STATE OF CALIFORNIA

DEPARTMENT OF GENERAL SERVICES
REAL ESTATE SERVICES DIVISION

LEASE COVERING PREMISES LOCATED AT **PUC Building** **505 Van Ness Ave** **San Francisco, CA**
LESSOR'S FED. TAX I.D. NO. OR SOCIAL SECURITY NO. _____

File No. _____:
Project No.: 129545A

Preamble

THIS LEASE, made and entered into this _____ day of _____, 2010 by and between

VAN NESS ASSOCIATES, LLC,
A DELAWARE LIMITED LIABILITY COMPANY

hereinafter called the "Lessor," without distinction as to number or gender, and the State of California, acting by and through the Director of the Department of General Services, hereinafter called the "State";

The State has sold the real property and improvements described in Exhibit A to Lessor pursuant to the provisions of Government Code Section 14670.13, and as a condition to such sale Lessor and State have entered into this "Lease."

W I T N E S S E T H:

Description

1. The Lessor hereby leases unto the State and the State hereby hires from the Lessor the real property described in Exhibit A, including a total of 269,268 rentable square feet* in the building(s), with appurtenances (including all improvements located thereon as described in Exhibit A-1), situated in the City of San Francisco, County of San Francisco, State of California. The real property described in Exhibit A and all improvements and appurtenances identified in Exhibit A-1 are collectively referred to herein as the "Leased Premises".

State shall have access to and use of the Leased Premises (including at least one fully operational elevator or more as required to serve every floor in the building or buildings) twenty four (24) hours per day, seven (7) days per week, 365 days per year, with no exceptions. Also, State (at no additional cost to State) shall have exclusive rights for itself and its sub-lessees and permittees to the use of the roof and exterior of the building, it being further understood that Lessor shall not permit any other use of the roof or exterior of the building (for any purpose other than for the repair and maintenance thereof which shall be subject to the Employee Background Checks required in Section 38) without State's express written approval which may be withheld at State's sole and absolute discretion. The Lessor agrees that the State, while keeping and performing the covenants herein contained, shall at all times during the existence of this Lease, peaceably and quietly have, hold, and enjoy the Leased Premises without suit, trouble, or hindrance from the Lessor or any person claiming under Lessor. Lessor hereby grants the State the full and exclusive right to control the exterior building lights and parking area and structure lights so long as State is paying the electricity costs and/or fees for same.

Provided further, Lessor shall at its sole cost and expense maintain a property management office in the building of which the Leased Premises are a part in a mutually agreed to location and such property management office shall not exceed 1,500 rentable square feet in size (unless State and Lessor agree otherwise). Lessor shall have, and shall

provide to the property management team, reasonably adequate access to any break rooms, locker rooms, janitorial closets, and storage areas reasonably necessary in order for the property management team to satisfy their management and operational responsibilities pursuant to a separate written property management agreement with Lessor.

*Rentable Square Feet: Defined by Building Owners and Managers Association (BOMA) 1996 as Gross Measured Area Minus Major Vertical Penetrations (MVP).

Term

2. The term of this Lease ("Lease Term") shall commence on _____, 2010 ("Lease Commencement Date"), and shall end on _____, 2030, with such rights of renewal and termination as may be hereinafter expressly set forth.

Transition Services

3. The Lessor recognizes that the State must be afforded a reasonable time to reduce its workforce assigned to the Leased Premises and to allow an orderly transition for the Lessor's employees and contractors. Therefore, after this Lease is executed and the Leased Premises is transferred to Lessor, Lessor agrees that, for a period of 60 days after close of escrow ("Transition Period"), the State will provide its own building services including janitorial services, building engineers, and building mechanics. The State will receive a rent credit for the services of the State employed janitorial personnel, building engineers and building mechanics in the daily amount of THREE THOUSAND, EIGHT HUNDRED TWENTY-NINE 03/100 DOLLARS ($3,829.03) for the first thirty (30) days and THREE THOUSAND, SIX HUNDRED NINETY 32/100 DOLLARS ($3,690.32) for the following thirty (30) days, but the State will be responsible for the payment of the services of any other State employees not in the three identified trades. During the Transition Period, the State's employees who are still assigned to the Leased Premises will be available for consultation with Lessor's employees and contractors who will be taking over these responsibilities. The parties recognize that the workforce reduction effort will be a dynamic process and certain services in specific Leased Premises may be ready to be assumed by Lessor prior to the end of the Transition Period. Therefore, during the Transition Period as State reassigns or reduces its workforce at the Leased Premises, it will provide a thirty (30) day written notice to Lessor and Lessor will assume all responsibility for the specified services at the specified Leased Premises as identified in the notice, and the foregoing daily rent credit shall be reduced by the portion of such rent credit that is attributable to each of the janitorial, building engineer, and building mechanics services upon Lessor's assumption of each of the janitorial, building engineer, and building mechanics services, as the case may be, to the extent such assumption occurs prior to the expiration of the Transition Period. At the expiration of the Transition Period, Lessor shall be responsible for all services at the Leased Premises.

Rent

4. Rental payments shall be paid by the State, from legally available funds in arrears on the last day of each month during said term as follows:

Year 1 – 5 Base Rent = $804,167 per month
EIGHT HUNDRED FOUR THOUSAND, ONE HUNDRED SIXTY-SEVEN DOLLARS ($804,167) from _____, 2010 through _____, 2015, then

Year 6- 10 Base Rent = $884,583 per month
EIGHT HUNDRED EIGHTY-FOUR THOUSAND, FIVE HUNDRED EIGHTY-THREE DOLLARS ($884,583) from _____, 2016 through _____, 2020, then

Year 11- 15 Base Rent = $973,042 per month
NINE HUNDRED SEVENTY-THREE THOUSAND, FORTY-TWO DOLLARS ($973,042) from _____, 2021 through _____, 2025, then

Year 16- 20 Base Rent = $1,070,346 per month

ONE MILLION, SEVENTY THOUSAND, THREE HUNDRED FORTY-SIX DOLLARS ($1,070,346) from _____, 2026 through _____, 2030, and thereafter.

Additional Rent. In addition to the rent provided for above (referred to herein as "Base Rent"), beginning on January 1, 2012 and each January 1 thereafter during the Lease Term, the State will automatically increase or decrease the monthly rent payable under this Lease; provided, however, notwithstanding anything to the contrary contained herein, in no event shall the Base Rent be less than the Base Rent specified above. The amount of the monthly additional rental adjustment ("Additional Rent") shall be determined by multiplying TWO HUNDRED FIFTY-EIGHT THOUSAND, NINE HUNDRED SIX DOLLARS ($258,906) by the percentage which the Consumer's Price Index** ("Index") for the preceding September 1st increased over or decreased under the same Index for the month of September 1, 2010 which shall be the base period. Notwithstanding any other provisions contained herein, no Index adjustments will accrue or be paid during any agreed periods of rent abatement.

In the event the above-mentioned Index is discontinued prior to the expiration of this Lease, the State shall immediately request the Bureau of Labor Statistics of the U.S. Department of Labor to supply a formula for the conversion of the above-mentioned Index to a similar Index then available; and, said formula shall thenceforth be the basis for computation.

**U.S. Bureau of Labor Statistics, U.S. City Average, All Items Series A (1982-1984=100), "Urban Wage Earners and Clerical Workers."

Base Rent and Additional Rent (collectively, "Rent" or "rent") payable hereunder for any period of time less than one month shall be determined by prorating the monthly rental herein specified based on the actual number of days in the month. Rent shall be paid to Lessor at the address specified in Section 7 or to such other address as the Lessor may designate by a notice in writing. Payment will be made in accordance with, and within the time specified in, Government Code Chapter 4.5, commencing with Section 927. Provided, however, if State fails to pay rent on the last day of each month and otherwise in accordance with the terms of the Lease, even in the event there is no State budget authorizing the payment of rent, then the same shall be a default by State hereunder and Lessor may pursue all legally available remedies to obtain such payment as set forth in Section 40 of this Lease.

Abatement of Rent When State Is Prevented From Using Premises. In the event that State is prevented from using, and is unable to use, the Leased Premises or any portion thereof, as a result of any damage or destruction to the Leased Premises or any repair, maintenance or alteration performed by Lessor, its employees, representatives, invitees, and/or contractors, working on the Leased Premises after the Lease Commencement Date which substantially interferes with State's use of the Leased Premises, or any failure to provide services to the Leased Premises that Lessor is required to provide hereunder, or because of an eminent domain proceeding, or because of the presence of Hazardous Materials in or on or about the Leased Premises not caused by the State which could, in State's prudent business judgment, pose a health risk to occupants of the Leased Premises (each, an "Abatement Event"), then State shall give Lessor and Lessor's lenders notice of such Abatement Event, and if such Abatement Event continues for five (5) consecutive business days or a total of ten (10) business days in any twelve (12) month period (the "Eligibility Period"), then State's Rent shall be abated or reduced, as the case may be, after expiration of the Eligibility Period for such time that State continues to be so prevented from using, and does not use, the Leased Premises or a portion thereof, in the proportion that the rentable area of the portion of the Leased Premises that State is prevented from using, and does not use, bears to the total rentable area of the Leased Premises. However, in the event that State is prevented from conducting, and does not conduct, its business in any portion of the Leased Premises for a period of time in excess of the Eligibility Period and the remaining portion of the Leased Premises is not sufficient to allow State to effectively conduct its business therein and State does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which State is so prevented from effectively conducting its business therein, the Rent for the entire Leased Premises shall be abated until such time as the Leased Premises are once again suitable for occupancy in State's prudent judgment exercised in good faith; provided, however, if State reoccupies and conducts its business from any portion of the Leased Premises during such period, the Rent allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Leased Premises bears to the total rentable area of the Leased Premises, shall be payable by State from the date such business operations commence. The foregoing provisions notwithstanding, if State's right to abatement occurs because of fire or casualty or damage or destruction to the Leased Premises

(Section 16), then the Eligibility Period shall not be applicable and State's abatement period shall continue until State has been given sufficient time, and sufficient access to the Leased Premises, to diligently and expeditiously substantially rebuild the portion of the Leased Premises if State is required by the terms of this Lease to rebuild, to install its property, furniture, fixtures, and equipment and to move in over a weekend, or until Lessor, if required by the terms of this Lease, substantially rebuilds the Leased Premises and State has been given sufficient time, and sufficient access to the Leased Premises working diligently and expeditiously to install the minimum necessary property, furniture, fixtures, and equipment as is required to substantially operate its business. The Eligibility Period shall also not be required and the Rent abatement shall commence immediately where State's inability to use the Premises arises from a shut-off of utilities to the Leased Premises and/or the building systems serving the Premises as a result of the failure of Lessor, if required by this Lease, to pay, the supplier of the applicable utility or to correct a failure of the building systems. Notwithstanding the foregoing, however, if Lessor has not cured such Abatement Event within ninety (90) days after expiration of the Eligibility Period (excluding, however, an Abatement Event which is fire or casualty or damage or destruction to the Leased Premises (Section 16), in which event the parties shall have only the termination rights set forth in Section 16, below), State shall have the right to terminate this Lease during the first five (5) business days of each calendar month following the end of such ninety (90) day period until such time as Lessor has cured the Abatement Event, which right may be exercised only by delivery of thirty (30) days' notice to Lessor and Lessor's current lenders (the "Abatement Event Termination Notice") during such five (5) business day period, and shall be effective as of a date set forth in the Abatement Event Termination Notice (the "Abatement Event Termination Date"), which Abatement Event Termination Date shall not be less than thirty (30) days following the delivery of the Abatement Event Termination Notice. Notwithstanding anything contained in this Section 4 to the contrary, State's Abatement Event Termination Notice shall be null and void (but only in connection with the first notice sent by State with respect to each separate Abatement Event) if Lessor cures such Abatement Event with such thirty (30) day period following receipt of the Abatement Event Termination Notice.

State Self-Help Rights. The parties recognize that an event may arise which would give rise to an Abatement of Rent as identified above and the Self-Help Rights specified below. In addition to the Abatement of rent and termination rights provided for above, in the event (A) Lessor (or Lessor's lenders, on behalf of Lessor) fails, refuses, or neglects to (i) after ten (10) business days following receipt of notice in writing from the State requiring Lessor to comply with the requirements of Section 8, below, in regard to a specified condition, comply with such requirements, (ii) commence corrective action within one (1) business day following receipt of notice in writing from the State to Lessor and Lessor's lenders requiring Lessor to furnish any of the services or supplies (other than janitorial and trash disposal services and supplies) set forth in Section 10, below, in a satisfactory manner, and thereafter diligently and in good faith pursue such action to completion, or (iii) following receipt of notice by Lessor and Lessor's lenders in writing from the State requiring Lessor to comply with the requirements of Section 11 and 12, below, in regard to a specified condition, reasonably comply with such requirements and thereafter, diligently and in good faith pursue such action to completion, or (B) of an emergency constituting a hazard to the health or safety of the State's employees, property, or invitees (in which case no notice to Lessor or Lessor's lenders shall be required), then the State may furnish and/or perform, as applicable, the same at its own cost; and, in addition to any other remedy the State may have, State may deduct or withhold the amount thereof, including State's administrative costs, from the rent that may then be, or thereafter become due hereunder. If State or its designee does elect to perform such maintenance or make such set forth in sub-clause (A)(iii), above, then State shall not be responsible for any liability arising out of such maintenance or repairs or any attendant liability issues therefrom and Lessor shall assume all responsibility for such maintenance or repairs performed by State; provided, however, that State shall use only State employees, designees, agents, vendors, or other contractors which are reasonably competent with regard to the performance of such maintenance or repair.

In addition, if State provides written notice to the Lessor of an event or circumstance that requires the action of the Lessor with respect to the janitorial or trash services and/or supplies, as the case may be, as set forth in Section 10 of this Lease ("Janitorial/Trash Services"), and Lessor fails to provide such action as required by this Lease within three (3) business days of the State’s notice, then (a) State may take the required action if (1) the State delivers to the Lessor an additional written notice advising the Lessor that the State intends to take the required action if the Lessor does not begin the required action within 48 hours after the written notice; and (2) the Lessor fails to commence the required action within this 48 hours period, and (b) State shall have the remedy set forth in the paragraph immediately above.

Notwithstanding any provision set forth in this Section 4 to the contrary, all notices shall be delivered concurrently to Lessor and Lessor's lender (but as to Lessor's lender, only to the extent State has notice of such lender and its address). The performance by Lessor of the obligations set forth in sub-clauses (A)(i) through (iii), above, and the Janitorial/Trash Services, shall be subject to Force Majeure (as defined below).

The term "Force Majeure" shall only apply to delay the Lessor's obligations as described in the "State Self-Help Right" section set forth above, and shall mean any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of terrorism, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions or delays, civil commotions, fire or other casualty, and other causes beyond the reasonable control of Lessor. A Force Majeure event shall excuse the performance of Lessor for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of Lessor, that time period shall be extended by the period of any delay in Lessor's performance caused by a Force Majeure. If Lessor claims a Force Majeure event, Lessor shall, as a condition to the claim of relief based on such event, give prompt written notice to State, with full details following the occurrence of the cause relied upon.

Property Tax

5. Lessor shall be responsible for the payment of all Property Taxes ("Property Taxes" are the Ad Valorem taxes applied to the real property) and/or Special Assessments ("Special Assessments" are any taxes or special assessments such as Building Improvement Districts, Mello-Roos, School Fees, etc) applicable to the Leased Premises (including any increases in the same as a result any subsequent sales or transfers of the Leased Premises). Lessor shall submit to the State, at the earliest date possible, copies of all applicable Property Tax bills dated and stamped as being paid by the Tax Collector's Office on the Leased Premises for each fiscal year during the Lease Term or any "Extended Term," as that term is defined in Section 36 below. Notwithstanding the foregoing, (i) State shall have the right to secure a determination of tax exempt status of the Leased Premises from the applicable authorities and Lessor shall fully cooperate with State as required, and (ii) if the Leased Premises are determined to be exempt from any Property Taxes or any Special Assessments, then the State shall be provided with an annual credit against its Rent in an amount equal to the product of the applicable Mill Rate and the purchase price allocated to the Leased Premises by the applicable Tax Assessor and/or Special Assessments. Any subsequent sales or transfers of the Leased Premises shall not change or otherwise alter the calculation of such foregoing annual credit.

