u>
1. BASIC LEASE INFORMATION	1
2. PREMISES	4
2.1 Lease Premises.....	4
2.2 Common Areas	5
2.3 Disability Access	5
2.4 Energy Consumption	5
3. TERM	6
3.1 Term of Lease	6
3.2 Commencement Date and Expiration Date.....	6
3.3 Delay in Delivery of Possession	Error! Bookmark not defined.
3.4 Extension Option(s)	6
4. RENT	7
4.1 Base Rent	7
4.2 Adjustments in Base Rent.....	8
4.3 Additional Charges	8
4.4 Base Rent During Extension Periods.....	Error! Bookmark not defined.
5. USE	9
5.1 Permitted Use.....	9
5.2 Observance of Rules and Regulations	9
5.3 Interference with Access.....	9
6. LEASEHOLD IMPROVEMENTS	10
6.1 Landlord’s Obligation to Construct Improvements	10
6.2 Construction of Leasehold Improvements	13
6.3 Construction of Improvements that Disturb or Remove Exterior Paint.....	Error! Bookmark not d
7. ALTERATIONS	17
7.1 Alterations by City.....	17
7.2 Title to Improvements.....	17
7.3 City’s Personal Property	17
7.4 Alteration by Landlord.....	18
8. REPAIRS AND MAINTENANCE	18
8.1 Landlord’s Repairs.....	18

8.2	City's Repairs.....	18
8.3	Liens.....	19
9.	UTILITIES AND SERVICES.....	19
9.1	Landlord's Provision of Utilities.....	19
9.2	Services.....	19
9.3	Conservation.....	20
9.4	Disruption in Essential Utilities or Services.....	20
10.	COMPLIANCE WITH LAWS; PREMISES CONDITION.....	20
10.1	Premises Condition and Landlord's Compliance with Laws; Indemnity.....	20
10.2	City's Compliance with Laws; Indemnity.....	21
10.3	City's Compliance with Insurance Requirements.....	21
11.	SUBORDINATION.....	22
12.	DAMAGE AND DESTRUCTION.....	23
13.	EMINENT DOMAIN.....	24
13.1	Definitions.....	24
13.2	General.....	24
13.3	Total Taking; Automatic Termination.....	24
13.4	Partial Taking; Election to Terminate.....	24
13.5	Rent; Award.....	25
13.6	Partial Taking; Continuation of Lease.....	25
13.7	Temporary Taking.....	25
14.	ASSIGNMENT AND SUBLETTING.....	25
15.	DEFAULT; REMEDIES.....	26
15.1	Events of Default by City.....	26
15.2	Landlord's Remedies.....	26
15.3	Landlord's Default.....	27
16.	INDEMNITIES.....	27
16.1	City's Indemnity.....	27
16.2	Landlord's Indemnity.....	28
17.	INSURANCE.....	28
17.1	City's Self-Insurance.....	28
17.2	Landlord's Insurance.....	28
17.3	Waiver of Subrogation.....	28
18.	ACCESS BY LANDLORD.....	29

19.	ESTOPPEL CERTIFICATES	29
20.	SURRENDER OF PREMISES	29
21.	HAZARDOUS MATERIALS	29
21.1	Definitions.....	29
21.2	Landlord’s Representations and Covenants.....	30
21.3	Landlord’s Environmental Indemnity.....	30
21.4	City’s Covenants.....	30
21.5	City’s Environmental Indemnity.....	31
22.	RIGHT OF FIRST OFFER.....	27
23.	GENERAL PROVISIONS	31
23.1	Notices	31
23.2	No Implied Waiver	31
23.3	Amendments	31
23.4	Authority	32
23.5	Parties and Their Agents; Approvals	32
23.6	Interpretation of Lease	32
23.7	Successors and Assigns.....	33
23.8	Brokers.....	33
23.9	Severability	33
23.10	Governing Law	33
23.11	Entire Agreement.....	33
23.12	Attorneys’ Fees	33
23.13	Holding Over	34
23.14	Cumulative Remedies	34
23.15	Time of Essence.....	34
23.16	Survival of Indemnities.....	34
23.17	Signs.....	35
23.18	Quiet Enjoyment and Title.....	35
23.19	Bankruptcy.....	35
23.20	Transfer of Landlord’s Interest	35
23.21	Non-Liability of City Officials, Employees and Agents	35
23.22	MacBride Principles - Northern Ireland	35
23.23	Controller’s Certification of Funds.....	36
23.24	Prevailing Wages	36

23.25	Non Discrimination in City Contracts and Benefits Ordinance.....	36
23.26	Tropical Hardwood and Virgin Redwood Ban	37
23.27	Bicycle Storage Facilities	38
23.28	Resource-Efficient City Buildings.....	38
23.29	Counterparts.....	38
23.30	Effective Date	38
23.31	Certification by Landlord.....	38
23.34	Sunshine Ordinance	38
23.35	Conflicts of Interest.....	39
23.36	Notification of Limitations on Contributions	39
23.37	Preservative-Treated Wood Containing Arsenic	39
23.38	Cooperative Drafting	39
23.39	Consideration of Criminal History in Hiring and Employment Decisions	39

LIST OF EXHIBITS AND SCHEDULES

- EXHIBIT A- 1 – Floor Plans of Premises
- EXHIBIT A- 2 – Excluded Property
- EXHIBIT B – Notice of Commencement Date
- EXHIBIT C – Minimum Standard for HVAC Services Agreement
- EXHIBIT D – Rules and Regulations
- [*confirm no debt on property*]

LEASE

THIS LEASE (this "Lease"), dated for reference purposes only as of April 10, 2015, is by and between K L W Investments, LLC, a California limited liability company ("Landlord"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City" or "Tenant").

AGREEMENT

Now, therefore, in consideration of the foregoing and the respective agreements contained below, Landlord and City hereby agree as follows:

1. BASIC LEASE INFORMATION

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

Lease Reference Date:	April 10, 2015
Landlord:	KLW Investments, LLC
Tenant:	CITY AND COUNTY OF SAN FRANCISCO, a charter city and county
Premises (<u>Section 2.1</u>):	The real property ("Real Property") commonly known as the ground floor space in 3119 – 3127 Mission Street, San Francisco, including the following buildings: 3119, 3125 and 3127 Mission Street (each a "Building" and collectively, the "Buildings") and 15 designated parking spaces located on the Real Property (the "Parking Area), as shown in <u>Exhibit A-1</u> . The Premises shall not include the portions of the Parking Area on the Real Property marked as "NIC" on the attached <u>Exhibit A-2</u> (the "Excluded Property").
Rentable Area of Premises (<u>Section 2.1</u>):	Approximately 11,085 rentable square feet 3119 Mission St: 3,100 SF 3125 Mission St: 5,520 SF 3127 Mission St: <u>2,465 SF</u> Total: 11,085 SF
Initial Term (<u>Section 3</u>):	Commencement Date: The later of (1) the effective date of a resolution adopted by the City's Board of

Supervisors approving this Lease, and (2) Landlord's and City's execution and delivery of this Lease, but in no event sooner than June 30, 2015.

Expiration date:
June 30, 2020

Extension Options (Section 3.4):

Three (3) additional terms of five (5) years each, exercisable by City by notice to Landlord given not less than 210 days in advance.

Landlord's Right to terminate (Section 3.5):

If during the first five (5) years of the Term Landlord intends to demolish one or more of the Buildings, Landlord shall have the right to terminate the Lease with respect to such space (but not less than the entirety of a Building) by providing City with not less than 365 days advance written notice and payment the amortized cost (over sixty (60) months) of the Leasehold Improvements paid for by the City in excess of the Allowance, but in no event shall Landlord's obligation exceed \$200,000.00. After the fifth year, should Landlord exercise the termination right it shall pay to the City a sum equal to \$6.00 per sq. ft. of the Building or Buildings to be terminated.

Base Rent (Section 4.1):

Initial monthly payments: \$39,490.31
(approximately \$42.75 per sq. ft. annually)

Rent Adjustments (Section 4.2):

Commencing on July 1, 2016, and each following July 1 during the Initial Term and any Extended Term, monthly Base Rent shall increase by \$1.00 per sq. ft. annually.

