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CBRE, Inc.
Brokerage Services
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Landlord Counter Proposal – September 5, 2017

August 4, 2017

Mr. John Updike, LEED AP O+M
Director of Real Estate
City & County of San Francisco
25 Van Ness, Suite 400
San Francisco, CA 94102

Re: 777 Brannan Street / City and County of San Francisco

Dear John,

Thank you for your request for proposal on behalf of the City and County of San Francisco to consider leasing 777 Brannan Street. On behalf of LCL Global-777 Brannan Street, LLC (“Landlord”), we are pleased to present a lease proposal for your consideration.

Landlord would consider entering into lease negotiations with the City and County of San Francisco based upon the following terms and conditions:

- BUILDING:** 777 Brannan Street, San Francisco, CA 94103
- LANDLORD:** LCL Global – 777 Brannan Street, LLC
- TENANT:** City and County of San Francisco
- PREMISES:** The Premises shall consist of the entire building, comprised of approximately 27,154 rentable square feet (“RSF”) on floors 1-3, which shall be measured according to the BOMA 2010 Office Standard for Single-Tenant Buildings.
- USE:** Any legally permitted uses, subject to all necessary legal approvals.
- LEASE COMMENCEMENT DATE:** October 1, 2017.
- DELIVERY DATE:** June 1, 2018.

RENT COMMENCEMENT DATE: Thirty (30) days from the Delivery Date.

TERM Ten (10) full years from the Rent Commencement Date.

BASE RENT: \$37.00 per rentable square foot, NNN. The Base Rental Rate will increase 3.00% on each anniversary of the Commencement Date.

OPERATING EXPENSES AND REAL ESTATE TAXES: In addition to Base Rent, Tenant will be responsible for the Building's operating expenses, insurance, utilities costs, tax expenses, repairs and maintenance including capital items, and property management fees in the amount of three percent (3.0%) of Base Rent (collectively, the "Expenses").

LANDLORD'S BASE BUILDING WORK AND TENANT IMPROVEMENTS: Landlord shall deliver the Premises in "as-is" broom clean condition with the existing storage units in place. Following the Delivery Date, Landlord shall pay for only the cost of new fire sprinkler service and distribution and one new exit staircase (the "Landlord's Base Building Work"). Tenant shall bear the cost of all other modifications to the building (the "Tenant Improvements"). The Landlord's Base Building Work and Tenant Improvements shall collectively be referred to as the "Work". The Work will be outlined in the City's standard form Work Letter as an Exhibit to the Lease (the "Work Letter"). The Work will include a market rate construction management fee payable to an affiliate of Landlord. The portion of such fee attributable to Landlord's Base Building work will be payable by Landlord and the portion of such fee attributable to the Tenant Improvements will be payable by Tenant.

RIGHT TO PURCHASE: Landlord will consider a right to purchase by Tenant, to be negotiated.

CONSTRUCTION PROCEDURES: Landlord shall select and hire the architect and the general contractor for the Work and will be responsible for completing the Work. Plans and specifications, architect, general contractor and subcontractors shall be approved collaboratively by Landlord and the City, as required. All construction shall be completed in accordance with engineered construction documents or through a design/build process and in conformity with all building codes and City ordinances. All construction shall adhere to Landlord's reasonable construction rules and regulations. No construction shall be undertaken that would jeopardize the ongoing grandfathering of the legal, non-conforming self-storage use at the property. Process and repayment schedule by City shall be outlined in the Work Letter.

PREMISES OCCUPANCY: The Premises shall be delivered to Tenant without tenancy of any kind as of the Delivery Date above, at no additional costs nor liabilities to Tenant.

- RENEWAL OPTION:** Tenant shall have the right to extend the Term for two (2), five (5) year periods, subject to twelve (12) months' prior written notice at an initial Base Rent equal to 95% of the then Fair Market Value for comparable buildings in the area within a 6-block radius of the Premises, taking into consideration all market concessions, however not less than 103% of the Base Rent being paid as of the last month of the initial lease term.
- BUILDING ACCESS:** As of the Delivery Date, Tenant and the architects, engineers, consultants and contractors will have continuous access to the Building and the Initial Premises for the purpose of planning Tenant's work, including use of the elevators at no charge, subject to the rights of other tenants in occupancy at the time.
- BUILDING SECURITY:** Tenant, at Tenant's sole expense, will be permitted to install its own security system (which may be a card-key security system in the Premises and in common stairwells in the core of the Building) and/or provide Tenant's own security service, subject to Landlord's reasonable approval of the plans, specifications and vendor(s) for such security system and/or service.
- SUBLEASE AND ASSIGNMENT:** Tenant shall have the right to sublease or assign the Premises to a third-party subject to Landlord's consent, which consent may not be unreasonably withheld. Notwithstanding the foregoing sentence, Landlord shall have no obligation to consent to any sublease with an entity whose credit is materially inferior to that of the Tenant. Any net sublease profits shall be shared 75/25, to Landlord and Tenant respectively, subject to an agreed upon definition of net profits. The lease shall contain a recapture clause. Under no circumstances shall the Tenant assign the lease to any other entity.
- RESTORATION/NON-BUILDING STANDARD IMPROVEMENTS:** Tenant shall be required to remove all its furnishings, fixtures and equipment ("FF&E") including all phone and data cabling (to the extent required by Landlord at Lease Expiration Date) upon the expiration of the lease including applicable renewal periods. Tenant shall also be required to remove any specialized/non-building standard improvements as determined and requested by Landlord at the time of Landlord's review, comment and approval of design for said improvements.
- PLANS AND REPORTS:** Landlord shall deliver to City all material Building information in Landlord's possession, including but not limited to, environmental reports and notices, seismic/structural studies, surveys, property condition assessments and other building reports, for City's review, if requested by City.