Provided however, if there is a determination that the Leased Premises are not exempt, then, in the event that the actual Property Taxes (applicable only to the Leased Premises and the property of which they are a part) paid or to be paid by Lessor during any fiscal year beginning with the fiscal year that is the twelve (12) month period from _____, 2011 thru _____, 2012 exceed the Property Taxes for the base fiscal year which is the twelve (12) month period from _____, 2010 thru _____, 2011, the State agrees to reimburse Lessor for said increase. State's payment for such increases shall be made in twelve monthly installments (with no interest applied) and may be based upon Lessor's good faith estimates of applicable amounts of Property Taxes when necessary. Lessor's good faith estimates shall be reconciled upon Lessor's receipt and payment of tax bills for the period of time to which the good faith estimate applied and State shall be credited or charged as appropriate for the difference between the good faith estimate of the amount of Property Taxes due and the actual amount paid as evidenced by the tax bills for the applicable period of time, each dated and stamped as being paid by the Tax Collector's Office. In the event the Property Taxes in any such fiscal year, as stated above, are less than the Property Taxes for the base fiscal year, the Lessor agrees to pay the State for said decrease in those Property Taxes which apply to the herein Leased Premises. Further, year over year increases in the amount paid by State for Property Tax increases shall not exceed two percent (2%) of the prior year's Property Taxes. Lessor shall submit to the State, at the earliest date possible, copies of all applicable Property Tax bills dated and stamped as being paid by the Tax Collector's Office on the Leased Premises for the base fiscal year and for each fiscal year thereafter during the term of this lease or any extension thereof.

In the event this Lease shall terminate for any reason, or in the event that State purchases the Leased Premises and the property of which they are a part, any payment made or required to be made pursuant to this section shall be prorated as of the date of such termination or purchase by State. If either party has received any payment hereunder during any fiscal year as to which he is not entitled, that party shall reimburse such payment to the other party. The State may deduct any such pro-rata share due it from any rent due and payable to Lessor.

It is specifically understood and agreed, however, that the State shall not reimburse the Lessor, its heirs, executors, administrators, successors, or assigns for any increase in Property Taxes or Special Assessments caused by changes in vesting, sale, exchange, or any other transfer of any kind, of the herein Leased Premises.

Parking

6. If the Leased Premises includes surface vehicle parking then such vehicle parking shall be provided at no additional cost to the State. If the Leased Premises includes vehicle parking as part of a building or in a separate structured vehicle parking garage (collectively referred to as "Structured Parking"), the State shall have the exclusive use of such parking: twenty-four (24) hours, seven (7) days a week, 365 days per year; provided, however, that the Lessor shall be entitled to charge commercially reasonable rates to individual users for the vehicle parking spaces in the Structured Parking. Lessor shall be responsible for the collection of rents for such vehicle parking spaces and the issuance and management of parking passes. Lessor shall coordinate with State for the number of vehicle parking spaces in Structured Parking to be allocated amongst the different agencies or departments utilizing the Leased Premises and Lessor shall have the right to the number of spaces needed to perform its obligations under the Lease.

Notices

7. All notices and correspondence herein provided to be given, or which may be given by either party to the other, shall be deemed to have been fully given when made in writing and either: 1) within three (3) days after being deposited in the United States Mail, certified and postage prepaid; or 2) within one (1) business day after being sent via an alternate commercial overnight delivery service (i.e. FedEx or similar) with receiver's signature required; and addressed as follows:

To the Lessor **RICHARD M. MAYO**
C/O ACRE, LLC
18401 VON KARMAN AVENUE, SUITE 260
IRVINE, CALIFORNIA 92612 **Phone No. (949) 502-2905**
FAX No. (949) 502-2997

And:

COLIN P. SHEPHERD
C/O HINES INTERESTS LIMITED PARTNERSHIP
445 SOUTH FIGUEROA STREET, SUITE 3750
LOS ANGELES, CALIFORNIA 90071
Phone No. (213) 629-5200
FAX No. (213) 629-1423

With A Copy To:

ALLEN MATKINS LECK GAMBLE MALLORY & NATSIS LLP
1901 AVENUE OF THE STARS, SUITE 1800
LOS ANGELES, CALIFORNIA 90067
ATTENTION: ANTON N. NATSIS, ESQ.
Phone No. (310) 788-2400
FAX No. (310) 788-2410

and to the State:

DEPARTMENT OF GENERAL SERVICES, **PHONE NO. (916) 375-4172**
REAL ESTATE SERVICES DIVISION
LEASE MANAGEMENT - **FAX NO. (916) 375-4173**
707 THIRD STREET, SUITE 5-305

WEST SACRAMENTO, CA 95605

ALL NOTICES AND CORRESPONDENCE MUST REFERENCE TENANT AGENCY AND PREMISES ADDRESS

Rental payments in the form of warrants (a warrant is the form of legal tender the State uses) shall be made payable to the party and address as provided by Lessor. Nothing herein contained shall preclude the giving of any such written notice by personal service. The address to which notices and correspondence shall be mailed to either party may be changed by giving written notice to the other party.

Conformity to Exhibits

8. Occupancy of the Leased Premises by the State shall not relieve Lessor in any respect from full compliance at all times with Exhibit "B" attached hereto. It is further understood and agreed that any installation by Lessor not in material conformity with said Exhibit "B" shall be immediately corrected by the Lessor at Lessor's sole cost and expense. State shall have the self-help remedy set forth in Section 4, above, with respect to any failure of Lessor to meet the foregoing requirements, in accordance with the terms of Section 4.

Asbestos

9. Lessor hereby warrants and guarantees that the Leased Premises will be operated and maintained free of hazard from Asbestos Containing Materials (ACM) and agrees to the conditions for survey, testing, and abatement of ACM described in Exhibit "B" as applicable. Lessor specifically agrees that, in the event the State elects to exercise its rights under the provisions of Section 35 of this Lease, any costs related to abatement or hazard from ACM shall be the Lessor's responsibility as described in the aforementioned Exhibit "B."

Services, Utilities, and Supplies

10. Subject to Section 3 of this Lease and further subject to State's obligation herein below to pay for gas and electricity, Lessor, at Lessor's sole cost and expense, at all times during the Lease Term shall furnish the following services, utilities, and supplies to the Leased Premises:

(a) Sewer, trash disposal, and water service, including both hot and cold water to the lavatories.

(b) Elevator (if any) service.

(c) Electricity, gas and/or steam, if applicable, as necessary to provide power for heating, ventilating, and air conditioning, and electrical or gas service as needed for operation of the Leased Premises and associated driveways, patios, parkways and landscaping, and for State's operations. Said gas and electricity shall be billed directly to and paid for by State.

(d) Janitorial services sufficient to maintain the Leased Premises in a clean well-maintained condition; that is, to eliminate all visible dust, dirt, litter, grime, stains, smears, finger marks, etc., to the greatest practical degree possible, by performing at least the following:

Daily:

(1) Empty and clean all trash containers, and dispose of all trash and rubbish.

(2) Clean and maintain in a sanitary and odor-free condition all floors, wash mirrors, basins, toilet bowls, and urinals.

(3) Furnish and replenish all toilet room supplies (including soap, towels, seat covers, toilet tissue, and sanitary napkins). Furnish and replenish paper towel supply in all areas of the leased space.

(4) Sweep or dust mop all hard surface floors, and carpet sweep all carpeted areas, including stairways and halls. Offices with hard surface floors in the public lobby area shall be damp-mopped daily.

(5) Remove finger marks and smudges from all glass entrance doors.

(6) Specifically check, and if action is needed, then:

a. Dust the tops of all furniture, counters, cabinets, and window sills, (which are free of interfering objects).

b. Remove spots and/or spills from the carpets, floors, and stairways.

As needed, but not less frequently than:

Twice Weekly: Vacuum all carpets.

Weekly:

(1) Damp mop all hard surface floors.

(2) Dust all window blinds.

(3) Treat stainless steel fountains and sinks to eliminate stains and mineral deposits.

(4) Spot clean the walls.

Quarterly:

(1) Strip all hard surface floors and apply a new coat of floor finish; buff as necessary to produce a uniformly shining appearance.

Semi-annually: Wash all windows (provided that the parties' acknowledge and agree that to the extent the Leased Premises does not have a certified window washing rig as of the Lease Commencement Date, Lessor shall take all necessary steps to purchase, fabricate, install, and certify the same within a commercially reasonable time period (provided further that Lessor anticipates such process may require eighteen (18) months following the Lease Commencement Date to complete)), window blinds and window coverings, light fixtures, walls, and painted surfaces.

Annually:

(1) Steam clean carpets to remove all stains and spots.

(2) Clean window coverings.

For the entire Lease Term herein (including any Extended Term), Lessor agrees that, at Lessor's sole cost and expense, Lessor shall furnish the services of an onsite professional property management company, an onsite day porter, and onsite engineers. These services shall be performed in accordance the standards and staffing levels in other comparable Class A buildings in the city where the Leased Premises are located. State shall have the self-help remedy set forth in Section 4, above, with respect to any failure of Lessor to provide the above services and supplies, in accordance with the terms of Section 4.

Repair and Maintenance

11. (a) State is presently occupying the Leased Premises, and therefore, there shall be no obligation on the part of Lessor to prepare the Leased Premises for the State's initial occupancy. Thereafter, during the Lease Term,

the Lessor shall maintain the Leased Premises in good repair and tenantable condition, so as to minimize breakdowns and loss of the State's use of the Leased Premises caused by deferred or inadequate maintenance, including, but not limited to:

(1) Generally maintaining the Leased Premises in good, operating condition and appearance and performed in a manner consistent with the practices applied at other Class A properties in the market area.

(2) Furnishing prompt, good quality repair of the building, Leased Premises equipment, and appurtenances.

(3) Furnishing preventative maintenance, including, but not limited to, manufacturer's recommended servicing of all building and site equipment serving the Leased Premises including, but not limited to, elevators (if any), electrical systems and components, heating, ventilating and air conditioning equipment, emergency power generation systems that serve the building emergency systems to the extent such systems and related equipment would customarily be part of a base building system as opposed to improvements that would customarily be installed for the benefit of a tenant, and fixtures. Lessor shall have no obligation to maintain or repair such emergency power generation systems to the extent such maintenance or repair is necessitated by State's improvements.

(4) Furnishing ongoing maintenance and prompt repair of any and all special equipment and systems (but excluding special fire suppression systems for computer rooms, special HVAC systems for computer rooms, and uninterruptable power supply systems for computer rooms, which are the responsibility of the State). Notwithstanding any provision to the contrary in this Section 11(a)(4), it is expressly acknowledged and agreed between State and Lessor that Lessor shall maintain, repair, upgrade and replace all fire and life safety related equipment (including, but not limited to, the equipment located in the fire control center) at its sole cost and expense and take all steps necessary to ensure that all fire and life safety related equipment is operational at all times; provided, however, such foregoing maintenance, repair, upgrade and replacement obligations shall not include the maintenance, repair, upgrade, and replacement of those certain systems expressly excluded from Lessor's obligations and expressly designated as the responsibility of State in the parenthetical contained in the immediately preceding sentence.

(5) Furnishing and promptly replacing any inoperative light bulbs, fluorescent tubes, ballast, starters, and filters for the heating, ventilating and air conditioning equipment as required.

(6) Furnishing touch-up painting as necessary to maintain the Leased Premises in a neat, clean and orderly condition.

(7) Annual testing and maintenance of all fire hoses and extinguishers in or adjacent to the Leased Premises.

(8) Repairing and replacing as necessary intra-building (from site perimeter to building, through building and through risers to telephone closets) network cable and inside wire cable used for voice and data transmission as provided by the public utility providing service.

(9) Repairing and replacing parking lot bumpers and paving as necessary. Repaint directional arrows, striping, etc., as necessary.

(10) On a weekly basis, sweeping parking areas and sidewalks, maintaining landscaped areas, including sprinklers, drainage, etc., in a growing, litter-free, weed-free, and neatly mowed and/or trimmed condition.

(11) Repairing carpets and replacing floor covering as necessary. Lessor, at Lessor's sole cost, shall arrange for moving of furniture and equipment prior and subsequent to the repairing or replacement of floor covering.

(12) Keeping all walkways, parking lots, entrances, and auxiliary areas free of snow, water, oil spills, debris, or other materials which may be hazardous to users of the building.

(b) Lessor shall provide prompt repair or correction for any damage to the Leased Premises subject to the provisions of Section 16. State shall have the self-help remedy set forth in Section 4, above, with respect to any failure of Lessor to provide the above services, in accordance with the terms of Section 4.

(c) Except in emergency situations, the Lessor shall give not less than three business days prior written notice to State tenants, when any pest control, remodeling, renovation, or repair work affecting the State occupied space may result in employee health concerns in the work environment.

(d) During the Lease Term and any Extended Term, Lessor, at its sole cost and expense, shall keep the Leased Premises, and the property of which it is a part, including all improvements upon said Leased Premises, including but not limited to all parking areas and parking structures, landscaping and sidewalks and men's and women's restrooms, in good condition and repair. Lessor, at its sole cost and expense, shall replace, as and when the same are reasonably required, all site and building improvements and components including without limitation: foundation; exterior and interior walls and doors, including loading and emergency doors, if any; roof; downspouts and gutters; interior and exterior structural components of the Leased Premises; internal and external building, site and parking lighting, electrical distribution and other electrical system components; plumbing systems; heating, ventilation, air conditioning and all mechanical equipment and components; fire sprinkler systems; security access system (unless State is responsible pursuant to Exhibit F) and other alarm systems; utility lines located inside or outside the Leased Premises or below the foundation or slab; and all other building systems and components. In addition, Lessor, at its sole cost and expense, shall perform or cause to be performed all maintenance, repair and other services relating to the Leased Premises and the property of which it is a part as and when the same are reasonably necessary , including, but not limited to, landscape maintenance, driveway, sidewalk and parking areas and structures maintenance, exterior and interior lighting maintenance (to include replacement of lighting tubes, lamp ballasts and bulbs), waste removal, repair and maintenance of all paved or hardscape areas, exterior painting for the building, exterior plumbing for the building, exterior and interior window washing, insect and pest extermination, security access system (unless State is responsible pursuant to Exhibit F) for the Leased Premises and building, signs for the Leased Premises and building and miscellaneous maintenance.

Painting, Carpet & Floor Covering

12. During the Lease Term and any Extended Term, Lessor agrees, at Lessor's sole cost and expense, to repaint all painted surfaces ([X] interior and [ ] exterior) of the Leased Premises in accordance with the attached Exhibit "B". Lessor shall be required to repaint on or after the first sixty (60) month period of this Lease, and once during any succeeding sixty (60) month period. Scheduling and colors are to be approved by the State. Lessor, at Lessor's sole cost, shall arrange for moving of furniture and equipment prior and subsequent to the repainting, and provide drop cloths, and covers as necessary.

In addition, Lessor shall, at Lessor's sole cost and expense, replace all carpet and floor coverings throughout the Leased Premises in accordance with the attached Exhibit "B" and as further specified herein. Lessor shall replace such carpet and floor coverings at the end of the first one hundred twenty (120) month period of this Lease, and once during any succeeding one hundred twenty (120) month period. Lessor shall arrange for and complete the replacement of all carpeting and floor covering and shall be solely responsible for all costs incurred to do so. All carpet and floor covering and scheduling for replacement of same is to be approved by the State. Lessor, at Lessor's sole cost, shall arrange for moving of furniture and equipment prior and subsequent to the replacement of carpet and floor covering.

With respect to Lessor's obligations for repainting and for replacing carpet and floor coverings as described herein above, upon written notice from State requesting either or both of same as provided for herein above, Lessor

shall make a good faith, diligent effort to cooperate with State in the coordination and timely completion of same. The Lessor will cooperate with the State and the occupants of the space in scheduling the work to ensure the least possible disruption of normal operations in that space.

Change Orders and Alterations

13. The State shall have the right during the existence of this Lease to make alterations; attach fixtures; and erect additions, structures, or signs in or upon the Leased Premises except (i) structural alterations, and (ii) alterations which may be reasonably anticipated to have a material and adverse affect on the systems and equipment serving the Leased Premises, each of which must have Lessor's prior written approval, which shall not be unreasonably withheld, conditioned or delayed. All alteration projects which are estimated to cost in excess of Five Hundred Thousand Dollars ($500,000.00) must have Lessor's prior written approval which shall not be unreasonably withheld, conditioned or delayed. Such fixtures, additions, structures, or signs so placed in or upon or attached to the Leased Premises under this Lease during the Lease Term or any Extended Term shall be and remain the property of the State and may be removed therefrom by the State prior to the termination or expiration of this Lease or Extended Term, or within a reasonable time thereafter; provided, however, to the extent that State elects to remove any of such alterations or other foregoing items, State shall use reasonable efforts to repair any damage caused by such removal such that the location in which such alteration or other item had been installed has an undamaged, neat and clean appearance. All property permitted to be removed by the end of the Lease Term that remains in the Leased Premises after the expiration of the Lease Term shall be deemed abandoned. State shall obtain insurance policies reasonably required by Lessor (including workers' compensation and all-risk builders risk property insurance) in connection with all alterations performed by the State. The State shall discharge all violations and liens arising in connection with any alterations performed by the State and shall indemnify Lessor from any and all losses, costs, or damages associated therewith.