Use (Section 5)

Public programs, general offices and any other uses permitted by applicable zoning, but excluding any general assistance distribution, drug rehabilitation, health clinic, drug clinic, day labor group or any other similar use that may reasonably cause an increase in Landlord costs and or negatively impact other tenants of Landlord adjacent to the Premises.

Leasehold Improvements (Section 6)

Landlord shall construct the Leasehold Improvements and provide an Allowance of \$144,105.00 (approximately \$13.00 PSF for the construction of Leasehold Improvements, as described in Section 6, in accordance with a budget approved in writing by the Director of Property. The City shall have no obligation to pay for amounts above the approved budget,

and Landlord shall have no obligation to construct improvements that cost more than the approved budget. If the Landlord discovers that the approved budget is not sufficient to complete the Leasehold Improvements described in Section 6, Landlord shall promptly notify the City and the parties agree in good faith to either (i) reach agreement on an increase in the budget, as needed to complete the work, or (ii) revise the work to that which can be completed within the approved budget.

Services (Section 9.2):

Gas, water and electricity are separately metered to the Building. City shall pay directly to the service provider for all such utility services, provided that Landlord shall maintain the existing utility connections to the Building.

Landlord shall maintain the Property and Building Systems including maintaining the heating, ventilation and air conditioning (“HVAC”) system(s) at the Building, in accordance with the standards set forth in Exhibit C.

City shall provide, at its sole cost, recycling, refuse removal, pest control, janitorial and security services to the Premises, as needed by City.

If Landlord agrees to provide other additional lease services requested by City, such services shall be provided at City’s cost, which cost shall be approved in advance in writing by City.

Notice Address of Landlord (Section 23.1):

KLW, Investments LLC
139 Mitchell Avenue, Suite 236
South San Francisco, CA 94080
Fax No.: (415) 643-7404

Key Contact for Landlord:

Brad Koch

Landlord Contact Telephone No.:

(415) 643-7400 x101

Notice Address for Tenant (Section 23.1):

Real Estate Division
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: John Updike,
Director of Property
Re: **3119 Mission Street**
Fax No.: (415) 552-9216

with a copy to:

Human Services Agency
170 Otis Street
San Francisco CA 94102
Attn: Director
Fax No.: _____

and to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Special Projects Team
Re: 3119 Mission Street
Fax No.: (415) 554-4755

Key Contact for Tenant:

David Curto
HSA
170 Otis Street
San Francisco, CA
(415) _____

Tenant Contact Telephone No.:

Alternate Contact for Tenant:

Tony Lugo

Alternate Contact Telephone No.:

415) 557-6309

Brokers (Section 23.8):

None

2. PREMISES

2.1 Lease Premises; License

Landlord leases to City and City leases from Landlord, subject to the provisions of this Lease, the Real Property, together with the Building and the parking area thereon, as further described in the Basic Lease Information and shown on the floor plans attached hereto as Exhibit A - 1 (the "Premises"), but excluding the portions of such parking lot marked as "NIC" on the attached Exhibit A - 2. The Parties hereby agree for the purposes of this Lease that the rentable area of the Premises specified in the Basic Lease Information shall be conclusive for all purposes hereof. The Real Property, including the Building and the parking area thereon, and all other improvements on or appurtenances to such land are referred to collectively as the "Property." City shall use reasonable good faith efforts to prevent employees, visitors, vendors and invitees of City from using the parking spaces reserved for Landlord's use as shown on the attached Exhibit A - 2.

Notwithstanding any other provision of this Lease Landlord reserves the right to relocate the Parking Area to another area either on the parcel or adjacent parcel of land. Landlord shall give City no less than sixty (60) days' notice of Landlord's intention to relocate the Parking Area.

2.2 Common Areas

City and Landlord shall each share the non-exclusive right of access to and from the Parking areas of Premises.

2.3 Disability Access

California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements. City is hereby advised that the Premises have not been inspected by a CASp. Further, Landlord has recommended that City obtain a CASp report prior to City's execution of this Lease.

Landlord shall be responsible for all disability access to and from the Buildings. City, as tenant, is solely responsible for path of travel and compliance with disability access laws with respect to the interior portions of the Buildings.

2.4 Energy Consumption

City acknowledges that City has made direct payment of utility charges for the Premises since 1998. City waives, to the extent permissible under applicable law, its right to receive a Data Verification Checklist (as defined in the California Code of Regulations, Title 20, Division 2, Chapter 4, Article 9, Section 1680) for the Premises from Landlord prior to City's execution of this Lease.

2.5 Premises As Is

SUBJECT TO LANDLORD'S OBLIGATION TO COMPLETE THE LEASEHOLD IMPROVEMENTS IN ACCORDANCE WITH SECTION 6, CITY AGREES AND ACKNOWLEDGES THAT CITY ACCEPTS THE PREMISES AND ALL PORTIONS OF THE PROPERTY IN ITS AS-IS CONDITION. CITY ACKNOWLEDGES THAT CITY HAS LEASED AND OCCUPIED THE PREMISES SINCE 1998, AND HAS SUBSTANTIALLY MORE INFORMATION ABOUT THE CONDITION OF THE PROPERTY THAN DOES LANDLORD. CITY, AT ITS SOLE COST IF IN EXCESS OF THE ALLOWANCE, SHALL BE RESPONSIBLE FOR COMPLIANCE WITH DISABILITY ACCESS LAWS AND ALL OTHER LAWS, RULES, CODES AND REGULATIONS GOVERNING THE CITY'S USE AND OCCUPANCY OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY DISABILITY UPGRADES THAT MAY BE TRIGGERED DUE TO THE COMPLETION OF THE LEASEHOLD IMPROVEMENTS AS SET FORTH IN SECTION 6. CITY HEREBY REPRESENTS AND WARRANTS THAT IT HAS PERFORMED ALL NECESSARY DUE DILIGENCE AND WILL RELY SOLELY THEREON.

3. TERM

3.1 Term of Lease

The Premises are leased for an initial term (the "Initial Term") commencing on the later of (1) the effective date of a resolution adopted by the City's Board of Supervisors approving this Lease in their respective sole and absolute discretion, as further provided in this Lease, and (2) Landlord's and City's full execution and delivery of this Lease, provided however, this Lease shall not Commence prior to July 1, 2015. The Initial Term shall end on the expiration date specified in the Basic Lease Information, or such earlier date on which this Lease terminates pursuant to the provisions of this Lease, provided that City shall have the right to extend the Initial Term pursuant to Section 3.4 (Extension Options) below. The word "Term" as used herein shall refer to the Initial Term and any Extended Terms if City exercises the Extension Options as provided below.

3.2 Commencement Date and Expiration Date

The dates on which the Term commences and terminates pursuant hereto are referred to respectively as the "Commencement Date" and the "Expiration Date." On or after the Commencement Date, the parties agree to execute a notice substantially in the form of Exhibit B attached hereto, confirming the Commencement Date, but either party's failure to do so shall not affect the commencement of the Term.

3.3 Extension Options

City shall have the right to extend the Initial Term of this Lease (the "Extension Options") for the additional terms specified in the Basic Lease Information (the "Extended Terms"). Such Extension Options shall be on all of the terms and conditions contained in this Lease, except that Base Rent for an Extended Term shall be adjusted as set forth in Section 4.4. City may exercise the Extension Options, if at all, by giving written notice to Landlord no later than two hundred ten (210) days prior to expiration of the Term to be extended; provided, however, if City is in material default under this Lease on the date of giving such notice and fails to cure such default within the applicable cure period 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 an Extension

Option shall be subject to enactment of a resolution by the Board of Supervisors and the Mayor, in their respective sole and absolute discretion, approving and authorizing the same, within ninety (90) days after the date of City's notice to Landlord. In the event City fails to approve and authorize an Extension Option within such ninety (90) days (subject to any extension as may be agreed to by Landlord), then City's exercise of the applicable Extension Option shall be null and void.