LANDLORD REPRESENTATIONS: Landlord shall represent and warrant that (i) it has good and marketable title to the Premises, (iii) Landlord has no knowledge of any hazardous materials or contamination in or about the Premises other than asbestos as disclosed in an asbestos report (including a management plan for such asbestos) that Landlord will provide to City; and (iv) to Landlord's knowledge, as of the commencement date of the Lease, the Building and the building systems will comply with all applicable local, state and federal laws and regulations.

COMMISSIONS: Landlord shall be solely responsible for any and all real estate commissions. Landlord and Tenant agree that no broker, finder, or intermediary other than CBRE has been dealt with in regard to the lease contemplated herein.

CITY LEASE FORM: The Lease Agreement shall be based on the City and County of San Francisco's standard form lease. The final Lease Agreement is subject to negotiations with the City through its Director of Property and approval by the City's Attorney, Board of Supervisors and Mayor, in their respective sole and absolute discretion.

OTHER CITY CLAUSES: Landlord shall comply with the provisions (as applicable) specified in the San Francisco municipal codes including but not limited to: Resource – Efficient City Building (Admin. Code Sections 82.1-82.8), the MacBride Principals (Admin. Code Section 12F.1 et seq.), Prevailing Wages for Construction (SF Charter Section A&.204, and Admin. Code Section 6.33 through 6.45), the Controller's Certification of Funds (SF City Charter Section 3.105), the Tropical Hardwood and Virgin Redwood Ban (Admin. Code Section 121), Bicycle Storage (Planning Code Article 1.5), the Non Discrimination in City Contracts and Benefits Ordinance (Admin. Code Sections 12B, and 12C), Campaign Contribution Limitations (Section 1.126 of City's Campaign and Governmental Conduct Code), and First Source Hiring.

COMPLIANCE: Tenant shall be solely responsible for compliance of the Premises with all legal requirements including, without limitation, the Americans with Disabilities Act.

EXISTING USE: Tenant shall cooperate with Landlord and the City and County of San Francisco to officially preserve the long-term grandfathering of the existing self-storage use within the Building to facilitate reversion to the self-storage use after Tenant's tenancy of the Building. Final acceptance of a lease shall occur once either of the following are completed: 1) The San Francisco Board of Supervisors and Mayor, in their sole and separate discretion, adopt a Zoning Text Amendment in a form satisfactory to Landlord; or 2) City through some other method, codifies the ongoing grandfathering of use in a form satisfactory to Landlord.

SECURITY DEPOSIT: None.

BUILDING MANAGEMENT: The lease shall contain an agreement on the level of building management services to be provided.

HAZARDOUS MATERIALS: Lease to include customary covenants and indemnity from Tenant regarding hazardous materials introduced by tenant parties.

This proposal is intended solely as a preliminary expression of general intentions and is to be used for discussion purposes only. The parties intend that neither shall have any contractual obligations to the other with respect to the matters referred herein unless and until a definitive agreement has been fully executed and delivered by the parties. The parties agree that this letter/proposal is not intended to create any agreement or obligation by either party to negotiate a definitive lease/purchase and sale agreement and imposes no duty whatsoever on either party to continue negotiations, including without limitation any obligation to negotiate in good faith or in any way other than at arm's length. Prior to delivery of a definitive executed agreement, and without any liability to the other party, either party may (1) propose different terms from those summarized herein, (2) enter into negotiations with other parties and/or (3) unilaterally terminate all negotiations with the other party hereto. Only a fully executed lease with authorizing legislation approved by the Board of Supervisors and the Mayor shall bind the parties, which approval shall occur no later than thirty (30) days after the final form lease is approved by the parties. Notwithstanding anything to the contrary herein, Landlord acknowledges and agrees that no officer or employee of City is authorized to obligate City to any conditions herein, unless and until a Resolution of the Board of Supervisors has been duly enacted and approved by the Mayor, authorizing consummation of the transactions contemplated hereby.

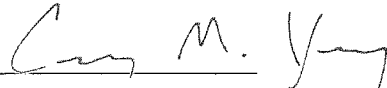
In any real estate transaction, it is recommended that you consult with a professional, such as a civil engineer, industrial hygienist or other person, with the experience in evaluating the condition of the property, including the possible presence of asbestos, hazardous materials and underground storage tanks.

Any agreement reached pursuant to these negotiations shall be subject to all applicable federal, state and local laws, regulations, codes ordinances and administrative orders having jurisdiction over the parties, property or the subject matter of this Agreement, including, but not limited to, the 1964 Civil Rights Act and all amendments thereto, the Foreign Investment in Realty Property Tax Act, the Comprehensive Environmental Response Compensation and Liability Act, and the Americans with Disabilities Act. Please feel free to contact us should you desire to discuss any element of this proposal in greater detail before preparing your response or acceptance. Any response should be submitted within ten (10) days of the date of this proposal, at which time this Proposal will expire unless otherwise extended in writing.

We appreciate your consideration on this project and we look forward to working with you.

Very truly yours,

TIDEWATER CAPITAL, LLC

By: 

Craig M. Young, Managing Principal

AGREED AND ACCEPTED:

By: _____

Name: _____

Date: _____

cc: Ross H.S. Stackhouse
Matthew S. Klimerman
Alexander S. Kaplan
Mark Geisreiter, CBRE
Matt Kroger, CBRE