In the event alterations, fixtures, additions, structures, or signs in or upon the Leased Premises are desired by State and State elects not to perform the work, any such work, when authorized in writing by the State shall be performed by the Lessor in accordance with plans and specifications provided by State. Lessor agrees to obtain competitive bids from at least three licensed contractors and to contract with the lowest responsible bidder unless otherwise designated by State. Lessor further agrees that the overhead and profit for the work shall not exceed fifteen percent (15%) total for Lessor and any general contractor combined. Lessor shall render bills to State thirty (30) days prior to the date any payments related to the alterations are due (and State shall pay such amount to Lessor at least five (5) business days prior to the date such payments are due), during construction of the alterations, so as to enable Lessor to pay the architects, engineers, general contractor, subcontractors, materialmen, suppliers, and any other vendors (including the overhead and profit percentage payable to Lessor and any general contractor pursuant to the immediately preceding sentence) in connection with such alterations without advancing Lessor's own funds. Notwithstanding anything to the contrary set forth in this Lease, if any such alterations performed by or on behalf of State shall potentially cause the disturbance of any ACM in the Building, and (i) such alterations require Lessor's consent hereunder, then Lessor shall inform State of any such potential ACM disturbance, and if State thereafter elects to proceed with such alterations, State shall be solely responsible for all costs incurred as a result of any such actual ACM disturbance (provided that if Lessor fails to so inform State, Lessor shall be responsible for any costs incurred in connection with such actual ACM disturbance), or (ii) such alterations do not require Lessor's consent hereunder, then State shall be solely responsible for all costs incurred as a result of any such actual ACM disturbance.

Assignment and Subletting

14. The State shall not assign this Lease without prior written consent of Lessor, which shall not be unreasonably withheld, conditioned, or delayed, provided however, no assignment shall release the State from its obligations under this Lease unless expressly agreed to by the Lessor. The State may authorize any agency, department, board, commission or other entity of the State of California (a “State Governmental Entity”) to use the Lease Premises and such authorization shall not be deemed to be a subletting. In addition, the State may authorize any local governmental entity, non-profit, or contractor performing a State governmental function or services pursuant to an agreement with a State Governmental Entity, and such authorization shall not be deemed to be a subletting. The State may sublet any or all of any retail portion of the Leased Premises to private entities without the prior written consent of Lessor if such uses are the types of retail uses authorized to conduct business under

applicable city or county ordinances. The State may sublet any or all of any non-retail portion of the Leased Premises to private entities for office uses without the prior written consent of Lessor. The State may sublet any or all of any non-retail portion of the Leased Premises to private entities for non-office uses or any or all of any retail portion of the Leased Premises to private entities for non-retail use with the prior written consent of Lessor which shall not be unreasonably withheld, conditioned, or delayed. In addition, the State may not pledge its interest in this Lease without the prior written consent of Lessor and Lessor's lender(s), which may be withheld in Lessor's and Lessor's lender(s)' sole discretion.

Inspection and Access to Leased Premises

15. Subject to the Employee Background Check requirements described in Section 38 of this Lease**,** the Lessor and its authorized employees, agents and contractors shall have the right to enter the Leased Premises in order to render the services and make any necessary repairs to the Leased Premises required under this Lease. Lessor shall provide written notice to the State at least two (2) business days in advance if it needs perform any special inspections (provided that such special inspections shall not include the provision and/or the performance by Lessor of Lessor's obligations under Sections 10 and 11, above). Lessor shall provide written notice to the State at least thirty (30) business days in advance of any tests of fire alarms or other systems, or repairs, or maintenance that may impact occupants of the building or buildings, so that such occupants can be provided adequate notice. Irrespective of the above notice requirements, Lessor shall coordinate with the State regarding its plans and activities regarding the Leased Premises so that the State will be able to communicate with the occupants of the building or buildings, and so that such occupants can be provided adequate notice of activities that may impact their use. In addition, the Lessor and its authorized employees, agents and contractors who will be entering the Leased Premises agree to provide information required by the State to perform security back ground checks if the State determines that such information is needed for security purposes.

Fire and Casualty Damage

16. (a) Lessor will make no claim of any nature against State by reason of any damage to the business or property of Lessor in the event of damage or destruction by fire or other cause. If the Leased Premises is composed of a single building then this Lease shall automatically terminate if the building is totally destroyed.

(b) **Partial Destruction of Leased Premises**. If the Leased Premises, or a single building or portion of one or more buildings if the Leased Premises is composed of more than one building, are damaged by any casualty and, in Lessor's reasonable opinion, the Leased Premises (including any alterations made to the Leased Premises by State) can be restored to its pre-existing condition within ninety (90) days after the date of the damage or destruction, Lessor shall promptly and with due diligence repair any damage to the Leased Premises (including any alterations to the Leased Premises made by State) and Rent shall be abated as provided in Section 4. If such repairs cannot, in Lessor's reasonable opinion, be made within said ninety (90) day period, then Lessor may, at its option, exercisable by written notice given to State within thirty (30) days after the date of the damage or destruction, elect to make the repairs within a reasonable time after the damage or destruction, in which event this Lease shall remain in full force and effect but the Rent shall be abated as provided in Section 4. If Lessor does not so elect to make the repairs, then either Lessor or State shall have the right, by written notice given to the other within sixty (60) days after the date of the damage or destruction, to terminate this Lease, or, if the Leased Premises is composed of more than one building, then terminate this Lease as to the single building or buildings so damaged, as of the date of the notice; provided that if this Lease continues as to the remaining buildings then rent shall be prorated accordingly based on the rentable square footage of such remaining building(s). In the event Lessor does terminate this Lease and thereafter elects to make the repairs within six (6) months of the notice to terminate, then, at State's election, this Lease shall be reinstated. Lessor agrees not to use an event of partial destruction as an excuse to terminate this Lease with the hidden intent to later make the repairs and reuse the Leased Premises.

(c) **Waiver**. The provisions contained in this Lease shall supersede any contrary laws now or hereafter in effect relating to damage or destruction, and State and Lessor hereby waive the provisions of California Civil Code Sections 1932(2) [termination where greater part of thing hired perishes] and 1933(4) [automatic termination upon destruction of thing hired].

(d) It is understood and agreed that the State or its agent has the right to enter its destroyed or partially destroyed leased facility no matter what the condition. At the State's request, the Lessor shall immediately identify appropriate access to the building. If the Lessor cannot identify appropriate access, it is agreed that the State may use any and all means to access the leased facility at its discretion.

(e) In the event State exercises its purchase rights pursuant to this Lease, the provisions of this Section 16 shall control and be in full force and effect until title transfers pursuant to this Lease.

(f) In the event this Lease is terminated by either Lessor or State pursuant to the provisions of this section, the State, may within thirty (30) days after such termination, notify Lessor in writing that it desires to obtain an option to purchase and Lessor shall within five (5) days grant State an option to purchase the Leased Premises, or, if the Leased Premises is composed of more than one building, then as to the building or buildings so damaged, in accordance with Exhibit C. Where the Leased Premises is composed of more than one building and the option is to purchase one of more buildings then Lessor also agrees to provide all necessary easements for access and utilities as well as land to allow the State to replace such building or buildings. The rights of the State under this Section 16(f) are transferable to any designee of the State which is a State agency or department or other State Affiliate (a State Affiliate shall mean any entity which controls, is controlled by, or is under common control with State). The rights and obligations of this subsection (f) shall survive the termination of this lease pursuant to this section.

Prevailing Wage Provision

17. For those projects defined as "public works" pursuant to Labor Code §1720.2, the following shall apply:

(a) Lessor/contractor shall comply with prevailing wage requirements and be subject to restrictions and penalties in accordance with §1770 et seq. of the Labor Code which requires prevailing wages be paid to appropriate work classifications in all bid specifications and subcontracts.

(b) The Lessor/contractor shall furnish all subcontractors/employees a copy of the Department of Industrial Relations prevailing wage rates which Lessor will post at the job site. All prevailing wage rates shall be obtained by the Lessor/contractor from:

Department of Industrial Relations
Division of Labor Statistics and Research
455 Golden Gate Avenue, 8th Floor
San Francisco, California 94102
Phone: (415) 703-4774
Fax: (415) 703-4771

For further information on prevailing wage: http://www.dir.ca.gov/dlsr/statistics_research.html

(c) Lessor/contractor shall comply with the payroll record keeping and availability requirement of §1776 of the Labor Code.

(d) Lessor/contractor shall make travel and subsistence payments to workers needed for performance of work in accordance with the Labor Code.

(e) Prior to commencement of work, Lessor/contractor shall contact the Division of Apprenticeship Standards and comply with § 1777.5, § 1777.6, and § 1777.7 of the Labor Code and Applicable Regulations

Fair Employment Practices

18. During the performance of this Lease, the Lessor shall not deny benefits to any person on the basis of religion, color, ethnic group identification, sex, age, physical or mental disability, nor shall they discriminate

unlawfully against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, mental disability, medical condition, marital status, age, or sex. Lessor shall insure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

Lessor shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), the regulations promulgated thereunder (California Administrative Code, Title 2, Section 7285.0 et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Government Code, Sections 11135-11139.5), and the regulations or standards adopted by the awarding State agency to implement such article.

DVBE Participation

19. The State of California supports the use of Disabled Veteran Business Enterprise (DVBE) and California Certified Small Business (SB) and State encourages the Lessor to utilize DVBE and Certified SB to fulfill its lease obligations under this Lease.

Service Companies

20. Upon the Lease Commencement Date, Lessor shall provide the State with the name, address, and telephone number of an agency or person convenient to the State as a local source of service regarding the Lessor's responsibilities under this Lease as to repairs, maintenance, and servicing of the Leased Premises and any or all related equipment, fixtures, and appurtenances.

Holding Over

21. In the event the State remains in possession of the Leased Premises after the expiration of the Lease Term, or any Extended Term, this Lease shall be automatically extended on a month to month basis, subject to thirty (30) days termination by either party by a written notice as provided for in Section of this Lease, and otherwise on the terms and conditions herein specified, so far as applicable. Rent during any holdover period shall be equivalent to one hundred and ten percent (110%) of the Base Rent plus the amount of Additional Rent paid during the last month of the immediately preceding lease term as adjusted by the Index which shall be administered in the same manner as provided for in Section 4 herein. If the State fails to vacate the Leased Premises within the notice period and remains for an extended period, Additional Rent shall be paid and prorated on a thirty (30) day month, based on the actual number of days the State occupies the Leased Premises following the effective date of termination.

Surrender of Possession

22. Upon termination or expiration of this Lease, the State will peacefully surrender to the Lessor the Leased Premises in as good order and condition as when received, except for reasonable use and wear thereof and damage by earthquake, fire, public calamity, the elements, acts of God, or circumstances over which State has no control or for which Lessor is responsible pursuant to this Lease. The State shall have no duty to remove any improvements or fixtures placed by it on the Leased Premises or to restore any portion of the Leased Premises altered by it, save and except in the event State elects to remove any such improvements or fixtures and such removal causes damages or injury to the Leased Premises, and then only to the extent of any such damage or injury.

Time of Essence, Binding upon Successors

23. Time is of the essence of this Lease, and the terms and provisions of this Lease shall extend to and be binding upon and inure to the benefit of the heirs, executors, administrators, permitted successors, and permitted assigns to the respective parties hereto. All of the parties hereto shall be jointly and severally liable hereunder.

No Oral Agreements

24. It is mutually understood and agreed that no alterations or variations of the terms of this Lease shall be valid unless made in writing and signed by the parties hereto, and that no oral understanding or agreement not incorporated herein, shall be binding on any of the parties hereto.

Service Contracts Wages and Benefits

25. All janitorial and housekeeping services, custodians, food services workers, laundry workers, window cleaners and security guards provided by Lessor pursuant to the provisions of this Lease, shall be in full compliance with the requirements of Government Code (GC) 19134 if applicable, including but not limited to the following:

(a) Lessor agrees that service contract agreements for such services will provide employee wages and benefits that are valued at eighty-five (85%) of the State Employer cost of providing comparable wages and benefits to state employees performing similar duties. For these purposes, benefits includes health, dental, and vision benefits and it also includes retirement benefits, holiday pay, sick pay and vacation pay.

(b) Lessor shall ensure that each contractor and subcontractor providing such services is provided a copy of the applicable regulations for GC 19134.

(c) Lessor agrees to certify on a quarterly basis that all contracts executed by Lessor are in compliance with GC 19134.

(d) Lessor agrees to include in the service contract agreements the applicable reporting, audit and termination for breach provisions as described in the applicable regulations for GC 19134.

Furniture, Fixtures and Equipment

26. Lessor agrees that all State furniture, fixtures and equipment (including but not limited to furniture, filing systems, office equipment, art, refrigerators and microwave ovens) installed in the Leased Premises are and shall remain the property of State and that State shall have the right to remove any of said furniture, fixtures or equipment or install additional furniture, fixtures or equipment at any time during the Lease Term and any Extended Term. The Lessor specifically acknowledges and agrees that all artwork and historical memorabilia located in the Leased Premises, whether affixed or unaffixed, is and shall remain the property of the State and Lessor agrees that it will not remove, relocate or dispose of any artwork or historical memorabilia in any part of the Leased Premises, without the prior written consent of State, which may be withheld in State's sole and absolute discretion. Upon the expiration of this Lease, if the State elects to not remove any public art, and the artist has waived any rights to such art, then the State may elect to leave such public art and it will then be owned by Lessor. Lessor shall have no duty to repair or maintain any furniture, fixtures or equipment, special equipment systems, or other personal property which is owned by State, except as otherwise expressly set forth in Sections 10 and 11, above, and Exhibit "B".

Signage & Naming Rights

27. State shall have exclusive sign rights and rights to permit advertising to the entire Leased Premises. Any other requests for installation of signage shall be subject to State's prior written approval which may be withheld in State's sole and absolute discretion. Further, during the entire Lease Term and any Extended Term, State shall have exclusive naming rights to the Leased Premises. Neither Lessor nor any third parties shall have any naming rights for the Leased Premises and Lessor is expressly prohibited from naming the Leased Premises and from granting any such naming rights to any third parties.

Compliance with Laws and Codes

28. Lessor, at its sole cost and expense, shall comply with all applicable laws and codes related to the Leased Premises to the extent that (i) Lessor receives a notice of violation of law or code that requires an action on

the part of Lessor and is from an entity other than State, and (ii) such compliance is not triggered as a result of State's use of, or the construction of alterations in, the Leased Premises (provided that, notwithstanding the foregoing, with respect to State's alterations, Lessor, at its sole cost and expense, shall be responsible for any compliance with law requirements triggered by State's alterations if (A) such alterations require Lessor's consent hereunder, and (B) Lessor fails to inform State of any compliance with law requirements that would be triggered as a result of such alterations at the time of Lessor's consent).

Hazardous Substance

29. State agrees that it will comply with all laws, either federal, State, or local, existing during Lease Term pertaining to the use, storage, transportation, and disposal of any hazardous substance as that term is defined in such applicable law. In the event Lessor or any of its affiliates, successors, principals, employees, or agents should incur any liability, cost, or expense, including attorney's fees and costs, as a result of the State's illegal or alleged illegal use, storage, transportation, or disposal of any hazardous substance, including any petroleum derivative, the State shall indemnify, defend, and hold harmless any of these individuals against such liability. Where the State is found to be in breach of this provision due to the issuance or a government order directing the State to cease and desist any illegal action in connection with a hazardous substance, or to remediate a contaminated condition caused by the State or any person acting under State's direct control and authority, State shall be responsible for all costs and expenses of complying with such order, including any and all expenses imposed on or incurred by Lessor in connection with or in response to such government order. In the event a government order is issued naming the State or the State incurs any liability during or after the Lease Term in connection with contamination which was caused by Lessor or any person acting under Lessor's direct control and authority, Lessor shall hold harmless, indemnify, and defend the State in connection therewith and shall be solely responsible as between State and Lessor for all efforts and expenses related thereto.

Estoppel Certificates

30. Upon Lessor's written request, State shall deliver to Lessor or to any prospective purchaser or lender, within 15 business days after State’s receipt of such written request, a written statement (which statement shall be the same or materially the same as the statements contained in the Estoppel Certificate form attached as Exhibit "D" hereto ("Estoppel") consisting of the information set forth in the Estoppel, including:

(a) The status of the Lease.

(b) An explanation of any default claims State may have against Lessor.

(c) The Lease Term.

(d) The monthly rental payable.

Any such Estoppel may be relied upon by any prospective purchaser or lender of all or any portion of the Leased Premises.