3.4 Termination of 1998 Lease

Upon the Effective Date, Landlord and City agree that the lease between Landlord and City of the Premises, dated as of _____, 1998, shall automatically terminate as of 11:59 p.m. of the day immediately preceding the Commencement Date, but all indemnity obligations shall survive such termination.

3.5 Landlord's Right to Terminate

If during the first five (5) years of the Term Landlord intends to demolish one or more of the Buildings, and associated parking stalls, Landlord shall have the right to terminate the Lease as to the Building or Buildings to be demolished by providing City with at least 365 days advance written notice and payment, Landlord shall pay to City a sum equal to the unamortized cost of Leasehold Improvements (using a sixty (60) month amortization period) paid for by the City in excess of the Allowance. Landlord's obligation hereunder shall not exceed Two Hundred and no/100 Thousand and no/100 Dollars (\$200,000.00).

Commencing on the sixth (6th) year of the Term, and any extension thereof, if Landlord intends to demolish one or more of the Buildings, and associated parking stalls, Landlord shall have the right to terminate the Lease as to the Building or Buildings to be demolished by providing City with at least 365 days advance written notice and payment at the time of notice delivery, equal to \$6.00 times the square footage of the Building or Buildings (utilizing the square footage set forth in the Basic Lease Information). Upon such termination (i.e., at the end of the 365-day period), the Lease shall be automatically amended to reflect the recapture of space by Landlord and revising the rent and rent adjustment schedule for the remaining Buildings. The parties agree to execute a lease amendment (not subject to City approval) to reflect the changed space and rent. If Landlord does not obtain a demolition permit within one hundred eighty (180) days following the termination, or if Landlord decides not to demolish the building but instead to re-lease it at any point during the remaining term of this Lease, then Landlord shall offer the Building for City occupancy on the same terms and conditions of this Lease. If the City accepts such offer, then the parties will amend this Lease to include the applicable Building or Buildings (effectively nullifying the termination as it relates to the Building or Buildings).

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 Adjustments in Base Rent

(b) On July 1, 2016, and each July 1 thereafter (each, an "Adjustment Date"), the Base Rent payable under this Lease shall be increased by the amount shown in the Basic Lease Information.

4.3 Additional Charges

City shall pay to Landlord any charges or other amounts required under this Lease, if any, as additional rent ("Additional Charges"). All such Additional Charges shall be payable to Landlord at the place where the Base Rent is payable. Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. The Base Rent and Additional Charges are sometimes collectively referred to below as "Rent."

4.4 Determination of Base Rent for an Extended Term

At the commencement of each Extended Term, the Base Rent shall be adjusted to equal the 95% of the then 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 Outer Mission District, area of San Francisco ("Reference Area").

As used herein, the term "prevailing market rate" shall mean the base rental for such comparable space, taking into consideration all factors including (i) any property expenses, additional rental and all other payments (ii) any escalations payable, (iii) location and size of the premises covered by leases of such comparable space, (iv) the duration of the renewal term and the term of such comparable leases, (v) free rent given under such comparable leases and any other tenant concessions, and (vi) comparison of the Premises' existing condition to that after the use of any Owner provided tenant improvement given under such comparable leases, (v) Building quality, natural light, views, ceiling height and other aesthetics of such comparable space, and (vii) parking availability and rate. Within thirty (30) days following City's exercise of the Extension Option, Landlord shall notify City of Landlord's good faith determination of the prevailing market rate for the Premises and provide written justification using a minimum of three (3) comparable lease transaction. 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 appraiser to determine the prevailing market rate. Each such appraiser shall arrive at a determination of the prevailing market rate and submit his or her conclusions to Landlord and City within thirty (30) days of the expiration of the thirty (30) day consultation period described in (a) above.

(c) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the prevailing market rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the prevailing market rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall

immediately select a third appraiser who will within thirty (30) days of his or her selection make a determination of the prevailing market rate and submit such determination to Landlord and City. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the prevailing market rate.

(d) Intentionally deleted.

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

5. USE

5.1 Permitted Use

City may use the Premises for public programs general office uses and such other uses as may be 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.

The following uses are not permitted: general assistance distribution, drug rehabilitation, health clinic, drug clinic, day labor group or any similar use that may reasonably cause an increase in Landlord costs and or negatively impact other tenants of Landlord adjacent to the Premises.

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 do not 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.

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, in its reasonable judgment, interrupt City's access to the Premises in the event of an immediate threat of the Premises being rendered unsafe for human occupancy. If City's use of any of the Premises or access thereto is interrupted as a result of the Premises being rendered unsafe for human occupancy due to Landlord's failure to comply with its obligations under this Lease or for any other reason other than City's default hereunder, then Landlord shall immediately undertake all necessary and reasonable steps to correct such condition. In the event such condition is within the direct control of Landlord and such condition continues for two (2) business days and impairs City's ability to carry on its business in the Premises, the Rent payable hereunder shall be abated

based on the extent to which such default interferes with City's ability to carry on its business at the Premises. If any such default by Landlord shall continue for thirty (30) days or more after City's use is interrupted and impairs City's ability to carry on its business in the Premises, then City shall have the right, without limiting any of its other rights under this Lease to terminate this Lease, unless Landlord supplies City with evidence reasonably satisfactory to City that City's normal and safe use will be restored within sixty (60) days of the date City's use was interrupted, and such use is actually restored within such 60-day period. Nothing in this Section shall limit City's rights with respect to any disruption due to casualty pursuant to Section 12 (Damage and Destruction) hereof.

6. LEASEHOLD IMPROVEMENTS

6.1 Landlord's Obligation to Construct Improvements

As set forth in Section 2.5 of this Lease, City accepts the Premises in As-Is condition subject to Landlord's obligations as hereinafter set forth to provide Leasehold Improvements. Landlord, through its general contractor approved by City, shall construct the Leasehold Improvements at City's sole cost pursuant to the Construction Plans (as defined in this Section below) approved by City, and in accordance with the provisions of this Section below. Such work and installations are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements."

Landlord, through its general contractor approved by City, shall construct the Leasehold Improvements at City's sole cost pursuant to the Construction Plans (as defined in this Section below) approved by City, and in accordance with the provisions of this Section below. Such work and installations are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements."

(a) Plans and Specifications

Promptly following the date of Board Of Supervisors and Mayor's approval of a Resolution authorizing this Lease, Landlord shall cause its architect ("Architect") and, if required, a Leadership in Energy and Environmental Design ("LEED") consultant, both approved by City, to prepare and submit to City for its approval an architectural space plan, power and signal plan, reflected ceiling plan, floor plans, and tenant finish specifications for the Leasehold Improvements, based on City's program requirements for use of the Premises, and designed to meet City's obligations to cause the Leasehold Improvements to comply with the requirements of Sections 700 through 713 of the San Francisco Environment Code, and in form and detail sufficient for purposes of contractor pricing (the "Pricing Plans"). City shall have fifteen (15) days to review and either approve of the Pricing Plans or provide Landlord with City's adjustments to the Pricing Plans.

Immediately following City's approval of the Pricing Plans, based on the approved Pricing Plans and any adjustments authorized by City, Landlord shall cause final plans, specifications and working drawings for the Leasehold Improvements to be prepared, in conformity with the requirements hereof. Landlord shall submit a copy of such final plans, specifications and working drawings in sufficient detail to define the work (the "Construction Drawings") to City within sixty (60) days after the City's approval of such Pricing Plans. The Construction Drawings shall be subject to City's approval, which approval shall not be unreasonably withheld or delayed. If City disapproves of the Construction Drawings, or any portion thereof, then City shall promptly notify Landlord thereof and of the revisions that City reasonably requires in order to obtain City's approval. As soon as reasonably possible thereafter, but in no event later than thirty (30) days after City's notice, Landlord shall submit to City revised Construction Drawings that incorporate the revisions required by City. Such revisions shall be subject to City's approval, which shall not be unreasonably withheld or delayed. The

final Construction Drawings approved by City shall be referred to as the "Construction Documents." If the proposed Leasehold Improvement Work requires construction, promptly following City's approval of the Construction Drawings, based on the approved Construction Drawings and any adjustments authorized by City, Landlord shall cause Permit Documents to be prepared.