Insurance

31. Lessor shall, at its sole cost and expense, furnish to the State a certificate of insurance with the State's Lease Number _____ indicated on the face of said certificate, issued to State with evidence of insurance as follows (provided that any or all of Lessor's insurance hereunder may be provided by blanket coverage maintained by Lessor or any affiliate of Lessor under its insurance program for its portfolio of properties):

(a) **COMMERCIAL GENERAL LIABILITY**: Lessor shall maintain Commercial General Liability aggregate for bodily injury and property damage with limits of not less than $10,000,000 combined per occurrence. The policy shall include coverage for liabilities arising out of Leased Premises, operations, independent contractors, products, completed operations, personal & advertising injury, and liability assumed under an insured contract. This insurance shall apply

separately to each insured against whom claim is made or suit is brought subject to the provider's limit of liability.

The policy must include State and its officers, agents, employees and servants as additional insured's, but only insofar as the operations under this Lease are concerned. The additional insured endorsement must accompany the certificate.

(b) **PROPERTY INSURANCE**: Lessor shall maintain comprehensive all risk ("Special Form") commercial property insurance including, but not limited to, loss caused by Flood on the Leased Premises for its full replacement cost with a maximum deductible of $100,000. In addition, the commercial property insurance shall include business income coverage in an amount equal to twenty four (24) months of rental payments which shall be payable to Lessor, and a coverage limit of $25,000,000 per occurrence payable to State for State's extra expenses incurred by State as a result of a covered loss. The insurance required under this Section shall cover the perils of Earthquake and Terrorism, provided that such insurance is commercially available on commercially reasonable rates and terms. The commercial property insurance policy shall include the State as "Additional Insured and loss payee" and the policy shall include a waiver of subrogation in favor of the State of California. The waiver of subrogation endorsement must accompany the certificate.

(c) **WORKERS' COMPENSATION**: Lessor shall maintain statutory workers' compensation and employer's liability coverage for all its employees who will be engaged in the performance of this Lease, including special coverage extensions where applicable. Employer's liability limits of $1,000,000 shall be required, and the policy shall include a waiver of subrogation in favor of the State of California. The waiver of subrogation endorsement must accompany the certificate.

(d) **EMPLOYEE DISHONESTY**: Lessor shall maintain blanket employee dishonesty insurance with a limit of not less than $1,000,000. The policy shall contain an endorsement naming the State of California as loss payee. The loss payable endorsement must accompany the certificate.

(e) **POLLUTION LIABILITY**: When Lessor is conducting demolition and construction activities on the Leased Premises, Lessor shall maintain, or shall cause its hazardous materials subcontractor(s) to maintain, Pollution Liability coverage of not less than $3,000,000 each occurrence. The policy must include the State of California as additional insured. The additional insured endorsement must accompany the certificate.

The Transporter of hazardous materials, whether the LESSOR or its subcontractor, shall provide to the State a copy of its MCS-90 Endorsement included as part of its auto liability policy.

(f) **BUILDERS RISK/INSTALLATION FLOATER**: When Lessor is conducting demolition and construction activities on the Leased Premises, Lessor shall maintain or cause its contractors to maintain in force, at its or their sole cost and expense, during the construction of any improvements, Builders Risk/Installation Floater covering the labor, materials and equipment necessary for any completion of demolition work and construction of Improvements, against all risks or direct physical loss, excluding earthquake and flood, in an amount equal to the Lessor's stated or contracted cost to complete the demolition of existing facilities and construction of the Improvements. The Builders Risk policy or endorsement shall have either a "waiver of occupancy" endorsement, or a 'consent to occupy" endorsement allowing partial occupancy while work continues and/or proceeds on other portions of the project.

(g) **GENERAL REQUIREMENTS**: Lessor shall ensure that the following general requirements are met:

(1) Insurance Companies must be acceptable to Department of General Services, Office of Risk and Insurance Management.

(2) The State reserves the right to require complete certified copies of all required insurance policies, including endorsements, affecting the coverage required by this Lease at any time.

(3) Coverage needs to be in-force for complete term of this Lease. If the insurance policy expires during the term of this Lease, a new certificate must be received by the State within thirty (30) days following the expiration date of the existing policy. This new insurance must still meet the terms of the original contract.

(4) Insurance policies shall contain a provision that coverage will not be cancelled without thirty (30) days prior written notice to the State.

(5) Lessor is responsible for any deductible or self-insured retention contained within the insurance program.

(6) In the event Lessor fails to keep in effect at all times the specified insurance coverage, State shall provide written notice thereof to Lessor and Lessor's lender to the extent State has notice of such lender and its address. If Lessor, or Lessor's lender, on behalf of Lessor, fails to comply with the terms of this Section 31 within 30 days after receipt of such notice, as applicable, then the State may, in addition to any other remedies it may have, terminate this Lease upon the occurrence of such event, subject to the provisions of this Lease.

(7) Any insurance required to be carried shall be primary, and not excess, to any other insurance carried by the State.

(8) Failure to Maintain Insurance. If Lessor fails or refuses to provide a copy of the insurance certificates within fifteen (15) days of a written request by State, together with evidence of payment of premiums therefore, or otherwise fails or refuses to procure or maintain insurance as required by this Lease, State shall have the right, at State's election, and without notice, to procure and maintain such insurance. The premiums paid by State shall be due and payable from Lessor to State within ten (10) days following the date of notice to Lessor that such premiums were paid by State. State shall give prompt written notice of the payment of such premiums, stating the amounts paid and the names of the insurer(s) and insured(s). The lapse or cancellation of any policy of insurance required herein, in whole or in part for the benefit of State, shall be a default. No cure of such default can be accomplished unless a new or renewed policy is issued which specifically provides the required coverage to State for any liability arising during the lapsed or previously uncovered period.

(9) Application of Proceeds. The proceeds of any property insurance required to be maintained by the provisions of this Section 31 shall be payable to Lessor whether or not such insurance proceeds are used to restore the Leased Premises.

(10) It is agreed that State shall not be liable for the payment of any premiums or assessments on the required insurance coverage.

(h) **PROFESSIONAL LIABILITY**: Lessor, along with any of its consultants engaged to perform any work pursuant to this Lease, shall maintain Professional Liability insurance with limits of at least $10,000,000.00 covering any damages caused by an error, omission or negligent act of the Lessor in connection with the work provided such claims arise during the period commencing upon the preparation of the construction documents and ending five (5) years following substantial completion.

(i) It is understood that this Lease shall likely extend for many years as a result of Tenant's exercise of its option to extend the Lease Term pursuant to the terms of Section 36 below; therefore, from time to time, State may, in its sole discretion, change the insurance requirements of this Section 31 to deductibles, limits, terms or conditions that are at that time reasonably commercially available and in keeping with industry practices for a lease of a similar nature.

(j) Lessor (to the extent above provided) and State (to the extent State obtains third party insurance in connection with this Lease) intend that their respective property loss risks shall be borne by reasonable insurance carriers, and Lessor and State hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such loss is of such a nature as is actually insured or required to be insured under this Lease. The parties each hereby waive all rights and claims against each other for such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right to the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder.

Subordination, Non-Disturbance and Attornment Agreement

32. Lessor shall deliver to State, concurrently with the execution of this Lease by Lessor and State, Subordination, Non-Disturbance and Attornment Agreements, which are the same or materially the same as the Form attached as Exhibit "E" hereto, from any and all mortgage holders or lien holders ("Lenders") of Lessor then in existence. Any obligation to subordinate State's interest in this Lease, and attorn, to future Lenders shall be conditioned upon State receiving a Subordination, Non-Disturbance and Attornment Agreement which is the same or materially the same as the form attached as Exhibit "E" hereto.

Recording of Memorandum of Lease and Lender Notice(s) to State of California

33. At any time during the Lease Term and any Extended Term and immediately upon receipt of written request to do so from State, Lessor shall record a notarized Memorandum of this Lease, in a form satisfactory to State, signed by both State and Lessor, in the public land records of the county in which the Leased Premises is located. Further, any lender(s) who has recorded a Deed of Trust or similar lien against the property that includes the herein Leased Premises shall provide copies to the State of any deficiency notices delivered to the Lessor, including but not limited to Notice of Default or Notice of Payment Delinquency. The State is hereby authorized to record a Request for Notice of Default and the Lessor agrees that the State shall have the right to cure any mortgage payment default and deduct any amounts so paid from rent payments due.

Continuity of Ownership & Future Development

34. Lessor agrees that at all times during the entire Lease Term and any Extended Term, the Lessor under this Lease shall be the holder of fee title for the entire property (i.e., Lessor may transfer such fee title (subject to State's rights set forth in Section 35, below) so long as the then-Lessor under this Lease continues to be the holder of fee title for the entire property), including but not limited to the entire parcel of land upon which the Leased Premises are situated and the parking structure(s), lots or areas located on said parcel of land. Lessor further agrees that during the entire Lease Term or any Extended Term, Lessor shall not build, construct or add any additional structures, improvements or appurtenant objects to the building or land of which the Leased Premises are a part without the prior express written approval of State which may be withheld in State's sole and absolute discretion.

Right of First Offer & Right of First Refusal

35. (a) **Right of First Offer**: The State may make a purchase offer at any time during the Lease Term or any Extended Term, to acquire all (but not less than all) of Lessor's interest in the property, by giving written notice thereof to the Lessor setting forth the proposed cash purchase price that the State is willing to pay therefor. The Lessor may freely reject any such purchase offer, and will be deemed to have done so if it does not affirmatively accept the purchase offer by giving written notice to the State of its acceptance thereof within thirty (30) days from the date of such purchase offer.

(b) **Right of First Refusal**: If, at any time which is at least ninety (90) days prior to the then applicable scheduled lease termination date under the Lease Term or any Extended Term, the Lessor receives a bona fide offer from an unaffiliated third party to purchase the Lessor's interest ("Lessor's Interest") in the Property that the Lessor wishes to accept, Lessor will, prior to unconditionally accepting such offer, notify the State thereof in a

written "Offer Notice" setting forth in detail the complete terms, provisions, and conditions thereof (including the representations, warranties, and indemnifications that Lessor agreed to provide to the third party, and that the third party agreed to accept). The State shall have sixty (60) days from receipt of the Lessor's written Offer Notice in which to elect to acquire the Lessor's Interest under the terms, provisions, and conditions set forth in the Offer Notice by affirmatively notifying the Lessor thereof in writing. If the State does not affirmatively and timely exercise its right to acquire the Lessor's Interest pursuant to this Section, then the Lessor shall be free to sell the same under terms, provisions, and conditions that, in general, are no less favorable to the Lessor than those set forth in the Offer Notice. If the Lessor does not consummate such a sale during a period of one hundred eighty (180) days following the end of such sixty (60) day period, then the Lessor may not effect such a sale without again complying with the provisions of this Section by delivering another Offer Notice to the State unless the Lease has previously expired in accordance with its terms.

(1) Any such conveyance shall be by grant deed ("Grant Deed") in fee simple, free and clear of all liens, encumbrances, easements, or any other title exception save and except those exceptions that the third party was willing to accept.

(2) At least twenty (20) days prior to the date of purchase set forth in said notice, Lessor shall furnish to the State an invoice for the purchase price and payment shall be made at close of escrow.

(3) The purchase shall be handled through escrow opened by the Lessor with a title company approved by the State. The State will be furnished with the policy of title insurance in the form and amount that the third party was willing to accept, but showing title vested in the State as aforesaid. All expenses of such escrow, including the title insurance premium, shall be paid by the Lessor.

(4) Lessor agrees that if State elects to exercise the purchase right hereinabove provided, Lessor will, at his sole cost and expense, repair or remedy any deficiencies in the Leased Premises which prevent the Leased Premises from fully complying with Lease Exhibit "B", or any other requirements of this Lease. Within thirty (30) days after State exercises its option to purchase the Leased Premises, State will notify Lessor of those deficiencies which require repair or remedy. If after receiving said notification, Lessor should fail, neglect, or refuse to correct the specified deficiencies within forty-five (45) days, State and Lessor will direct the escrow company to deduct and hold from the purchase proceeds the estimated total costs (including a reasonable allowance for State's expenses) of the necessary corrective action and State shall be reimbursed from the held purchase proceeds. Any above mentioned withholding of purchase proceeds shall in no manner constitute grounds for delaying the close of escrow past the date specified in State's written notice of the exercise of the option.

(5) Lessor agrees to provide a fully executed and properly acknowledged Grant Deed into escrow thirty (30) days prior to the effective date of purchase as set forth in State's written notice to exercise purchase right. Lessor's submittal of the signed and acknowledged Grant Deed into escrow shall not be contingent upon submittal of buyers escrow instructions.

(6) Any such conveyance shall be subject to and conditioned on the defeasance or prepayment, as the case may be, of the mortgage loan in accordance with its terms.

(c) **Exclusions to State's Right of First Offer and Right of First Refusal**: State's Right of First Offer and Right of First Refusal shall not apply in the event (i) Lessor desires to sell the Leased Premises and the property of which it is a part to any existing or future Affiliate of Lessor (An Affiliate which shall mean any entity which directly or indirectly controls, is controlled by, or is under common control with Lessor or any entity resulting from a reorganization of or a merger or consolidation with Lessor or any entity which acquires, or will acquire (prior to the closing date of the sale of the Leased Premises and the property of which it is a part) substantially all of the assets of Lessor's business), or (ii) of a foreclosure by, or deed-in-lieu of foreclosure to, any lender which is the beneficiary of a mortgage, deed of trust or other security instrument which is secured by all or any portion of the Leased Premises (provided that State's Right of First Offer and Right of First Refusal shall apply to any subsequent sale of the Property), or (iii) of a foreclosure on the equity interest in Lessor pursuant to a mezzanine loan or similar

financing secured by all or a portion of the equity interests in Lessor or a transfer of such equity interests pursuant to a deed-in-lieu or similar transfer, or (iv) of a third party purchase of the Property at a foreclosure sale. In the event Lessor intends to implement such a sale or transfer of the Leased Premises and property of which it is a part to such an Affiliate, at least ten (10) business days prior to the closing of such a sale or transfer to an affiliate, Lessor shall deliver to State a written affidavit, executed by an individual authorized to act on behalf of Lessor in such matters, confirming that that the applicable sale or transfer to an affiliate is in fact not a sale of the Leased Premises and property of which it is a part to an unaffiliated third party.

(d) The rights of the State are transferrable to any designee of the State which is a State agency or department or other State Affiliate.

Option to Extend Term

36. Lessor grants to State "Options" to extend the term of this Lease for six (6) additional terms of five (5) years each (each such five (5) year period, an "Extended Term"), on the same terms, conditions and covenants set forth in this Lease, except as to Base Rent and Additional Rent. Each Option shall be exercised only by written notice delivered to Lessor at least twenty-four (24) months before the expiration of the then applicable Lease Term. Further, Lessor shall deliver written notice to State at least twenty-seven (27) months, but not more than thirty (30) months before the expiration of the then applicable Lease Term, advising State of its opportunity to exercise the then applicable Option to extend the then Lease Term and in any event, State shall have a minimum of thirty (30) calendar days from its receipt of such written notice from Lessor to exercise the then applicable Option to extend the then Lease Term. If State fails to deliver to Lessor said written notice of the exercise of the applicable Option within the prescribed time period, such Option shall lapse, and there shall be no further right to extend the Lease Term. The Rent during the applicable Extended Term shall be increased on the first day of such Extended Term as follows:

First Extended Term Monthly Rent:
ONE MILLION, ONE HUNDRED SEVENTY-SEVEN THOUSAND, THREE HUNDRED EIGHTY DOLLARS ($1,177,380) from _____, 20__ through _____, 20__, then

Second Extended Term Monthly Rent:
ONE MILLION, TWO HUNDRED NINETY-FIVE THOUSAND, ONE HUNDRED EIGHTEEN DOLLARS ($1,295,118) from _____, 20__ through _____, 20__, then

Third Extended Term Monthly Rent:
ONE MILLION, FOUR HUNDRED TWENTY-FOUR THOUSAND, SIX HUNDRED THIRTY DOLLARS ($1,424,630) from _____, 20__ through _____, 20__, then

Fourth Extended Term Monthly Rent:
ONE MILLION, FIVE HUNDRED SIXTY-SEVEN THOUSAND, NINETY-THREE DOLLARS ($1,567,093) from _____, 20__ through _____, 20__, then

Fifth Extended Term Monthly Rent:
ONE MILLION, SEVEN HUNDRED TWENTY-THREE THOUSAND, EIGHT HUNDRED THREE DOLLARS ($1,723,803) from _____, 20__ through _____, 20__, then

Sixth Extended Term Monthly Rent:
ONE MILLION, EIGHT HUNDRED NINETY-SIX THOUSAND, ONE HUNDRED EIGHTY-THREE DOLLARS ($1,896,183) from _____, 20__ through _____, 20__, and thereafter.

Further, the base period for Additional Rent shall be adjusted to be the twelve (12) month period commencing during the first month of the applicable Extended Term and the base amount shall be determined by increasing the amount applicable to the immediately preceding twelve (12) month period by the percentage increase in the applicable Index. The parties shall enter into a brief lease amendment incorporating the applicable Base Rent (per above) and the revised Additional Rent provision.

LEED Certification

37. The Lessor, at its sole cost and expense, shall use commercially reasonable efforts to operate and maintain the Leased Premises so that it remains certified by the U.S. Green Building Council LEED (LEED) requirements as LEED Silver to the extent the Leased Premises has such certifications as of the date of this Lease, and shall use commercially reasonable efforts to re-commission and recertify, at Lessor's sole cost and expense, the Leased Premises to the LEED standard achieved as of the date of this Lease or better every five (5) years; provided that in connection with such efforts by Lessor, State shall, at its sole cost and expense, reasonably cooperate with Lessor relating to State's improvements in the Leased Premises and State's use and operation of the Leased Premises, in order for Lessor to meet the required certification. Lessor shall use commercially reasonable efforts to cause any tenant improvements which are designed and constructed by Lessor to be designed and certified to LEED-CI Silver or better standards; provided that in connection with such efforts by Lessor, State shall, at its sole cost and expense, reasonably cooperate with Lessor relating to State's improvements in the Leased Premises and State's use and operation of the Leased Premises, in order for Lessor to meet the required certification. Any equipment which utilizes electricity and/or natural gas which is replaced by Lessor shall be replaced with the most energy efficient equipment which is commercially available. The State shall have the right, at its sole cost and expense and subject to Lessor's prior approval as set forth in Section 13 above, to make improvements or upgrades to any equipment or lighting facilities or building systems or controls in order to improve the efficient use of electrical or thermal energy or natural gas. To the extent required by any utility Lessor agrees to assign its rights, if any, to any applicable utility rebates or incentives to the State or the State's contractors for any such energy efficiency improvements made by State. Likewise, since the State is paying for the electrical and natural gas use at the Leased Premises, if the Lessor is making repairs of improvements that improve energy efficiency, the State agrees to assign its rights, if any, to any applicable utility rebates or incentives to the Lessor or the Lessor's contractors for such energy efficiency improvements. In addition, State reserves the right to elect tariffs and/or participate in any utility programs designed to reduce demand as well as energy costs, and Lessor will cooperate with State to ensure such efforts are accomplished (provided that, in consideration of Lessor's cooperation, State shall reimburse Lessor for any costs and expenses incurred by Lessor relative to such efforts).

Security and Employee Background Checks

38. To the extent required by the express terms of Exhibit "F" to this Lease, Lessor shall be required to provide Security services and equipment and to perform employee Background Checks as described in Exhibit "F" to this Lease. If State requests Lessor to perform (i) any security responsibilities set forth in Exhibit "F" which are designated as State responsibilities (if any), or (ii) any security responsibilities in addition to those responsibilities that are required to be performed by Lessor pursuant to Exhibit "F", then State shall be solely responsible for the cost of the same. Notwithstanding anything to the contrary in this Section 38 or Exhibit "F", Lessor shall in no case be liable for personal injury or property damage in connection with Lessor's provision of security services to the Leased Premises as required hereunder so long as Lessor was in material compliance with the terms and conditions set forth in Exhibit "F" with respect to such injury or damage. Further, Lessor and State shall each cause State or Lessor, respectively, to be named as an additional insured on any insurance policy applicable to the Leased Premises and carried by any third-party security service retained by Lessor or State, as the case may be, in accordance with their respective obligations set forth in Exhibit "F".

Exterior Water Fountains

39. Lessor shall have the right to operate the exterior water fountain, if any, located at the Leased Premises at any time during the Lease Term (and any Extended Term), provided that any failure to operate the same shall not be considered a default by Lessor under this Lease. Further, Lessor shall have the right, with State's reasonable consent, to remove and/or replace the exterior water fountain at any time during the Lease Term (including any Extended Term).

Remedies for Default or Breach

40. Each party shall have all remedies available to them in law or equity as a result of a breach or default of the terms of this lease by the other party, except that Lessor shall not have any remedy which would result in the creation of a debt on the part of the State in violation of State law; provided however, in the event of Tenant's breach

of this Lease, Lessor shall have the remedy described in California Civil Code Section 1951.4 (Lessor may continue lease in effect after Lessee's breach and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, Lessor may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due. Lessor shall also have the remedy of terminating this Lease without any right to recover damages from the State which relate to payments by State under the Lease, which payments first become due and owing from and after the effective termination date.

State's Cooperation with Financing

41. In connection with any financing or re-financing of the Leased Premises by Lessor, the State shall not be required to provide any document other than the Estoppel and Subordination, Non-Disturbance and Attornment Agreements described in Exhibit D and Exhibit E, respectively (or an Estoppel and Subordination, Non-Disturbance and Attornment Agreement which are the same or in a form materially the same as the Estoppel and Subordination, Non-Disturbance and Attornment Agreements described in Exhibit D and Exhibit E, respectively). Lessor agrees that the credit of the State of California will not be provided for any financing or re-financing and that State will have no obligation to provide any covenants, continuing disclosure or any other financial information.

Condemnation

42. If the whole or any part of the Leased Premises shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, then this Lease shall continue in full force and effect, and if such competent authority issues an award or other payment in connection with such eminent domain or condemnation (or deed in lieu thereof), then Landlord shall be entitled to the portion of the award or payment attributable to the value of Landlord's ownership interest in the Leased Premises, and Tenant shall have the right to file any separate claim available to Tenant for the value of Tenant's leasehold interest in the Leased Premises pursuant to this Lease, any taking of Tenant's personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease Term pursuant to the terms of this Lease, and for moving expenses, so long as such claim is payable separately to Tenant. All Rent shall be apportioned as of the date of such taking. If any part of the Premises shall be taken, the Rent shall be proportionately abated.

Submission to Jurisdiction

43. Lessor and State each hereby agree that (i) the execution, delivery and performance by it of this Lease and all other agreements relating to this Lease constitute private and commercial acts, and (ii) they shall submit to the jurisdiction of the appropriate State courts in the State of California.

General Staffing Obligations

44. Lessor shall, on a commercially reasonable basis, provide personnel (on-site and/or off-site) to manage and operate the Leased Premises in accordance with the terms of this Lease. The State shall be responsible to staff and operate all of State's ancillary on-site support functions, such as daycare centers, cafeterias, and daily auditorium usage and scheduling (collectively, "Ancillary Functions"); provided, however, notwithstanding the foregoing, Lessor shall remain obligated to provide and/or perform, as the case may be, all services, supplies, maintenance and repairs to the portions of the Leased Premises comprising such Ancillary Functions in accordance with the terms of this Lease. Lessor shall use commercially reasonable efforts to perform standard testing of emergency equipment during State's non-working hours.

Trade Tools and Equipment

45. All of the personal property conveyed to Lessor (or Lessor's affiliate) by the State of California pursuant to Section 1.2 of that certain Purchase and Sale Agreement dated November _, 2010 shall be retained by Lessor for its useful life and utilized by Lessor for the maintenance and operation of the Leased Premises.

IN WITNESS WHEREOF, this Lease has been executed by the parties hereto as of the date first above written.

STATE OF CALIFORNIA

DEPARTMENT OF GENERAL SERVICES

Approved

By: _____
Scott Harvey, Chief Deputy Director
Date _____

LESSOR

_____
_____

By: _____
_____
_____
Date: _____

By: _____
_____
_____
Date: _____

STATE OF CALIFORNIA

SALE-LEASEBACK EXHIBITS

Exhibit A: Legal Descriptions
Exhibit A-1: Site Plan
Exhibit B: General Requirements and Specifications
Exhibit C: Terms and Conditions for Purchase of Leased Premises Pursuant to Exercise of Option
Exhibit D: Estoppel
Exhibit E: Subordination, Non-Disturbance and Attornment Agreement
Exhibit F: Security and Background Check

EXHIBIT "A"

Legal Description(s)

Real property in the City of SAN FRANCISCO, County of SAN FRANCISCO, State of CALIFORNIA, described as follows:

PARCEL ONE:
BEGINNING AT THE POINT OF INTERSECTION OF THE SOUTHERLY LINE OF GOLDEN GATE AVENUE WITH THE WESTERLY LINE OF VAN NESS AVENUE; RUNNING THENCE SOUTHERLY ALONG THE WESTERLY LINE OF VAN NESS AVENUE 24 FEET; THENCE AT A RIGHT ANGLE WESTERLY 108 FEET; THENCE AT A EIGHT ANGLE NORTHERLY 24 FEET TO THE SOUTHERLY LINE OF GOLDEN GATE AVENUE; THENCE EASTERLY ALONG THE SOUTHERLY LINE OF GOLDEN GATE AVENUE 108 FEET TO THE POINT OF BEGINNING.
BEING PORTION OF WESTERN ADDITION BLOCK NUMBER 77.

PARCEL TWO:
COMMENCING AT A POINT ON THE WESTERLY LINE OF VAN NESS AVENUE, DISTANT THEREON 24 FEET SOUTHERLY FROM THE SOUTHERLY LINE OF GOLDEN GATE AVENUE; RUNNING THENCE SOUTHERLY AND ALONG SAID LINE OF VAN NESS AVENUE 48 FEET; THENCE AT RIGHT ANGLE WESTERLY 108 FEET; THENCE AT A RIGHT ANGLE NORTHERLY 48 FEET; THENCE AT A RIGHT ANGLE EASTERLY 108 FEET TO THE POINT OF COMMENCEMENT. BEING A PORTION OF WESTERN ADDITION BLOCK NO. 77.

PARCEL THREE:
BEGINNING AT A POINT FORMED BY THE INTERSECTION OF THE NORTHERLY LINE OF REDWOOD STREET WITH THE WESTERLY LINE OF VAN NESS AVENUE; RUNNING THENCE NORTHERLY ALONG SAID LINE OF VAN NESS AVENUE 48 FEET; THENCE AT A RIGHT ANGLE WESTERLY 108 FEET; THENCE AT A RIGHT ANGLE SOUTHERLY 48 FEET TO THE NORTHERLY LINE OF REDWOOD STREET; THENCE EASTERLY AND ALONG SAID LINE OF REDWOOD STREET 108 FEET TO ITS INTERSECTION WITH THE WESTERLY LINE OF VAN NESS AVENUE AND THE POINT OF BEGINNING. BEING A PORTION OF WESTERN ADDITION BLOCK NO. 77.

PARCEL FOUR:
ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:
COMMENCING AT THE POINT OF INTERSECTION OF THE SOUTHERLY LINE OF REDWOOD STREET AND THE WESTERLY LINE OF VAN NESS AVENUE; RUNNING THENCE SOUTHERLY AND ALONG SAID LINE OF VAN NESS AVENUE 60 FEET; THENCE AT A RIGHT ANGLE WESTERLY 109 FEET, 9 INCHES; THENCE AT A RIGHT ANGLE NORTHERLY 60 FEET TO THE SOUTHERLY LINE OF REDWOOD STREET; THENCE AT A RIGHT ANGLE EASTERLY ALONG SAID LINE OF REDWOOD STREET 109 FEET, 9 INCHES TO THE POINT OF COMMENCEMENT.
BEING PART OF WESTERN ADDITION BLOCK NO. 77.

PARCEL FIVE:
BEGINNING AT A POINT ON THE SOUTHERLY LINE OF GOLDEN GATE AVENUE, DISTANT THEREON 108 FEET WESTERLY FROM THE WESTERLY LINE OF VAN NESS AVENUE; RUNNING THENCE WESTERLY ALONG SAID LINE OF GOLDEN GATE AVENUE 276.75 FEET TO THE EASTERLY LINE OF FRANKLIN STREET; THENCE AT A RIGHT ANGLE SOUTHERLY ALONG SAID LINE OF FRANKLIN STREET 120 FEET TO THE NORTHERLY LINE OF REDWOOD STREET; THENCE AT A RIGHT ANGLE EASTERLY ALONG SAID LINE OF REDWOOD STREET 276.75 FEET TO A POINT DISTANT THEREON 108 FEET WESTERLY FROM THE WESTERLY LINE OF VAN NESS AVENUE; THENCE AT A RIGHT ANGLE NORTHERLY 120 FEET TO THE POINT OF BEGINNING.
BEING A PORTION OF WESTERN ADDITION BLOCK NO. 77.

PARCEL SIX:

BEGINNING AT THE POINT OF INTERSECTION OF THE NORTHERLY LINE OF MCALLISTER STREET AND THE WESTERLY LINE OF VAN NESS AVENUE; RUNNING THENCE NORTHERLY ALONG SAID LINE OF VAN NESS AVENUE 60 FEET; THENCE AT A RIGHT ANGLE WESTERLY 109 FEET AND 9 INCHES; THENCE AT A RIGHT ANGLE NORTHERLY 60 FEET TO THE SOUTHERLY LINE OF REDWOOD STREET; THENCE AT A RIGHT ANGLE WESTERLY ALONG SAID LINE OF REDWOOD STREET 137 FEET AND 6 INCHES EASTERLY FROM THE EASTERLY LINE OF FRANKLIN STREET; THENCE AT A RIGHT ANGLE SOUTHERLY 120 FEET TO THE NORTHERLY LINE OF MCALLISTER STREET; THENCE AT A RIGHT ANGLE EASTERLY ALONG SAID LINE OF MCALLISTER STREET 247 FEET AND 3 INCHES TO THE POINT OF BEGINNING.
BEING A PORTION OF WESTERN ADDITION BLOCK NO. 77.

PARCEL SEVEN:
ALL THAT STREET KNOWN AS REDWOOD STREET, BETWEEN THE WESTERN LINE OF VAN NESS AVENUE AND THE EASTERN LINE OF FRANKLIN STREET.
EXCEPTING THEREFROM THE WESTERN 137.5 FEET, THEREOF.
BEING A PORTION OF WESTERN ADDITION BLOCK NO. 77.

EXHIBIT "A 1"

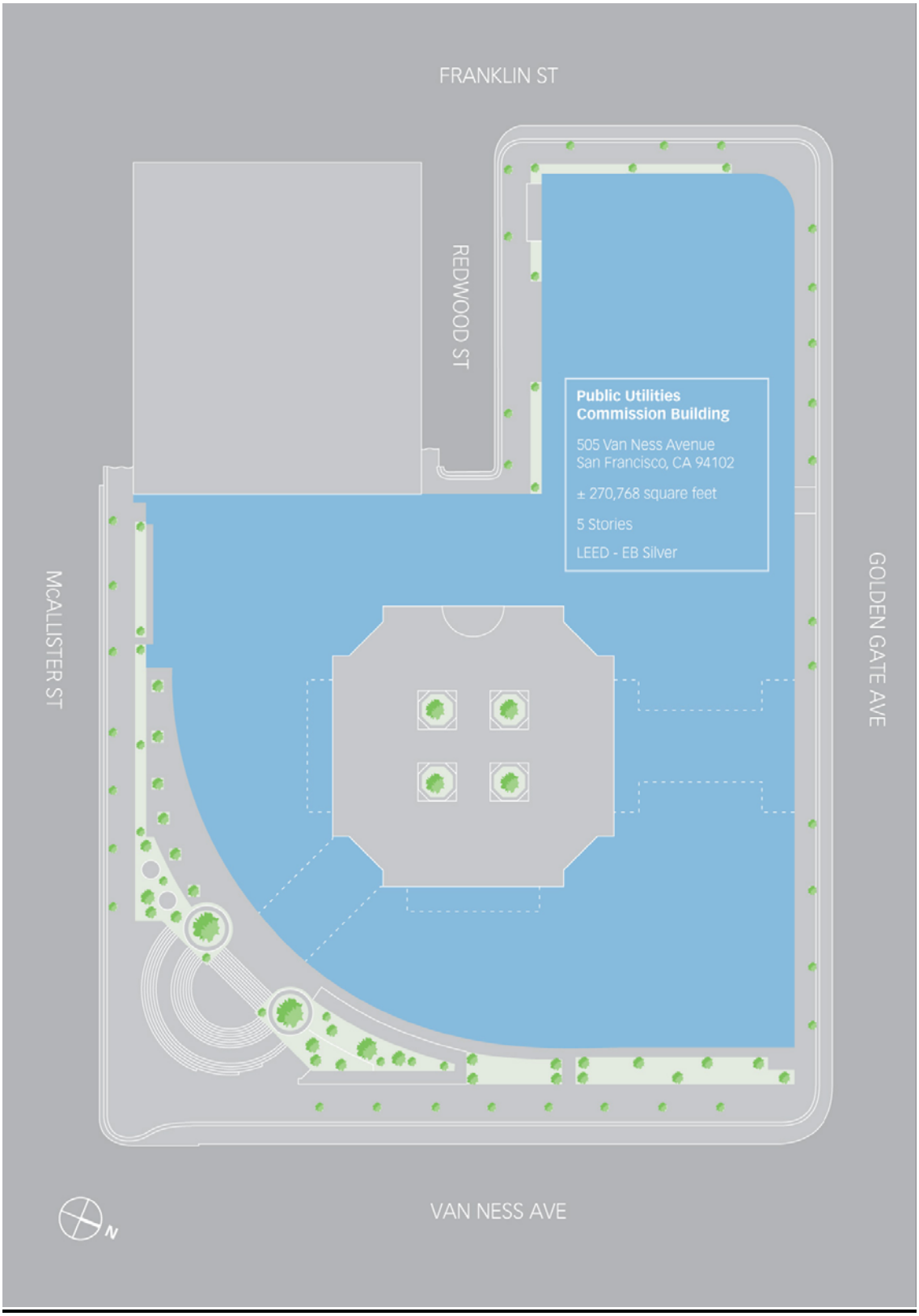
FRANKLIN ST
REDWOOD ST
Public Utilities Commission Building
505 Van Ness Avenue
San Francisco, CA 94102
± 270,768 square feet
5 Stories
LEED - EB Silver
McALLISTER ST
GOLDEN GATE AVE
VAN NESS AVE
N

EXHIBIT "B"

State of California • Arnold Schwarzenegger, Governor
State and Consumer Services Agency

D E P A R T M E N T O F G E N E R A L S E R V I C E S

Real Estate Services Division .Professional Services Branch
707 Third Street, 5th Floor • West Sacramento, CA 95605 • (916) 375-4099
www.resd.dgs.ca.gov/psb/realestate

Confirmation Statement

I/we have read this Exhibit 'B' Specification and understand it is incorporated into, and is part of, this lease. I/we have acknowledged each and every page by placing my/our initials on this cover sheet.