(b) HVAC Improvements.

Landlord and City hereby agree to include in the Leasehold Improvements any and all HVAC improvements necessary to the Building's HVAC systems so that the HVAC can be maintained in accordance with the requirements of Title 8 California Code of Regulations, Chapter 4. Division of Industrial Safety, Subchapter 7. General Industry Safety Orders, Group 16. Control of Hazardous Substances, Article 107. Dusts, Fumes, Mists, Vapors and Gases Section 5142, Mechanically Driven Heating, Ventilating and Air Conditioning (HVAC) Systems to Provide Minimum Building Ventilation. Such HVAC improvements shall be designed by a licensed mechanical engineer and shall be subject to City's review and approval.

(c) Mayor's Office of Disability Review; Permits

In the event the Leasehold Improvement Work requires Construction Permits, Landlord acknowledges that City requires that the Permit Documents be reviewed by the San Francisco Mayor's Office of Disability ("MOD") for compliance with the Americans With Disabilities Act of 1990 ("ADA") and other related laws before Landlord submits them to the San Francisco Department of Building Inspection ("DBI") for construction permits. Landlord shall cause the Architect to submit the Construction Documents to MOD for review promptly following City's approval of the final Construction Drawings. If MOD requires revisions to the Construction Documents or modifications or additional improvements to the Building, Landlord shall cause Architect to revise the Construction Documents and/or design and prepare all additional plans and specifications as required by such MOD review, in conformity with ADA and other legal requirements. Such revised Construction Documents and additional plans shall thereafter to be referred to as the "Construction Plans." Upon MOD's approval of the Construction Plans, Landlord shall cause Architect to notify Landlord and City that the Construction Plans have been approved and to identify the additional work, if any, specified therein as a result of the MOD review.

Landlord shall secure and pay for any building and other permits and approvals, government fees, licenses and inspections necessary for the proper performance and completion of the Leasehold Improvement Work. Promptly following MOD's approval of the Construction Plans and City's approval of the Construction Budget, as defined in the following subsection, Landlord shall apply for any permits, approvals or licenses necessary to complete the construction shown on the Construction Plans and shall provide copies to City promptly following receipt thereof. Landlord shall be responsible for arranging for all inspections required by DBI.

(d) City's Approval of Costs

As soon as practicable and prior to submitting permit applications for the Leasehold Improvement Work, Landlord shall provide to City, for City's approval, a good faith initial construction budget ("ROM") based on the Pricing Plans which includes all project hard and soft costs and Landlord's five percent (5%) administrative fee. City shall have five (5) business days to review and approve or disapprove the ROM. If City desires to reduce the ROM, Landlord and City shall work in good faith to promptly reduce the scope of work and the ROM, and the Construction Plans shall be revised as required to reflect such changes.

Prior to commencing construction of the Leasehold Improvement Work, Landlord shall prepare and submit to City, based on the Construction Plans, a good faith cost for the Leasehold Improvement Work, showing all costs to be paid by City, including a Contractor contingency of five percent (5%) (the "Construction Budget"). City shall have five (5) business days to review and approve or disapprove the Construction Budget. As of the Effective Date, the parties agree that the Construction Budget shall not exceed Allowance (as defined below), and the parties shall work in good faith to prepare plans and Construction Documents that can be implemented within this approved amount. If during the course of construction, the Leasehold Improvements cannot be completed in strict conformity with the most recently City approved Construction Budget, Landlord shall immediately submit to City for its approval a revised Construction Budget and shall identify to City changes in line items and the reasons for the changes. City acknowledges that renovation or improvement of existing facilities inherently involves risk of unanticipated costs necessary to obtain a Final Certificate of Occupancy. If further changes are required, Landlord shall seek City's approval, following the same procedures. City shall not be obligated to pay costs, if any, in excess of the last City approved Construction Budget, provided Landlord shall not be required to incur any costs above the last City approved Construction Budget. If costs exceed the approved Construction Budget, the parties agree to meet and confer in good faith to either (i) obtain City approval of any increased costs, with an appropriation for such amount or (ii) revise the Leasehold Improvements Work so that it does not exceed the approved Construction Budget. City shall have the right to reasonably approve or disapprove any Construction Budget or revised Construction Budgets in its reasonable judgment. No such approval or disapproval shall be unreasonably delayed. The most recent City approved Construction Budget shall supersede all previous City approved Construction Budgets. Whenever City approval of the ROM or Construction Budget is required, in the event Landlord and City cannot agree regarding such approval, City shall reimburse Landlord for all of Landlord's reasonable and necessary costs incurred to produce such ROM or Construction Budget to such date

(e) Construction

Immediately upon City's approval of the Construction Plans and the Construction Budget and Landlord's procurement of all necessary permits and approvals for the Leasehold Improvements, Landlord shall commence, using a contractor reasonably acceptable to City budget ("Contractor") the construction of the Leasehold Improvements and cause them to be completed in a good and professional manner in accordance with sound building practice. Landlord shall 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 ADA, Title 24 of the California Code of Regulations (or its successor) and City's requirements for program accessibility. Landlord shall require in any contract issued in connection with the Leasehold Improvement Work that Contractor shall pay prevailing wages in connection with the Leasehold Improvement Work as further provided in Section 23.24 (Prevailing Wages), below, and shall 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 shall use commercially reasonable efforts to ensure that Contractor complies with such requirements.

(f) Construction Schedule; Substantial Completion

Landlord shall keep City apprised 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 enter the portion of the Premises that City must reasonably and temporarily vacate for the performance of the Leasehold Improvement Work at reasonable times to inspect the Leasehold Improvement Work (the "Affected Areas"),

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, but not less than fifteen (15) days in advance of completion, Landlord shall notify City of the approximate date on which the Leasehold Improvement Work will be substantially completed in accordance with the Construction Documents. Landlord shall revise such notice of the approximate substantial completion date as appropriate from time to time and shall immediately notify City when the Leasehold Improvement Work is in fact substantially completed and the Affected Areas are ready for resumed occupancy by City. 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 or its architect on an inspection of the Affected Areas and any other portion of the Premises modified by the Leasehold Improvement Work.

"Substantial Completion" shall be when the Leasehold Improvements are sufficiently completed in accordance with the approved Construction Documents so that City can occupy the Affected Areas and conduct its business for its intended uses and City, through its Director of Property, has approved the Leasehold Improvements. 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 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 Affected Areas, 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 promptly complete all defective or incomplete items identified in such punchlist, and shall in any event shall make a good faith effort to 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 Improvement Work in accordance with the approved Construction Plans, nor constitute any waiver of any latent defects.

No approval by City or any of its Agents of the Space Plans, Pricing Plans, Construction Drawings, Construction Documents, Construction Plans, or completion of the Leasehold Improvement 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.

(g) Appointment of Representatives

City and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("Representative"), and an alternate for such Representative ("Alternate"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to the Leasehold Improvement Work. Landlord and City shall not make any inquiries of or requests to, and shall not give any instructions or authorizations to, any other employee or agent of the other party. The initial Representatives and Alternates shall be:

City: Representative -- _____
Alternate -- _____

Landlord: Representative -- Bradley Koch
Alternate -- _____

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

the Construction Schedule. All approvals made by City's Representative or Alternate shall be made in writing.