DIVISION 1 -- GENERAL REQUIREMENTS

01.00 LESSOR'S RESPONSIBILITIES IN RELATION TO PLANNING

A. The Lessor shall, at all times throughout the term of the Lease, operate and maintain the facility in accordance with best practices to achieve energy efficiency, sustainability, improved air quality and enable maximum recycling efforts.

01.01 TOXIC MATERIALS

A. LEAD

1. Lessor shall maintain the Leased Premises free of hazard from Lead Containing Materials (LCM) whether said hazard is caused by a deteriorated condition of said LCM or by dust generated by disturbance of same for the purpose of removal, alteration, modification, etc. Paint chip samples, and samples of other suspect LCM's shall be collected by a DHS Lead Certified Project Designer for laboratory analysis to determine lead content.

2. In the event LCM removal is required, an independent Certified Industrial Hygiene Consultant shall be retained by Lessor to inspect quality of work for compliance with applicable regulations, perform air monitoring, final clearance visual inspection, wet wipe sampling/lab analysis, and ensure proper handling/disposal of hazardous waste.

3. All conditions as referenced in the preceding Section 01.03 A, Asbestos, shall apply in like manner, generally substituting the word lead for asbestos exclusive of the cited asbestos regulations. The following Codes and Titles shall apply to the presence of LCM as pertinent and applicable.

- CCR T8, Sec 1532.1 (CAL/OSHA Construction lead Standard)
  Sec 1529 (CAL/OSHA Asbestos in Construction Standard)
  Sec 1509 (CAL/OSHA Injury & Illness prevention Program)
  Sec 1510 (CAL/OSHA Construction Code of Safe Practices)
  Sec 1514 (CAL/OSHA Personal Protection Equipment)
  Sec 5194 (CAL/OSHA Hazard Communication Standard)
  Sec 5144 (CAL/OSHA Respiratory Protection Standard)

- Title 22, CCR Sec 12601 (c) (d) Clear & Reasonable Warnings

- Title 22, CCR Div 4.5, Ch 10, 11, 13, 18 Disposal of Haz Waste

- 42 USC, 7409 7601 (a) clean Air Act

- Title X, Lead-based Paint Hazard Reduction Act of 1992

- EPA Interim Guidance on Lead-based Paint, Contaminated Dust and Soil (pending promulgation of TSCA Title IV, Sec 403 rule)

- CA Health & Safety Code Sec 429.16 Accredited Training for Lead Work

- Title 17 CCR, Sec 35001, Individuals in Lead-Related Construction Work

- 50FR 2554, EPA, Sec 50.12 Ambient Air Quality Standards for Lead

DIVISION 2 -- DESIGN AND PERFORMANCE REQUIREMENTS

B. Acceptable Carpet Types, either broadloom or carpet tiles, shall meet the requirements below:

1. "All carpet shall meet California Gold Sustainable Carpet Standard certification and provide proof of certification in submittals and upon delivery of materials. See www.green.ca.gov/EPP/Standards for more information." The only exemption to this standard is when patching or repairing within an existing field of carpet when not possible to match existing patterns with certified products. 2. Level loop, textured loop, level-cut, or level-cut/uncut pile texture and maximum pile height of 1/2" per CBC Section 1124.3, see figures A and B below.

3. Carpet edges shall comply with CBC Section 1124B.3: Changes in level up to '/4 inch vertical and without edge treatment see Figure A and for changes in level between '/4 inch and 1/2 inch shall be accomplished by means of a ramp that complies with Figure B.

Figure A

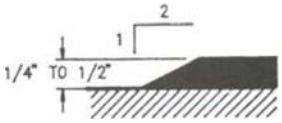

Figure B

4. Random graphic pattern loop Non-generic branded, 6 or 6,6 Nylon face yarn with inherent static control.

5. Broadloom loop pile carpet shall have inherent static control capability to assure a maximum 3.5 KV rating at 20% relative humidity and 70§ F as measured by AATCC-Test Method 134.

6. Anti-microbial properties shall be used for healthcare, senior care or childcare and 'clean' areas.

7. All carpet shall be installed per manufacturer's guidelines. Firm cushion installation that complies with CBC Section 1124B.3 is also applicable. The carpet shall be securely attached; have a firm cushion, pad or backing; and have a level loop, textured loop; level-cut pile or level-cut/uncut pile texture. The maximum pile height shall be 1/2 inch.

8. Pattern and color as per drawings or as provided by the Planner.

9. The backing shall have a 10-year guarantee against, tuft pull and zippering, and surface wear shall not be more than 10% within 10 years.

10. All adhesives used in this project shall be non-toxic, low odor, solvent free and shall have no toxic vapors and contain no carcinogenic materials.

11. All doors in carpeted areas shall be undercut sufficiently to permit free swinging.

12. Carpeting must conform to Federal Occupation, and Safety and Health regulations concerning fire proofing.

13. Carpet shall be installed in accordance with the Carpet and Rug Institute CRI 104, Standard for Installation of Textile Floor Covering Materials. The installation shall be guaranteed against bubbling, wrinkling, stretching/shrinking, opening seams, or other evidence of poor materials and workmanship for a period of two years following

installation. This guarantee shall cover normal wear and tear and note deficiencies occurring as a result of damage, negligence and/or alterations. The materials shall be guaranteed against wear, delamination, tuft bind and lightfast for a period of 10 years. The material shall remain colorfast as a result of atmospheric contaminants for a period of 5 years after installation.

14. Carpet shall be maintained in good condition per manufacturer's guidelines. It is recommended by the State that the lessor order additional carpet of the same dye lot for future repairs or replacement of damaged carpet.

C. BROAD LOOM:

1. Tuft bind for broadloom shall be 6.25 lbs., ASTM 1335

2. All scraps 12" square or larger shall be bundled and turned over to the state.

3. Minimum 26 - 28 oz/sq. yd face yarn weight, or above.

4. Density: 5800 minimum

5. Density = 36x face weight - pile thickness

D. CARPET TILE:

1. Minimum 17 oz/sq. yd face yarn weight, or above.

2. Tuft bind strength shall be minimum 10 lbs.

3. Density: 5000 minimum

4. Warranty edge ravel for 10 years

E. Floors in toilet rooms shall be of nonabsorbent material impervious to moisture such as terrazzo, ceramic tile, or approved equal material with 4" minimum base.

F. Ceramic Tile Flooring shall have a coefficient of friction of at least 0.6 per ASTM C1028 (0.8 % on sloped surfaces steeper than 6%). Unless otherwise noted by Planner, provide 2" × 2" slip resistant floor tile with 6" matching ceramic base, include all inner and outer corner and trim pieces. Wall tile shall be 4" × 4" glazed ceramic tile. All adhesives, mastics, grout and components shall be approved by the FEPA.E.1.

G. Vinyl Composition Tile, shall meet ASTM F 1066, FS SS-T-312B, Type IV, Composition 1, Class 2, 12" × 12" having uniform thickness of 1/8" with square true edges of manufacturer's standard color and pattern as selected from Armstrong "Imperial Excelon," Azrock "Custom Cortina, Tarkett "Signals" or approved equal. Product must comply with local regulations controlling the use of volatile organic compounds (VOC's) Provide one carton (40 pieces) of additional matching floor tile.

H. Resilient Flooring shall have a coefficient of friction of at least 0.6 per ASTM D2047. It shall be installed in strict accordance with manufacturer's approved installation instructions using the appropriate recommended 100% solvent free adhesive.

I. Exposed concrete floors are not acceptable in toilet rooms or showers.

02.00 <u>EXTERIOR WALLS</u>

A. Exterior walls, including door and window assemblies, shall be maintained or processed so that they are weatherproof. Seal all cracks that allow outside air to penetrate the building's envelope.

02.01 PAINTING/WALLCOVERING/SEALANTS

A. Water-based paints shall not be formulated with aromatic hydrocarbons, formaldehyde, halogenated solvents, mercury or mercury compounds, or tinted with pigments of lead, cadmium, chromium VI, antimony and their oxides.

B. When doing work such as painting, wallcovering or other work, ensure that materials used do not emit toxic fumes.

C. Colors shall be as selected or approved by the state.

D. Existing Surfaces (unless otherwise approved by the Planner).

1. Interior walls and ceilings and painted sash, doors, and trim shall be in clean, newly painted condition.

2. Walls and plaster or gypsum board ceilings shall be finished in latex semi-gloss stipple enamel.

3. Painted doors and trim shall be finished in latex semi-gloss enamel.

4. Acoustical Tile shall be finished with nonbridging paint "Off-White" when required on plans.

5. Stained or natural finished wood shall be finished with sealer and lacquer.

E. New Surfaces

1. New partitions without factory finish shall be painted with one coat of primer/sealer and two finish coats of the best quality, latex, semi-gloss enamel.

2. Painted doors and trim shall be latex semi-gloss enamel.

3. Stained or natural finish wood shall be finished with sealer and two coats lacquer. They shall be finished using non-toxic, water based, urethanes or similar environmentally sensitive products.

F. Where non-matching contiguous painted surfaces result from preparation of the State's quarters, matching paint shall be applied extending to natural break points of the surfaces in question.

G. When wallcovering is used, the selected material shall be 'breathable' in nature; allowing the substrate access air, helping to avoid mold and bacteria development. All adhesives used shall be, non-toxic, low in VOC emissions and shall be as recommended by the manufacturer.

H. Sealants: Interior sealants shall not contain mercury, butyl rubber, neoprene, SBR (styrene butadiene rubber), nitrile, aromatic solvents (organic solvent with a benzene ring in it's molecular structure), fibrous talc or asbestos, formaldehyde, halogenated solvents, lead, cadmium, hexavalent chromium, or their components.

02.02 BUILDING SPECIALTIES -- (See Section 01.02 M. Requirements for Persons with Disabilities)

A. Sunlight and Privacy Control – Equip and maintain windows and interior glazed openings, unless otherwise noted, with horizontal or vertical blinds or other Real Estate Services Division approved device for privacy. When necessary in sun control situations, the following solutions may be used: sunlit windows and glazed openings shall have exterior overhangs, fins, solar screens, reflective glass coatings, reflective glass panes, or other Real Estate Services Division approved device for sun control. A daylighting system (with provision for direct sun control) is acceptable. Confer with Planner for direction.

B. When the State occupies an entire building, provide Knox-type box near entrance, or as designated by Planner, to building which has keys, maps, instructions, or other entrance items which will aid the fire department in entering the building in case of fire or emergency.

C. Signs -- It is the intent of this paragraph to provide proper State identification for the public's information. Signage shall be placed to suit the building configuration and the entrance to the State's quarters. All signage shall comply with California Building Code (CBC), Section 1117B.5 Signs and Identification.

All building entrances that are accessible to and usable by persons with disabilities shall be identified with at least one standard sign (International accessibility symbol) and with additional directional signs, as required, to be visible to persons along approaching pedestrian ways and path-of-travel to State space.

D. Fire Extinguishers--

New and replacement fire extinguishers shall be installed and maintained throughout the space per State Fire Code requirements. Extinguishers shall be permanently mounted in recessed or semi-recessed cabinets. Cabinets mounted in fire rated construction shall be rated equal to or greater than the wall into which they are placed. Above each fire extinguisher, high on the wall shall be placed a red triangular shaped 3-D sign which has printed on it 'Fire Extinguisher' with an arrow pointing down.

E. Flagpoles--

State law requires the State and American flags to be displayed at all state buildings when the State (all agencies combined) occupies more than 50% of the available building space, or is the sole tenant.

The flags must be flown outside the building and must be prominently placed although freestanding flagpole is not necessarily required. Flying any other flags outside or on State occupied buildings will require the approval of the Director of DGS. Flagpole shall be tapered aluminum with external halyard system and snap connections for two flags. Pole shall be 30' above grade if freestanding, or 14' minimum above parapet if attached to building. At freestanding flagpoles, install cleat centered at approximately 48" above ground. Provide Title 24/ADA accessible path to pole. Provide lockable halyard box of length to enclose cleat and protect halyards to 10' above ground. For 24-hour display of flags, provide night time illumination. Said illumination system shall be sensor controlled and highly energy efficient.

02.03 PLUMBING

A. Replacement of operating water heaters and storage tanks shall be fitted and maintained with external insulation blankets rated at a minimum thermal resistance value of R-6 unless the existing insulation jacket is in excess of R-12.

02.04 HEATING, VENTILATING, AND COOLING

In existing or new space or after completion of alterations or tenant improvements, the Lessor shall operate HVAC system to provide continuous air changes for a minimum of 24 hours per day, for a minimum 7 days prior to occupancy.

A. The heating and cooling system shall be maintained to be capable of maintaining the following temperatures in all occupied areas:

Design Criteria		Operating Criteria	
Winter:	76°F	Winter:	68°F
Summer:	72°F	Summer:	78°F

B. The complete hydronic and air system shall be checked, adjusted, and balanced following the completion of alterations or tenant improvements and re-balanced two weeks after occupancy by an established air-balancing firm in accordance with the AABC Standards. A certified air balance report shall be provided to the Planner within two weeks after occupancy.

C. Minimum outside air ventilation shall be 20 cfm per person.

D. A design supply airflow of .75 cfm per s.f. in interior or windowless perimeter spaces is acceptable.

E. Filtration shall be provided and maintained for all ventilated (outside air) and recirculated air. Low static pressure filters shall be used, with 0.15" maximum pressure drop when clean, except in areas requiring a cleaner atmosphere.

F. When doing work such as painting, wallcovering or other work, ensure that materials used do not emit toxic fumes.

Before performing work which causes non-toxic fumes, notify State and any tenants and building lessor, shut off registers and radiators to vestibules, lobbies, hallways, adjacent tenant spaces and stairwells. For double duct systems, shut off cooling during heating months and heating during cooling months. Minimum ventilation requirements must be maintained. Raise cold air supply temperature, lower hot air supply temperature, lower boiler water temperature, lower condenser water temperature, and raise chilled water temperature to compensate for reduced heating and cooling load while maintaining the room temperatures in accordance with Section 02.11 C.

G. All equipment shall be inspected for proper operation at least every month. An inspection and maintenance log for time clocks and all major equipment, including the economizer, shall be posted in the mechanical room or in a convenient building location and be available upon request for state inspection. Lessor shall keep inspection and maintenance records in the format described in Title 8, General Industry Safety Orders, Section 5142.

H. Duct Cleaning shall be performed as reasonably necessary. Any duct cleaning should be scheduled during periods when the building is unoccupied to prevent exposure to chemicals and loosened particles. The air handling unit should not be used during the cleaning or as an air movement device for the cleaning process. The system should be run to allow at least 8 air changes in the occupied space when duct cleaning has been completed, per The National Air Duct Cleaning Association requirements. Use vacuum equipment or fans during cleaning and sanitizing to make sure that cleaning vapors are exhausted to the outside and do not enter the occupied space. When the vacuum collection unit is inside the occupied space, only HEPA filtered (high efficiency particle arrestor) vacuuming equipment shall be used.

02.05 ELECTRICAL

A. In the event of any installation of new or replacement of lighting fixtures, ambient lighting shall consume no more than 0.9 watts/square foot with a measured minimum ambient lighting level (see schedule on following page). T-8 or T-5 fluorescent lamps shall be provided with a color rendering index (CRI) of 85 and a color temperature of 3500' K, similar to Osram Sylvania Inc., Phillips Lighting, GE or approved equal. Lamp color temperature shall match in each area. These specifications are minimum standards subject to the requirements of Section 37, LEED Certification.