(h) Changes to Construction Plans; Tenant Delay

If City inquires in writing about any change, addition or alteration relating to the design or specifications of the Leasehold Improvement Work (a "Change Order"), Landlord shall cause its Architect and Contractor to promptly supply a good faith not to exceed change order cost estimate. In the event that a Change Order would delay Substantial Completion, Landlord shall also provide its good faith estimate of such a delay. Within five (5) business days of receipt of such cost and delay estimates, City shall notify Landlord in writing whether City approves the proposed Change Order and an increase in the Construction Budget (if required). If City timely approves the proposed Change Order, then Contractor shall proceed with such Change Order as soon as reasonably practical thereafter

(i) Costs

Landlord shall pay for the cost of constructing and installing the Leasehold Improvements (as defined below) up to a total sum of One hundred Forty Two thousand Eight hundred Eighteen Dollars (\$142,818.00) (or approximately \$13.00 per rentable square foot) in the Premises (the "Allowance"), and the City shall pay amounts above the Allowance, if any, as set forth in the approved Construction Budget. The phrase "cost of constructing" shall include, but not be limited to, architects fees, consultant fees, contractors' fees, permits, materials, and insurance. To the extent that any portion of the Allowance is not used by City such portion shall be credited against Base Rent next due or payable under the Lease. In the event that the City approved Construction Budget pursuant to (d) above, exceeds the Allowance, City shall, from the date of actual commencement of construction of the Leasehold Improvements, pay to Landlord monthly for so long as the work continues in accordance with the Construction Documents, throughout the course of construction to the date of Substantial Completion, the sum of one third of the excess amount monthly, provided, the final ten percent (10%) of City's contribution will not be paid until the Final Payment Date as set forth below. By way of example, if the excess Construction Budget amount over the Allowance is Sixty Thousand Dollars (\$60,000), City shall make the following payments: Twenty Thousand Dollars (\$20,000) on the date of commencement of construction, Twenty Thousand Dollars (\$20,000) on the same day of the next calendar month, Fourteen Thousand Dollars (\$14,000) on the same day of the third calendar month, and the final Six Thousand Dollars (\$6,000, i.e., the final ten percent) on the Final Payment Date. Landlord agrees to use such payments to promptly pay contractors for the Leasehold Improvements, and if amounts needed to pay such contractors is less than the cumulative amount Landlord has collected from City under this Section 6.1(i) from time to time, the parties agree to adjust the payment schedule so that City makes payments only when needed by Landlord to pay contractors for the Leasehold Improvements. City's payments shall be due as additional rent, and payment shall be made monthly together with payment of Base Rent hereunder. In no event shall the cumulative amount of such additional payments exceed ninety percent (90%) of the amount owed by City under the most recently approved Construction Budget (including 100% of any City Change Orders as established in Section 6.1). City shall pay the remaining ten (10%) upon the later of (i) proper invoicing, (ii) Substantial Completion of the Leasehold Improvements and (iii) acceptance of the Leasehold Improvements by the Director of Property (the "Final Payment Date").

(j) Required Documentation of Costs

Landlord shall provide City with copies of a final cost reconciliation including (i) all invoices received by Landlord from the Architect, the Contractor, or Consultants in

connection with the preparation of the Construction Plans or the Change Order or performance of the Leasehold Improvement Work, (ii) satisfactory evidence of payment by Landlord of such invoices, and (iii) upon City's request, such documentation as the Architect, the Contractor, or Consultant may have provided to Landlord pursuant to its contract for the Leasehold Improvement Work. If the costs set forth in such final reconciliation are within the most recently approved Construction Budget, but exceed the amounts paid to Landlord pursuant to Section 6.1(h), City shall reimburse Landlord for such additional cost within thirty (30) days of City's approval of such invoice. If the costs in the final reconciliation show that the amounts paid by the City under Section 6.1(h) exceed the amounts reimbursable by City for the Leasehold Improvements, then Landlord shall pay such excess amount to the City within thirty (30) days following the final reconciliation. The City and Landlord agree to meet and confer in good faith as and when requested by either party to ensure that City's payment schedule meets the cash flow requirements of the Leasehold Improvement Work, and to review budgets, invoices and progress payments throughout the construction period.

(k) Restoration of the Premises

City shall not be required to remove the Leasehold Improvements upon the expiration or sooner termination of this Lease unless Landlord notifies City in writing at the time the Construction Drawings are submitted to City for approval that such Leasehold Improvements must be removed on the expiration or sooner termination of this Lease.

(l) Use of Allowance

In the event, Landlord and City working in good faith (i) can not agree on the scope of work (ii) the ROM cost of the work is expected to exceed the Allowance and City has not agreed to provide the additional funding, or (iii) the Leasehold Improvement Work has not started within 12 months of the Commencement Date, then Landlord shall not be obligated to complete the Leasehold Improvement Work and the City may use the Allowance (after deduction of Landlord's actual pre construction costs, if any) to abate Base Rent.

6.2 Installation of Telecommunications and Other Equipment

Landlord and City acknowledge that the Leasehold Improvement Work shall be completed by Landlord exclusive of the installation of telecommunications, data and computer cabling facilities and equipment. City shall be responsible for installing such facilities and equipment, provided that Landlord shall furnish access to City and its consultants and contractors to the main telephone service serving the Building for which access is needed for proper installation of all such facilities and equipment including, but not limited to, wiring. City shall have the right to enter the Affected Areas and any other portion of the Premises being used for the performance of the Leasehold Improvement Work at reasonable times during the course of construction of the Leasehold Improvements in order to install such facilities and equipment. City and Landlord shall use their good faith efforts to coordinate any such activities to allow the Leasehold Improvements and the installation of such facilities and equipment to be completed in a timely and cost-effective manner. City shall perform all work with applicable permits and at the times and in a manner specified by Landlord's Contractor. City shall be responsible for all damage, costs and delays caused by such installation by City (a City Delay).

Up to twenty five percent (25%) of the Allowance may be used to design, purchase and install furniture workstations ("FF&E"). To the extent the Allowance is used for FF&E, Landlord retains the right to claim ownership of the such FF&E, or any part thereof, upon the expiration or earlier termination of the Lease.

6.3 Construction of Improvements that Disturb or Remove Exterior Paint

A part of the Leasehold Improvement costs, Landlord and City, 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.

6.4 Improvements at the beginning of the 2nd Extension Term.

(a) If City has duly extended the Term and exercises the 2nd Extension Option, then Landlord shall provide an allowance of \$8.00 psf, increased by the proportional increase in the Consumers Price Index as provided below (the "2nd Extension Allowance"), for improvements to be made by Landlord to the Premises within 180 days following the City's delivery of approved legislation authorizing the second Extended Term. The parties anticipate that the 2nd Extension Allowance will be used to repaint and re-carpet the Premises, although the City may specify other work to be completed instead, subject to Landlord's approval. For any such repainting and recarpeting, City's only responsibility shall be to clear desktops, disconnect and remove computers and remove other loose materials. Neither Landlord or its contractor(s) shall be liable to City and/or its employees for any damage to any furniture, fixtures or equipment (FF&E), or personal property occurring during such work of improvement unless such damage results for Landlord and/or its contractor(s) gross negligence or willful misconduct. The above notwithstanding, at City's option, Landlord's contractors shall insure against such damage and the cost of such insurance shall be paid from the 2nd Extension Allowance. Work shall be done after hours and in such a way as to minimize noise, fumes, and disruption to City's operations.

(b) Calculation of the 2nd Extension Allowance

The actual 2nd Extension Allowance shall be calculated 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 start of the Second Extended Term (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 per square foot 2nd Extension Allowance shall equal \$8.00 multiplied 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 base year 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.

7. ALTERATIONS

7.1 Alterations by City

City shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Premises without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. However, the installation of furnishings, fixtures, equipment or decorative improvements, none of which affect the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Building (collectively, the "Building Systems") 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 be entitled to reimbursement of any reasonable administrative costs it incurs in reviewing any proposed Alteration, provided that Landlord shall notify City of its estimated administrative costs prior to Landlord's review of the proposed Alteration. If City does not consent to the amount of such fee, City shall have the right to withdraw its request for Landlord review of the proposed Alteration and City shall not perform, nor shall Landlord review, such proposed 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.

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 reasonably acceptable document to Landlord 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 City's Personal Property from the Premises within thirty (30) days after the Expiration Date (but if it does not remove City's Personal Property within such time it shall have waived any rights it may have had to City's Personal Property), and (ii) will repair any damage caused by the removal of City's Personal Property. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of City's Personal Property to enter the Premises and remove such property at any time during the Term or within thirty (30) days after the Expiration Date.

7.4 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 by Landlord pursuant to its obligations under this Lease. 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 the Property and the Building Systems in good condition and operation, consistent with similar facilities/office properties of comparable rent, age, and size in the vicinity including the exterior walls and structural portions of the Building, including, without limitation, the roof, foundation, bearing and exterior walls and subflooring, exterior lighting, the electrical and plumbing to and from the Buildings and the heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, and other mechanical, electrical and communications systems of the Building (collectively, the "Building Systems"), and including graffiti removal and parking lot maintenance. Tenant shall immediately give Landlord written notice of any defect or need of repairs in such components of the Building for which Landlord is responsible, after which Landlord shall have a reasonable opportunity and the right to enter the Premises at all reasonable times to repair same. Landlord's liability with respect to any defects, repairs, or maintenance for which Landlord is responsible under any of the provisions of this Lease shall be limited to the cost of such repairs or maintenance, and so long as Landlord uses commercially reasonable efforts to limit interference or disruption of Tenant's use there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of repairs, alterations or improvements in or to any portion of the Premises, the Building or the Project or to fixtures, appurtenances or equipment in the Building. The Building Systems shall exclude the City's communications system. Landlord shall maintain the HVAC Systems in good repair pursuant to the standards set in Section 9.2 (d) (HVAC).

8.2 City's Repairs

Subject to Landlord's warranty under Section 10.1 (Premises Condition), any construction warranties or guaranties received in connection with Landlord's completion of the Leasehold Improvements, and Landlord's repair and maintenance obligations hereunder, City shall maintain the Property in a clean, safe and attractive manner and shall repair and maintain at

its cost the Building and the Property including, without limitation, interior and exterior doors and hardware, interior and exterior windows, interior electrical and plumbing systems, and shall keep the Building and the Property in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. City shall not permit to be done in or about the Property anything that is illegal, is dangerous to persons or property or constitutes a nuisance. City shall make any such required repairs and replacements **(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, or in relation to ADA or CASp.

City shall have the right to request Landlord, (but Landlord reserves the right to decline such request), perform the above maintenance and repair at City's pre approved written cost.

8.3 Liens

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

9. UTILITIES AND SERVICES

9.1 Landlord's Provision of Utilities

Landlord shall be responsible for maintaining the existing main lines for electricity, gas, water and sewer utilities to the Building in a good condition; however, if the necessity for such maintenance is the result of the negligence or willful misconduct of City's, or its agents, employees, or invitees, the City, at City's cost shall, make the necessary maintenance or repair.

9.2 Services

(a) Janitorial Service

City shall provide, at City's cost, janitorial service to the Premises as deemed necessary by City.

(b) Refuse and Recycling, Pest Control

City shall provide, at its sole cost, recycling, refuse removal and pest control, as deemed necessary by City.

(c) Security

City shall provide, at its sole cost, security services to the Premises, as deemed necessary by City.

(d) HVAC

Landlord, at Landlord's cost, shall maintain, throughout the term of the Lease, a service contract with a licensed and qualified contractor for maintenance of heating, ventilation and air conditioning ("HVAC"). The scope of such services shall be in accordance with the requirements of Exhibit C and Title 8 California Code of Regulations, Chapter 4. Division of Industrial Safety, Subchapter 7. General Industry Safety Orders, Group 16. Control of Hazardous Substances, Article 107. Dusts, Fumes, Mists, Vapors and Gases Section 5142, Mechanically Driven Heating, Ventilating and Air Conditioning (HVAC) Systems to Provide Minimum Building Ventilation.

9.3 Additional Services

City reserves the right to request that the Landlord, at City's cost, perform minor Lease related services or incur additional expenses not covered under this Lease from time to time, as reasonably requested by the City and approved by the Real Estate Division, acting through the Director of Property or his or her designee. If Landlord, in its sole discretion, agrees to perform such services or incur such additional expenses, City shall reimburse Landlord for the pre-approved cost for such expenses as Additional Rent within thirty (30) days after receipt of Landlord's invoice for such service or expense, including reasonable backup documentation.

9.4 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.

9.5 Disruption in Essential Utilities or Services

In the event of any failure, stoppage or interruption of any utilities or services to be furnished hereunder, City shall immediately notify Landlord of such failure, stoppage or interruption, and Landlord shall diligently attempt to restore service as promptly as possible and shall keep City apprised of its efforts. In the event Landlord is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water, elevator, fire protection, or other essential services serving the Premises (collectively, "Essential Services") and such inability of Landlord impairs City's ability to carry on its business in the Premises for (i) a period of five (5) or more business days if such failure is in the reasonable control of Landlord or (ii) a period of one hundred eighty (180) or more consecutive business days if such failure is not within the reasonable control of Landlord, then the Rent shall be abated based on the extent such inability of Landlord impairs City's ability to carry on its business in the Premises. At City's election but only with Landlord's written approval, not to be unreasonably withheld; City shall have the option to provide such services and offset the reasonable cost thereof against the Rent next due under this Lease. Such abatement, or right to provide the services and offset against Rent, shall continue until the Essential Services have been restored so that the lack of any remaining services no longer materially impairs City's ability to carry on its business in the Premises. Landlord shall use commercially reasonable efforts to restore disrupted Essential Services as soon as possible.

10. COMPLIANCE WITH LAWS; PREMISES CONDITION

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

Landlord represents and warrants to City, and covenants with City, as follows to the best of Landlord's knowledge: (a) the Building is not an unreinforced masonry building; (b) Landlord has received no notices that the Property is out of compliance with any applicable

federal, state, local and administrative laws, rules, regulations, orders and requirements relating to seismic safety (collectively, "Seismic Safety Laws"); (c) Landlord has received no notices that the Property is out of compliance with any 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"); and (d) Landlord has received no notices that the Property is out of compliance with any other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements. Without limiting Section 16.2 (Landlord's Indemnity), Landlord shall Indemnify City against any and all Claims arising out of Landlord's failure to perform its obligations under Section 8.1 (Landlord's Repairs) or any misrepresentation by Landlord under this Section.

Landlord shall at all times maintain, at its cost, the physical structure, the parking areas, the path of travel to the Buildings (including, but not limited to, the Building entrances and parking areas) in compliance with the requirements of the ADA 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 and applicable to City's activities at the Premises (collectively, "Disabilities Laws").

10.2 City's Compliance with Laws; Indemnity

City shall at all times maintain, at its cost, the interior fixtures and permanent improvements of the Premises (including, without limitation, the Leasehold Improvements) and all interior portions of the Premises in compliance with the requirements of the ADA 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 and applicable to City's activities at the Premises (collectively, "Disabilities Laws").

City agrees and acknowledges that City accepts the Premises and all portions of the Property in its as-is condition. City, at its sole cost, shall be responsible for compliance with applicable present or future federal, state, local and administrative laws, rules, regulations, orders and requirements (collectively, "Laws") specifically relating to City's use of the Building.

City shall use the Premises during the Term in compliance with applicable Laws, except that City shall not be required to make any structural alterations, additions or other modifications in order to comply therewith unless such modifications are necessary solely because of any Leasehold Improvements made by Landlord on behalf of City pursuant to Section 6 hereof, or Alterations to the Premises made by City pursuant to Section 7 hereof. Without limiting Section 16.1 (City's Indemnity), City shall Indemnify Landlord against any and all Claims arising out of City's failure to comply with all applicable Laws as provided in this Section.

10.3 Compliance with Future Laws.

In the event of a Law, which is effective after the Lease Commencement Date, calls for upgrading to the property as a whole (**eg seismic** upgrading), as opposed to the interior envelope of the subject space (which would be **City's** responsibility) such work shall be undertaken by Landlord, and Landlord and **City** shall allocate the cost of such work as follows:

(a) If the requirement for such Capital Expenditure is not triggered by **City's** specific and unique use of the Premises, or alterations or improvements installed by or on behalf of **City**, then Landlord shall pay the cost thereof, and **City** shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Rent is due, an amount equal to the product of multiplying the cost of such Capital Expenditure by a fraction, the numerator of which is one, and the denominator of which is the number of months of the useful life of such Capital

Expenditure as such useful life is specified pursuant to federal income tax regulations or guidelines for depreciation thereof (including interest on the unamortized balance as is then commercially reasonable), with Tenant reserving the right to prepay its obligation at any time.