B. Subject to the requirements of Section 37, any new or replacement requirements, subject to the State, office areas shall have sufficient lighting fixtures properly spaced and capable of providing the recommended lighting average-to-minimum levels of illumination levels, indicated in the following table:

Lighting Levels for Office Space

(Levels shown are average maintained horizontal foot candles, measured 30" above finished floor).

Minimum Lighting Levels

Work Surfaces (includes task lighting)	50 foot candles
Work Area Ambient Lighting	30 foot candles
Telecommunications rooms and closets	50 foot candles*
Special Purpose Area(s)	75 foot candles*
Garage Area(s)	50 foot candles*
Hallways, Aisles, Corridors	25 foot candles
Conference / Meeting Rooms	30 - 70 foot candles**
Incandescent Lighting	10 - 30 foot candles**
Drafting Areas	50 foot candles
High Density Filing Areas	50 foot candles
Document Processing Area/Room	30 foot candles
Circulation Space around work areas	30 foot candles
Building Entries	5 foot candles
Restrooms	40 foot candles*
Waiting and Lounge Areas	15 foot candles
Coffee Counters	20 foot candles
Lunch Rooms/ Break Rooms	30 foot candles
24/7/365 Rooms – Emergency Light	1 foot candle
Warehouse	2 foot candles
Parking Lots/Areas	See 'T' of this section***
Exit Lighting – LED type fixtures consuming not more than 2 watts per fixture	

* To be controlled by occupancy sensor

** Using dimmable fluorescent ballasts or split switching

*** To be controlled by a programmable timer with an integrated photocell control device

1. In open plan offices it may be appropriate to provide task-level (i.e. circulation area levels throughout the space.) Pre-approved furniture-mounted task fixtures may be used to achieve appropriate illumination levels.

2. Light (foot-candle) level and type (metal halide, fluorescent, etc.) should be engineered relative to equipment and task requirements for specific area.

C. The total lighting system design load for office space shall not exceed energy budget as per Title 24, Part 1 and Part 6. Proper lighting at task locations is important. Average footcandle levels shall not be exceeded.

D. Requirements for new or replacement linear fluorescent lighting systems

- Minimum Color Rendering Index (CRI) of 75%
- Option of common Color Temperature lamps (CCT) (3000° K through 4100°K)
- Minimum power factor of 90%
- Minimum system efficacy of 90 lumens per watt
- High frequency electronic ballast
- Maximum Total Harmonic Distortion (THD) of 20%
- Minimum lamp life of 20,000 hours

E. Requirements for compact fluorescent lighting systems

- Minimum Color Rendering Index (CRI) of 75
- Option of common Color Temperature lamps (CCT) (2700° K through 4100°K)
- Minimum power factor of 90%
- Minimum system efficacy of 60 lumens per watt
- Electronic ballast
- Maximum Total Harmonic Distortion (THD) of 20%
- Minimum lamp life of 10,000 hours

F. Pairs of one-lamp or three-lamp recessed fluorescent luminaires and continuous mounted fluorescents that are (1) on the same switch control, (2) in the same area, (3) within 10 feet of each other in accessible ceiling spaces; and (4) do not use electronic ballasts, shall be tandem wired and shall not use single lamp ballasts.

G. Replace incandescent lamps with linear fluorescent, compact fluorescent or with circular fluorescent lamps wherever possible.

H. In building designed for a return air plenum, light fixtures shall be of the return air type.

I. Emergency lighting shall be placed at all exits, stairwells, exit pathways, 24/7/365 HVAC rooms in intervening rooms connecting adjacent spaces and restrooms. Exit Lights shall be Light emitting diode (LED) type.

J. Lighting for parking areas shall be high-pressure sodium or metal halide in full cutoff luminaries. Average light levels shall correspond to zones as referred to in IESNA RP33-99.

K. Where exterior illumination is required, use high intensity discharge (HID) lamps in full cutoff luminares for accent light and outdoor building security lighting where possible. All building entrances shall be lighted.

L. Any parking and outdoor lights (nonsecurity) shall have photocell control or a 7-day spring or battery loaded time clock set to suit State's after hours needs.

M. Code required fire alarm, smoke systems, and fire suppression systems shall be provided and maintained at the Lessor's cost. Security systems shall be provided as agreed upon in the lease.

N. All newly installed appliances and all energy consuming products shall be Energy Star certified as deemed appropriate by the EPA current evaluations at time of installation. The Energy Star® labeling program is a partnership between the U.S. Environmental Protection Agency (EPA) and

the U.S. Department of Energy (DOE). All products displaying the Energy Star® label meet Federal Energy Management Program (FEMP) standards. For energy consuming products where there are no FEMP recommended standards, or Energy Star® product available, the Lessor's contractor shall purchase products that conserve electrical power and/or natural gas to the maximum extent possible, within budgetary constraints. Currently, the FEMP has recommendations for the following product categories:

1. Lighting Technologies: Fluorescent tube lamps, fluorescent ballasts, HID luminaries, downlight luminaries, fluorescent luminaries, compact fluorescent lamps and exit signs.

2. Commercial/Industrial Equipment and Appliances: Air or water-cooled electric chillers, air conditioners, heat pumps, dishwashers, refrigerators, electric water heaters, gas water heaters, air source heat pumps, boilers, ice cube machines, motors, distribution transformers, and centrifugal pumping systems.

02.06 ELEVATORS

A. 'Smoke Guard', 'Wondoor' or other protective devices as approved by the State Fire Marshal shall be added to all elevators per floor of occupancy when required by the State Fire Marshal.

02.07 PARKING AND PAVING

A. Parking areas shall be free of holes, patches, divots or other unlevel, uneven, unsightly conditions. If new material is used, the existing asphalt shall be ground for fill.

B. All new striping or labeling of parking spaces and designations shall be performed using lead-free parking lot paint.

C. Path of Travel: Shall consist of an unobstructed, continuous pedestrian pathway (the route shall coincide with the route used by the general public) from the parking lot and the public way connecting the office quarter's with the exterior approaches, entrances, exits, restrooms, telephones, and drinking fountains serving those office quarters including vertical accessibility where applicable.

D. The requirements for the people with disabilities parking spaces will be as follows: Provide parking ratio for accessible parking stalls to total spaces. Please see the table below for spaces required. Calculate each parking lot or parking structure separately. Provide accessible Van space(s) as required, minimum of one. Each van space shall have its own 8 foot unloading space – they cannot be shared.

SPACES REQUIRED:
Establishes the number of accessible parking spaces required where vans can access the parking facility.

TOTAL NUMBER OF PARKING SPACES IN LOT OR GARAGE	MINIMUM REQUIRED NUMBER OF CAR SPACES	MINIMUM NUMBER OF VAN SPACES
1-8	0	1
1-25	0	1
26-50	1	1
51-75	2	1
76-100	3	1
101-150	4	1
151-200	5	1
201-300	6	1
301-400	6	2
401-500	7	2
501-1000	*	2
1001 and over	**	2

* Two percent of total

**Twenty plus one for each 100, or fraction thereof over 1,001.

02.08 LANDSCAPING

A. All new landscaping shall be of a locally drought tolerant variety.

02.09 UST's

Lessor shall be responsible for compliance with Health and Safety Code Sections 25280-25299.7, relative to operating and maintenance of existing Underground Storage Tanks (UST's) related to any emergency power generation systems to the extent such systems and related equipment would customarily be part of a base building system as opposed to improvements that would customarily be installed for the benefit of a tenant. Lessor shall have no obligation to maintain or repair such UST related to any emergency power generation systems to the extent such maintenance or repair is necessitated by State's improvements.

02.10 EMERGENCY EVACUATION PLANS

Lessor shall provide an emergency evacuation plan for the tenants. The plan shall be coordinated with tenant agency Emergency Coordinators and the designated DGS Emergency Coordinator. In addition to any code required exit signage, Lessor shall provide sufficient "key" floor plans to clearly delineate emergency exit routes, corridor located fire extinguishers and fire alarm pull stations. Key plans shall be located in central traffic areas, wall mounted and framed under glass or clear hard plastic and a minimum size of 8" x 10".

02.11 MSDS

Upon written request, Lessor shall provide Material Safety Data Sheets (MSDS) from the contractor or supplier of any product or chemicals used on the Leased Premises, including but not limited to those used in maintenance, repairs, replacements, carpet, paint, janitorial, pest control or grounds maintenance.

02.12 FIRE ASSEMBLIES

Lessor shall obtain approval of the State Fire Marshal for any fire assemblies (i.e., the assembly of a fire door, fire window, or fire damper, including all required hardware, anchorage, frames, and sills) that require replacement, re-testing and/or re-certification during the Lease Term or any Extended Term.

02.13 ROOF

Roof shall be weathertight and provided with suitable drainage system that will effectively dispose of roof water without interfering with use of Leased Premises. Lessor's contractor shall purchase roofing products as recommended by the FEMP which conserve energy (within budgetary constraints).

02.14 ASBESTOS

1 Lessor shall operate and maintain the below described spaces free of hazard from asbestos containing materials (ACM) as defined in Title 15, Sections 1601 and 2607 of the United States Code. Free of hazard means that after an Asbestos Survey and Evaluation, any asbestos containing materials are determined to be not damaged and an effective Asbestos Operations & Maintenance Program (O&M Plan) exists to minimize damage or disturbance to any ACM. Survey requirements consist of a visual walk-through inspection and testing of materials listed in accordance with Table A, "Criteria for Sampling and Recording Suspect ACM". Notwithstanding any provision to the contrary set forth in this paragraph, Lessor shall not have any affirmative obligation to conduct such a survey.

2 Damaged ACM means after a visual and physical inspection, asbestos containing materials or assemblies exhibit breakage, delamination, buckling, deterioration, water stains or saturation, or other defect or condition not intended at the time of installation, whether or not the condition occurred intentionally or by accident.

3 Operations and Maintenance includes the following proactive work practices: (1) maintain asbestos-containing materials in good condition, (2) ensure proper cleanup of asbestos fibers previously released, (3) prevent further release of asbestos fibers, (4) monitor the condition of asbestos-containing materials, and (5) perform a risk assessment to classify and document existing and subsequently discovered asbestos containing materials. This program shall be consistent with the intent of recommended guidelines of the U.S. E.P.A.

a If damaged asbestos is found or the physical condition of suspected ACM indicate possible fiber release, air sampling and testing by the Phase Contrast Microscopy (PCM) method and a required response action must be undertaken in accordance with an approved O&M Plan. The O&M Plan shall include conditions for final clearance which states that asbestos fiber concentrations of 0.010 f/cc of air or greater requires further testing by the Transmission Electron Microscopy (TEM) method.

b The O&M Plan must require that an average concentration of air is below .010 fibers per cubic centimeter (f/cc.) as determined by Phase Contrast Microscopy (PCM) using NIOSH 7400 method. Transmission Electron Microscopy (TEM) testing will be mandatory if samples tested using PCM analysis indicate greater than 0.010 f/cc of air. Air concentrations for TEM shall not exceed 70 structures per millimeter squared (s/mm^2) or 0.010 f/cc. as determined using NIOSH 7402 method. A Cal/OSHA Certified Asbestos Consultant shall determine the number and locations of air sampling tests.

4 Lessor shall perform asbestos notification as required by Chapter 10.4 of the Health and Safety Code and shall guarantee that all abatement work as required under the conditions of this Lease is performed by a contractor licensed and asbestos certified by the Contractor's State License Board and registered as an asbestos contractor with the Division of Occupational Safety and Health. The State reserves the right to establish consultant oversight of any asbestos related work program at its expense.

TABLE A

CRITERIA FOR SAMPLING AND RECORDING SUSPECT ACM

AHERA CLASS	MINIMUM NUMBER OF SAMPLES (e) (f)	SPEC #	SPECIFICATION NAME	UNITS
N/A	N/A (a)	88888	NO SUSPECT ACM (ENTIRE BUILDING)	NONE
M	(h) (i)	99999	OTHER SUSPECT MATERIALS	(b)
M	1 (g)	02080	LOOSE DEBRIS	CF
M	1 (g) (m)	02085	SOIL DECONTAMINATION	SF
M	1	04565	MASONRY FIREBRICK	SF
M	N/A (i) (j)	06120	TRANSITE SIDING	SF
M	N/A (j)	06125	TRANSITE (SHEET)	SF
S	3-5-7 (d) (e) (i)	07210	BUILDING INSULATION (THERMAL)	SF
S	3-5-7 (c) (e)	07220	BUILDING INSULATION (ACOUSTIC)	SF
S	3-5-7 (c) (e)	07250	FIREPROOFING (SPRAYED)	SF
M	1	07255	FIREPROOFING (PANELS)	SF
M	1-5 (i)	07315	ROOF TILES	SQ
M	1-5 (i) (j)	07325	ROOFING SHINGLES	SQ
M	2-5 (i)	07515	BUILT-UP ROOFING	SQ
M	1	07900	SEALANTS	LF
M	1 (j)	08306	FIRE DOORS	EA
S	3-5-7 (c) (e) (i) (j)	09211	FINISH PLASTER	SY
M	3 (e) (i) (j)	09255	GYPSUM WALLBOARD	SF
S	3-5-7 (c) (e) (i)	09510	ACOUSTICAL (SPRAYED)	SF
M	2 (j) (i)	09511	ACOUSTICAL (TILES)	SF
M	1 (i)	09512	ACOUSTICAL (PANELS)	SF
M	1-3 (i) (j) (n)	09660	RESILIENT FLOORING (TILES)	SF
M	1-3 (i) (j) (n)	09665	RESILIENT FLOORING (SHEETS)	SY
M	1 (i) (j)	09666	WALL BASE	LF
M	N/A (j)	15065	TRANSITE PIPE OR FLUE	LF
TSI	3 (d) (e) (i) (k)	15260	PIPE INSULATION (LOW TEMPERATURE)	LF
TSI	1 (h) (d) (i) (k)	15261	PIPE FITTINGS (LOW TEMPERATURE)	EA
TSI	3 (d) (e) (i) (k)	15262	TANK INSULATION (LOW TEMPERATURE)	SF
TSI	3 (d) (e) (i) (k)	15270	PIPE INSULATION (HIGH TEMPERATURE)	LF
TSI	1 (h) (d) (i) (k)	15271	PIPE FITTINGS (HIGH TEMPERATURE)	EA
TSI	3 (d) (e) (i) (k)	15272	EQUIPMENT INSULATION (HIGH TEMP)	SF
TSI	3 (d) (e) (i)	15290	DUCT INSULATION	SF

LEGENDS:

AHERA CLASS

S = Surfacing Material
M = Miscellaneous
TSI = Thermal System

UNITS

SY = Square Yard = 9 square feet
SF = Square Feet
SQ = Square (roofer's square) = 100 square feet
LF = Linear feet
EA = Each
CF = Cubic feet
CY = Cubic Yard = 9 cubic feet (not used in this contract)

TABLE A
(Continued)

NOTES FOR TABLE A:

(a) Reserved exclusively for entire buildings with none of the materials listed on this table.
(b) Contact DSA. Inspector to assign.
(c) 0-1000 SF = 3; 1000-5000 SF = 5; >5000 SF = 7
(d) Per thermal system, or 1 sample per patch > 6 LF or SF.
(e) Add 1 QC sample per 20 samples.
(f) Unless sampling would damage functional integrity.
(g) Per homogeneous ACM source.
(h) Inspector to determine appropriate number of samples.
(i) Provide separate sample analysis for each component of an assembly.
(j) Criteria for Assuming Suspect ACM:

SPEC #	BUILDING MATERIAL	CONDITIONS TO ASSUME POS. ACM MATERIAL	CONDITIONS TO SAMPLE MATERIAL
09211	FINISH PLASTER	UNDAMAGED	DAMAGED
09255	WALLBOARD/TAPE/JOINT COMPOUND	UNDAMAGED	DAMAGED
09255	WALLBOARD WITHOUT JOINT COMPOUND OR TAPE (WITH OR WITHOUT PLASTER)	UNDAMAGED	DAMAGED
09660, 09665	WALL BASE MASTIC	UNDAMAGED	DAMAGED
09660	9 X 9 VAT	ALL	N/A
09660, 09665	12 X 12 VAT, LINOLEUM	UNDAMAGED, OLDER THAN 1981 (I) OR LESS THAN 6 SF (N)	DAMAGED, OR INSTALLED BETWEEN 1981 AND 1988 INCLUSIVE (I)
09660, 09665	VAT MASTIC	UNDAMAGED, OR LESS THAN 6 SF (N)	DAMAGED
08306	FIRE DOORS	ALL	DAMAGED
06120, 06125, 15065	TRANSITE MATERIALS	ALL	N/A

(k) Chilled water lines should be classified as low temperature. Domestic hot water, steam or high-pressure steam and condensate lines should be classified as high temperature.
(l) Date of material, based on facility personnel testimony, building construction records, or surveyor's professional judgement
(m) Record quantity in terms of extent of surface contamination.