(b) If such Capital Expenditure is required as a result of the specific and unique use of the Premises by City as compared with uses by tenants in general, City shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last two (2) years of this Lease and the cost thereof exceeds six (6) months' Base Rent, City may instead terminate this Lease unless Landlord notifies City, in writing, within ten (10) days after receipt of City's termination notice that Landlord has elected to pay the difference between the actual cost thereof and the amount equal to six (6) months Base Rent. If City elects termination, Tenant shall deliver to Landlord written notice specifying a termination date at least ninety (90) days thereafter. Such termination date shall, however, in no event be earlier than the last day that City could legally utilize the Premises without commencing such Capital Expenditures.

(c) Notwithstanding the foregoing, the above subsections (a) and (b) are intended to apply only to unexpected, nonvoluntary and new Laws and Applicable Requirements. If the Capital Expenditure is instead triggered by City as a result of City use, an actual or proposed change in use, change in intensity of use, or modification to the Premises then, in that event, City shall be fully responsible for the cost thereof and shall not have any right to terminate this Lease.

10.4 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 Premises, (c) cause an increase in the fire insurance premium for the Premises unless City agrees to pay such increase, or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason solely of any business operation being conducted by City in the Premises; provided, however, Landlord shall provide City with reasonable prior written notice of any applicable insurance requirements and no such insurance requirements shall materially and adversely interfere with City's normal business in the Premises.

11. SUBORDINATION

(a) Without the necessity of any additional document being executed by City for the purpose of effecting a subordination, and subject to subsection (b) below, this Lease shall be subject and subordinate at all times to the following (each an "Encumbrance"): (i) 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 (ii) 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, including 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 two hundred forty (240) days after Landlord obtains all necessary permits for such repairs but not later than three hundred sixty five (365) 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 twenty (20) business 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 there is substantial damage that Landlord would be required to repair hereunder, and City has not exercised an Extension Option for an Extended Term that would commence on the termination of such 6-month period, 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 untenable or unsuitable for continued use by City for its intended purposes or otherwise materially adversely affects City's normal operations in the Premises, (ii) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but Landlord is unwilling or unable to cure such condition, and (iii) City elects to terminate.

(b) In the case of a partial taking of a substantial portion of the Premises, 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 Premises taken shall, in City's reasonable judgment, render the Premises unsuitable for continued use by City for its intended purposes or otherwise materially adversely affect City's normal operations in the Premises.

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

13.5 Termination of Lease; Rent and Award

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

13.6 Partial Taking; Continuation of Lease

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

13.7 Temporary Taking

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

14. ASSIGNMENT AND SUBLETTING

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. If Landlord consents to such any assignment or sublease of City's interest in the Premises to a third party, fifty percent (50%) of any rent that City receives under such assignment or sublease in excess of the Base Rent and Additional Charges payable hereunder (or the amount thereof proportionate to the portion of the Premises subject to such assignment or

sublease) shall be paid to Landlord after City first recovers any unamortized costs incurred by City for Leasehold Improvements above the Allowance as amortized on a straight line basis over the Term)]and the cost of any additional leasehold improvements installed for the benefit of the sublessee or assignee and paid for by City, (ii) actual reasonable attorneys fees incurred in negotiation and documentation of the assignment or sublease, and (iii) the cost of any real estate commissions or other costs City incurs in connection with such assignment or sublease. Landlord's consent to any assignment or sublease of City's interest in this Lease or the Premises shall not release City of its obligations under this Lease. City shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Premises for the uses permitted under this Lease to any (i) department, commission, or agency of City, or (ii) non-profit organization, if City provides funds to such non-profit organization for such uses. Any transfer by City to a non-profit organization pursuant to the foregoing sentence shall not release City from its obligations under this Lease.

15. DEFAULT; REMEDIES

15.1 Events of Default by City

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

(a) City's failure to make any timely payment of Rent and to cure such nonpayment within five (5) business days after receipt of written notice thereof from Landlord, provided that for the first two (2) monthly payments of Rent at the beginning of the Term and for the first monthly payment of Rent after the beginning of each new fiscal year for City or following any adjustment of the Base Rent pursuant to Section 4.2, City shall have twenty (20) days to cure any such nonpayment after written notice thereof from Landlord;

(b) City's abandonment of 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

Landlord shall not be deemed in breach of this Lease unless Landlord fails to within a reasonable time to perform an obligation required to be performed by Landlord. For purposes of this Paragraph a reasonable time shall in no event be less than thirty (30) days after receipt by Landlord of written notice specifying wherein such obligation of Landlord has not been performed; provided however, that if the nature of Landlord's obligation is such that more than thirty (30) days are reasonably required for its performance, then Landlord shall not be in breach if performance is commenced within such thirty (30) day period; and provided further, that for any obligation of Landlord which if not performed materially impairs Tenant's ability to carry on its business on the Premises ("Material Obligation"), such performance period shall be ten (10) days.

In the event that Landlord fails to cure said breach within thirty (30) days, or within ten (10) days for Material Obligations, after receipt of said notice, or if having commenced cure they do not diligently pursue it to completion; then Tenant may elect to cure said breach at Tenant's expense and offset from Rent an amount equal to one month's Rent, and to pay an excess of such expense under protest, reserving Tenant's right of reimbursement from Landlord. Tenant shall document the cost of said cure and supply said document to Landlord.

Subject to the other provisions of this Lease related to abatement of Rent, if Landlord fails to cure any default within the cure periods provided above (or after commencing to cure within such cure periods does not diligently prosecute to completion), then, whether or not City elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default materially interferes with City's ability to carry on its business at the Premises. Notwithstanding the foregoing, if any such default by Landlord continues for sixty (60) days and materially impairs City's ability to carry on its business at the Premises, then City shall have the right to terminate this Lease upon written thirty (30) day notice to Landlord (the "Termination Notice") delivered within thirty (30) days after the expiration of such sixty (60) day period. Notwithstanding the foregoing, if Landlord cures such default before the expiration of the Termination Notice, then the Termination Notice shall be void and of no further force of effect and the Lease shall continue. 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 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 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 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 Landlord hereunder, Landlord may, at its sole option, elect to defend such Claim by attorneys selected by Landlord. Landlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that City shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Landlord's obligations under this Section shall survive the termination of this Lease.

17. INSURANCE

17.1 City's Self-Insurance

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

17.2 Landlord's Insurance

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

In addition, Landlord, shall procure and keep in effect at all times during the Term insurance as follows: (a) Commercial general liability insurance with limits not less than Two Million Dollars (\$2,000,000) each occurrence combined single limit for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, fire damage legal liability (of not less than Fifty Thousand Dollars (\$50,000)), personal injury, products and completed operations, and explosion, collapse and underground (XCU); and (b) Worker's Compensation Insurance with Employer's Liability Limits not less than One Million Dollars (\$1,000,000) each accident.

17.3 Waiver of Subrogation

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

carriers issuing policies relating to the 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, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, (d) posting notices of non-responsibility, and (e) altering, improving or repairing the Premises and any portion of the Building, and Landlord may for that purpose erect, use and maintain necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that the entrance to the Premises shall not be blocked thereby, and further provided that City's use shall not be interfered with.

19. ESTOPPEL CERTIFICATES

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

20. SURRENDER OF PREMISES

Upon the expiration or sooner termination of this Lease, City shall surrender the Premises to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Prior to the Expiration Date, City shall remove from the Premises all of City's Personal Property, City's telecommunications, data and computer facilities and any Leasehold Improvements or Alterations City is required to remove from the Premises pursuant to the provisions of Section 6.1(i) (Leasehold Improvements) or Section 7.1 (Alterations by City), above. City shall repair or pay the cost of repairing any damage to the Premises resulting from such removal. Any personal property of City not removed or or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by City and may be disposed of or retained by Landlord as Landlord may desire. 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 Representations and Covenants

Landlord represents and warrants to City that, to the best of Landlord's knowledge without the duty of investigation, the following statements are true and correct as of the date this Lease is signed by Landlord: (a) Landlord has received no notices that the Property is in violation of any Environmental Laws; (b) Landlord has no direct knowledge that the Property has been used for the manufacture, storage, discharge, deposit, transportation or disposal of any Hazardous Material, (c) Landlord has received no notices that the Property consists of landfill atypical for the general area in which the Property is located or contains any underground storage tanks; and (d) the Property is not subject to any claim by any governmental regulatory agency or third party related to the Release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in the Building or in, on, under or about the Property, or the migration of Hazardous Material from or to other real property. Subject to City's obligations under this Section below, Landlord shall maintain the Property throughout the Term in compliance with all Environmental Laws that could affect the health, safety and welfare of City's employees or City's use, occupancy or enjoyment of the Premises for their intended purposes.

21.3 Landlord's Environmental Indemnity

Without limiting Landlord's Indemnity in Section 16.2 (Landlord's Indemnity), above, Landlord shall Indemnify City and its Agents against any and all Claims arising during or after the Term of this Lease (a) as a result of any breach of any of Landlord's representations, warranties or covenants in the preceding Section, or (b) in connection with any presence or Release of Hazardous Material in the Building or on, under or about the Property due to the acts of Landlord or its Agents.

21.4 City's Representations and Covenants

Neither City nor its Agents shall cause (i) 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, or (ii) any Release of Hazardous Material at the Premises. City further represents and warrants to Landlord

that during the term of the 1998 Lease, neither City nor its Agents caused a Release of any Hazardous Material in the Building or otherwise in, on, under, or about the Premises.

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 and the 1998 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. GENERAL PROVISIONS

22.1 Notices

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

22.2 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.

22.3 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.

22.4 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.

22.5 Parties and Their Agents; Approvals

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

22.6 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.

22.7 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.

22.8 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.

22.9 Severability

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

22.10 Governing Law

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

22.11 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.

22.12 Attorneys' Fees

In the event that either Landlord or City fails to perform any of its obligations under this Lease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such

action is prosecuted to a judgment). For purposes of this Lease, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

22.13 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, the rent payable by City during the period of such holding over shall be one hundred twenty five percent (125%) of the monthly Base Rent in effect during the last month of the Term of this Lease for the first sixty (60) days and then thereafter shall be two hundred percent (200%) 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.

22.14 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.

22.15 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.

22.16 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.

22.17 Signs

City may not erect or post signs on or about the exterior of the Premises without Landlord's prior approval. Landlord reserves the right to reject 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.

22.18 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.

22.19 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.

22.20 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.

22.21 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.

22.22 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.

22.23 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 may terminate this Lease, without penalty, liability or expense of any kind to City, as of the last date on which sufficient funds are appropriated. Nothing in this Section shall eliminate or reduce Landlord's rights against City for any holdover tenancy or any failure by City to vacate the Premises upon the date of Lease expiration.

22.24 Prevailing Wages

Landlord agrees that any person performing labor for the Leasehold Improvements, and performing labor for any Alterations or other services that Landlord provides under this Lease that is a public work (as determined in accordance with State law), shall be (i) paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(E) of the San Francisco Administrative Code, and (ii) subject to the same hours and working conditions, and receive the same benefits, as in each case are provided for similar work performed in San Francisco County. The terms "public work" and "paid for in whole or part out of public funds" as used in this Section are defined in California Labor Code Section 1720 *et seq.*, as may be amended. Landlord shall include in any contract for such labor 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 to deliver to City upon request, certified payroll reports with respect to all persons performing such labor at the Premises.

22.25 Non Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not to Discriminate

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

(b) Subcontracts

Landlord shall include in all subcontracts relating to the Premises a non-discrimination clause applicable to such subcontractor in substantially the form of

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

(c) Non-Discrimination in Benefits

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

(d) CMD Form

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

(e) Incorporation of Administrative Code Provisions by Reference

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

22.26 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.

22.27 Bicycle Parking Facilities

Article 1.5, Section 155.3, of the San Francisco Planning Code (the "Planning Code") requires the provision of bicycle parking at City-leased buildings at no cost to Landlord. During the Term, City shall have the right to install and maintain, at its sole cost, all Class 1 Bicycle Parking Spaces (as defined in the Planning Code) and all Class 2 Bicycle Parking Spaces (as defined in the Planning Code) in the Building locations required under the Planning Code, or if such locations are not acceptable to Landlord, in any alternative locations acceptable to Landlord and approved by City's Zoning Administrator.

22.28 Resource-Efficient City Buildings

City, at its sole cost, shall be responsible for complying with or obtaining a waiver of San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction and operation of buildings owned or leased by City. Landlord, at City's sole cost, shall cause the Leasehold Improvement Work to comply with all applicable provisions of such code sections; provided, however, that the City Representative shall use diligent efforts to notify Landlord of such requirements at the time that City reviews the Construction Plans and the Construction Drawings.

22.29 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.

22.30 Effective Date

The date on which this Lease shall become effective 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 and exchanged by the parties hereto.

22.31 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.

22.32 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.

22.33 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.

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

22.35 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.

22.36 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.

22.37 Consideration of Criminal History in Hiring and Employment Decisions

Landlord agrees to comply fully with and be bound by all of the provisions of Chapter 12T of the San Francisco Administrative Code (City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions) ("Chapter 12T"), including the remedies and implementing regulations of Chapter 12T, as may be amended from time to time, in the hiring or employment any person with respect to the Leasehold Improvements Work and any additional construction work performed by Landlord and paid for by City during the Term. Landlord agrees to incorporate the requirements of this Section in any contracts it enters into for the Leasehold Improvements. The provisions of Chapter 12T are incorporated by reference and made a part of this Lease as though fully set forth herein. The text of the Chapter 12T is available on the web at <http://sfgov.org>.

Landlord shall incorporate by reference in all contracts for the Leasehold Improvements (and other construction work paid for by the City at the Premises) the provisions of Chapter 12T, and shall require all its contractors to comply with such provisions. Landlord's failure to comply with the obligations in this Section shall constitute a material breach of this Lease. City shall have the right to pursue any rights or remedies available under Chapter 12T against Landlord's contractors that violate Chapter 12T with respect to work at the Premises, including but not limited to, a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Lease. Landlord shall not be responsible for violations by its contractors of Chapter 12T, but shall cooperate with the City in enforcing Chapter 12T upon the City's request.

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

[REMAINDER OF PAGE INTENTIONALLY BLANK]

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

LANDLORD:

K.L.W. Investments, LLC, a California limited liability company

By: _____

Its _____

By: _____

Its _____

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____

JOHN UPDIKE
Director of Property.

RECOMMENDED:

Director
Human Services Agency.

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____

Heidi J. Gewertz

Deputy City Attorney

EXHIBIT A - 1

FLOOR PLAN(S)

CONSISTING OF _____ PAGE(S)

EXHIBIT A - 2

EXCLUDED PROPERTY

CONSISTING OF _____ PAGE(S)

EXHIBIT B

NOTICE OF COMMENCEMENT DATE

[Date]

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

RE: Acknowledgement of Commencement Date, Lease Between _____
(Landlord), and the CITY AND COUNTY OF SAN FRANCISCO (Tenant), for premises
known as _____ located at _____

Dear Mr. Updike:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as defined in Section 3.2 of the Lease) is _____, 20__.

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

Very truly yours,

By: _____
Title: _____

Accepted and Agreed:

By: _____
John Updike
Director of Property

Dated: _____

EXHIBIT C

HVAC

EXHIBIT D

BUILDING RULES AND REGULATIONS

[TO BE PROVIDED BY LANDLORD; SUBJECT TO CITY REVIEW AND APPROVAL]