(n) Individual flooring tile and mastic patches of less than 6 SF need not be sampled but should be reported as Assumed Positive ACM in the Material Note as a component of a material assembly.

EXHIBIT "C"

TERMS AND CONDITIONS FOR PURCHASE OF LEASED PREMISES PURSUANT TO EXERCISE OF RIGHTS TO OBTAIN AN OPTION UPON LEASE TERMINATION AS A RESULT OF FIRE AND CASUALTY DAMAGE

Pursuant to the option to purchase ("Agreement"), _____, a California _____, hereafter OPTIONOR or SELLER, desires to sell to the State of California, acting by and through its Department of General Services, or to another State agency or any other nominee or assignee designated by the STATE hereafter OPTIONEE or BUYER, and BUYER desires to purchase from SELLER the Leased Premises described herein in Section 1. The SELLER and BUYER are hereafter collectively referred to as the PARTIES.

For other good and valuable consideration as provided for herein, the PARTIES agree as follows:

WITNESSETH

TRANSACTION SUMMARY

1. The Leased Premises [are] were under lease by the STATE through _____, by herein Lease made and entered into on _____. Pursuant to section ____ of the Lease, Seller is obligated to grant a purchase option to Buyer upon the event of certain conditions and notice from Buyer. Buyer has provided such notice. SELLER agrees to sell and grant to BUYER fee title to the Leased Premises more particularly described in Exhibits ____ and SELLER shall deliver or cause to be delivered to Escrow Holder in time for delivery to BUYER at the closing an original executed grant deed subject to terms and conditions hereof.

NOTICE AND ACQUISITION PAYMENT

2. The BUYER shall provide SELLER written notice of the exercise of its purchase option not less than ninety (90) days prior to the date of purchase. The BUYER, upon close of escrow, agrees to pay to the account of the SELLER the amount determined in accordance with the process specified below, subject to the conditions outlined in this Agreement. Within ten (10) calendar days after such notice from BUYER, SELLER shall provide to BUYER its statement of value for the Leased Premises ("SELLER's Opinion"). If the BUYER does not accept in writing SELLER's Opinion and BUYER and SELLER do not otherwise reach a written agreement on the value of the Leased Premises, within thirty (30) days of its submission ("Outside Date"), then the appraisal process for determining the value of the nonresidential land shall be conducted as described below.

   Within thirty (30) days of BUYER's written request ("BUYER's Appraisal Request"), SELLER at its sole cost, shall engage an independent appraiser holding the MAI designation from the Appraisal Institute who shall determine the fair market land value of the Leased Premises. SELLER shall promptly notify State of the appraiser retained. The appraisal obtained by SELLER pursuant to the preceding sentence ("SELLER's Appraisal") shall be delivered not later than sixty (60) days following BUYER's Appraisal Request that SELLER obtain an appraisal. If BUYER disagrees with SELLER 's Appraisal, BUYER may order an appraisal by a different independent MAI appraiser, which appraisal ("BUYER's Appraisal") shall be delivered to SELLER not later than ninety (90) days after receipt of SELLER 's Appraisal. The failure of BUYER to deliver SELLER 's Appraisal within ninety (90) days shall not result in the presumption that BUYER accepts SELLER 's Appraisal. If BUYER delivers a BUYER's Appraisal and SELLER 's Appraisal and BUYER's Appraisal differ by ten percent (10%) or less, then the average of SELLER 's Appraisal and BUYER's Appraisal shall constitute the value of the Leased Premises. If BUYER's Appraisal differs from SELLER 's Appraisal by more than ten percent (10%), the appraisers preparing BUYER's Appraisal and SELLER 's Appraisal, shall, within fourteen (14) days after delivery of BUYER's Appraisal, select a third independent MAI appraiser to a make a third appraisal to be submitted to SELLER and Buyer not later than sixty (60) days after the selection of the third appraiser. If the third appraisal (i) matches either BUYER's Appraisal or SELLER 's Appraisal or (ii) falls anywhere in between SELLER

's Appraisal and BUYER's Appraisal, then value specified in the third appraisal shall be the final determination of land value. If the third appraisal does not match SELLER 's Appraisal or BUYER's Appraisal or fall between them, then the value shall constitute the average of (i) the third appraisal and (ii) whichever of SELLER 's Appraisal or BUYER's Appraisal as shall have been closer in amount to the third appraisal. The fees and costs of the third appraiser shall be paid by SELLER but shared equally by BUYER and SELLER with BUYER's share of such costs added to the amount of the payment due SELLER.

OTHER LIENS

3. Said title company may expend any or all monies payable under this Agreement to discharge any obligations which are liens upon the Leased Premises, including but not limited to those arising from judgments, assessments, taxes, or debts secured by deeds of trust or mortgages and/or to defray any other incidental costs. Property taxes for the fiscal year in which this escrow closes, if unpaid, shall be paid by SELLER in escrow to and including the date of close of escrow. The payment shall be based on the most recent information applicable to the fiscal year and obtainable through the taxing agencies. BUYER shall not be responsible for any tax refund.

ESCROW AND RECORDING FEES

4. BUYER shall pay all escrow fees, recording fees, if any, title insurance charges, prepayment penalties not to exceed one percent (1%) of the unpaid balance, reconveyance fees, trustees' or forwarding fees for any reconveyance of deed of trust or release or mortgage incurred in this transaction.

TITLE AND ESCROW

5. The issuance of any escrow instructions shall be the sole responsibility of the BUYER and shall govern the escrow. BUYER shall open an escrow account with a title company of BUYER's choice.

   Any title evidence, which may be desired by the BUYER, will be procured by BUYER. The SELLER will cooperate with the BUYER or his authorized agent in this connection, and will permit examination and inspection of such deeds, abstracts, affidavits of title, judgments in condemnation proceedings, or other documents relating to the title of the Leased Premises, as it may have available.

   The SELLER shall convey to the BUYER by Grant Deed, title to the Leased Premises described in Exhibit "A" and title to the Leased Premises shall pass immediately upon close of escrow. Subject to the provisions of the escrow instructions, the conveyance is subject to the Leased Premises vesting in BUYER, free and clear of all liens, leases, reservations, encumbrances, assessments, easements, of record or otherwise, and all applicable taxes.

CLOSE OF ESCROW

6. Escrow shall be scheduled to close no later than sixty (60) days after BUYER's written notice of the exercise of its option or if applicable, no later than sixty (60) days after the authorization of the acquisition by the State Public Works Board at a duly noticed public meeting subject to reasonable extension upon mutual agreement by the PARTIES ("Close of Escrow").

SELLER'S CONDITIONS PRECEDENT

7. SELLER's obligation to perform under this Agreement and the Close of Escrow shall be subject to and contingent upon satisfaction of each of the following conditions precedent prior to the close of escrow:

   a. The timely deposit by BUYER with Escrow Holder of all documents and funds required to be deposited by BUYER under this Agreement.

b. Performance by BUYER of all obligations, covenants and agreements on BUYER's part to be performed under this Agreement within the time provided in this Agreement for such performance.

BUYER'S CONDITIONS PRECEDENT

8. BUYER's obligation to perform under this Agreement and the Close of Escrow shall be subject to and contingent upon satisfaction of each of the following conditions precedent prior to the Close of Escrow:

a. Condition of the Improvements: The BUYER will conduct due diligence investigations including, but not limited to, environmental including a Phase I and Phase II Environmental Site Assessment, biological, archaeological, cultural, geotechnical, etc. If, as a result of the findings of its due diligence investigation of the Leased Premises, BUYER determines that, for some reason, the Leased Premises are unsuitable for BUYER's intended purposes, BUYER may terminate the Agreement by delivering written notice of such termination to SELLER and thereafter the PARTIES shall have no further obligations to one another under this Agreement. This date of such notice shall be subject to reasonable extension as mutually agreed upon by the PARTIES.

b. The timely deposit by SELLER with Escrow Holder of all documents required to be deposited by SELLER under this Agreement.

c. Performance by SELLER of all obligations, covenants and agreements on SELLER's part to be performed under this Agreement within the time provided in this Agreement for such performance.

d. If the State is the BUYER, authorization of the exercise of the option and purchase of improvements by the SPWB at a duly noticed public meeting and approval of the acquisition by the Director of the Department of General Services.

e. **Disapproved Conditions**. Following BUYER's receipt and review of any title report, all of the exception documents related to the title report, the Phase I and a Phase II (if any) hazardous materials site assessment report(s) and any ancillary or other documents related to those reports, any site survey, and BUYER's satisfactory completion of all other due diligence inspections, BUYER shall have the right, but not the obligation, to deliver a written notice to Seller ("BUYER's Inspection Notice") identifying BUYER's disapproval of (i) any title conditions reflected in the title report and/or exception documents; (ii) any title conditions or other matters shown on the survey; and (iii) any other conditions or matters arising from the other due diligence inspections (collectively, "Disapproved Conditions").

f. **SELLER's Cure Notice**. By no later than 5:00 p.m. of the fifteenth (15th) business day following SELLER's receipt of BUYER's Inspection Notice, Seller shall deliver a written notice to Buyer ("SELLER's Cure Notice"), identifying Seller's proposed cure, if any, of any of the Disapproved Conditions.

g. **Due Diligence Deadline**. By no later than 5:00 p.m. of the twentieth (20th) business day following BUYER's receipt of SELLER's Cure Notice ("Due Diligence Deadline") BUYER shall have the right, but not the obligation, to deliver to SELLER a written notice approving and/or waiving BUYER's contingency under this Section 8 ("Due Diligence Contingency Notice"). Prior to the expiration of the Due Diligence Deadline, BUYER and SELLER shall cooperate in good faith to resolve any issues or disagreements relating to the Disapproved Conditions. If BUYER does not deliver the Due Diligence Contingency Notice on or prior to the Due Diligence Deadline, BUYER shall be deemed to have disapproved of the condition of the Real Improvements, and BUYER shall have the right, but not the obligation, to terminate this Agreement without any cost or liability to SELLER.

SELLER'S REPRESENTATIONS AND WARRANTIES

9. In addition to any express agreements of SELLER contained herein, the following constitute representations and warranties of SELLER to BUYER:

a. Representations Regarding Seller's Authority.

(1) SELLER has full right, power and legal authority to enter into this Agreement, sell, transfer and convey the Leased Premises to BUYER under this Agreement and to carry out SELLER's obligations under this Agreement. Upon the Close of Escrow, BUYER will have good, marketable and insurable title to the Leased Premises.

(2) The individuals executing this Agreement and the instruments referenced herein on behalf of SELLER have the legal power, right and actual authority to bind SELLER to the terms hereof and thereof.

(3) This Agreement is, and all other instruments, documents and agreements required to be executed and delivered by SELLER in connection with this Agreement are and shall be, duly authorized, executed and delivered by SELLER and shall be valid, legally binding obligations of and enforceable against SELLER in accordance with their terms, subject only to enforcement that may be limited by applicable bankruptcy, insolvency or similar laws, and do not, and as of the Close of Escrow will not, violate any provisions of any agreement, law, rule, regulation or judicial order to which SELLER or the Leased Premises is subject.

(4) All requisite action (corporate, trust, partnership or otherwise) has been taken by SELLER in connection with the entering into this Agreement, the instruments referenced herein, and the consummation of the transactions contemplated hereby. No consent of any partner, shareholder, creditor, investor, judicial or administrative body, authority other party is required.

(5) Neither the execution and delivery of this Agreement and documents referenced herein, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Agreement and the documents referenced herein conflict with or result in the material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note, or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease or other agreements or instruments to which SELLER is a party or affecting the Leased Premises.

b. Warranties and Representations Pertaining to Real Estate and Legal Matters. To the best of SELLER's knowledge as to the matters set forth in Sections (1) through (5):

(1) There is no suit, action, arbitration, legal, administrative, or other proceeding or inquiry pending against the Leased Premises or pending against SELLER which could affect SELLER's title to the Leased Premises, affect the value of the Leased Premises, or subject an owner of the Leased Premises to liability.

(2) There are no attachments, execution proceedings, or assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings pending against SELLER.

(3) SELLER has not entered into any other contracts for the sale of the Leased Premises, nor does there exist any rights of first refusal, reversions, or options to purchase the Leased Premises or any portion of the Leased Premises. SELLER is not party to nor subject or

bound by any agreement, contract, or lease of any kind relating to the Leased Premises which would impose an obligation on BUYER or otherwise affect marketability of title to the Leased Premises.

(4) As of the Close of Escrow, there shall be no unrecorded leases, licenses or other agreements which would grant any person or entity the right to use or occupy any portion of the Leased Premises, including any improvements thereon, and no improvements on the Leased Premises that encroach upon the improvements of a third party (except to the extent shown on any updated title report and/or updated survey and not disapproved by Buyer pursuant to the terms of this Agreement).

(5) There are no and have been no:

(i) actual or pending public improvements which will result in the creation of any liens upon the Leased Premises, including public assessments or mechanics liens and SELLER agrees to indemnify, defend and hold BUYER free and harmless from and against any claims, liabilities, losses, costs, damages, expenses and attorneys' fees arising from any liens, encumbrances or assessments that have been, or may be, imposed upon the Leased Premises as a consequence of actual or impending public improvements as of the Close of Escrow, including any obligations to pay a fee or assessment for infrastructure to the extent such liability survives or continues after the Close of Escrow, and BUYER agrees to cooperate with SELLER, at SELLER's costs and to the extent permitted by law, with respect to SELLER's efforts to remove any such liens, fees, assessments, or encumbrances.

(ii) uncured notices from any governmental agency notifying SELLER of any violations of law, ordinance, rule, or regulation, including Environmental Laws, occurring on the Improvements.

c. Warranties, Representations and Covenants Regarding Operation of the Improvements through Close of Escrow.

(1) SELLER hereby agrees that SELLER will not hereafter enter into new leases or any other obligations or agreements affecting the Leased Premises without the prior written consent of BUYER, which consent the BUYER may withhold or grant in its absolute discretion.

(2) SELLER will not subject the Leased Premises to any additional liens, encumbrances, covenants, conditions, easements, rights of way or similar matters after the date of this Agreement that will not be eliminated prior to the Close of Escrow.

(3) SELLER shall promptly notify BUYER of any event or circumstance that makes any representation or warranty of SELLER under this Agreement untrue or misleading, or of any covenant of SELLER under this Agreement incapable or less likely of being performed. It is understood that the SELLER's obligation to provide notice to BUYER shall in no way relieve SELLER of any liability for a breach by SELLER of any of its representations, warranties or covenants under this Agreement.

d. Representations Pertaining to Additional Documents. There are no leases, subleases or tenancies in effect pertaining to the Leased Premises.

e. General Representation. No representation, warranty or statement of SELLER in this Agreement or in any document, certificate or schedule furnished or to be furnished to BUYER pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading.

SELLER's representations and warranties made in this Agreement shall be continuing and shall be true and correct as of the date of the Close of Escrow with the same force and effect as if remade by SELLER in a separate certificate at that time. The truth and accuracy of SELLER's representations and warranties made herein shall constitute a condition for the benefit of BUYER to the Close of Escrow (as elsewhere provided herein) and shall not merge into the Close of Escrow or the recordation of the grant deed in the Official Records, and shall survive the Close of Escrow.

BUYER'S REPRESENTATIONS AND WARRANTIES

10. In addition to any express agreements of BUYER contained herein, the following constitute representations and warranties of BUYER to SELLER, subject to Section 6 of this Agreement:

a. Representations Regarding Buyer's Authority.

(1) BUYER has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby.

(2) The individuals executing this Agreement and the instruments referenced herein on behalf of BUYER have the legal power, right, and actual authority to bind BUYER to the terms and conditions hereof and thereof, subject to the conditions in Section 6.

(3) This Agreement is, and all other instruments, documents and agreements required to be executed and delivered by BUYER in connection with this Agreement are and shall be, duly authorized, executed and delivered by BUYER and shall be valid, legally binding obligations of and enforceable against BUYER in accordance with their terms.

b. General Representation. No representation, warranty or statement of BUYER in this Agreement or in any document, certificate or schedule furnished or to be furnished to SELLER pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading.

BUYER's representations and warranties made in this Agreement shall be continuing and shall be true and correct as of the date of the Close of Escrow with the same force and effect as if remade by BUYER in a separate certificate at that time. The truth and accuracy of BUYER's representations and warranties made herein shall constitute a condition for the benefit of SELLER to the Close of Escrow (as elsewhere provided herein) and shall not merge into the Close of Escrow or the recordation of the grant deed in the Official Records, and shall survive the Close of Escrow.

INDEMNIFICATION

11. SELLER agrees, at its sole cost and expense, to indemnify, protect, defend and hold harmless BUYER and its officers, employees and agents, from and against any and all claims (including, without limitation, personal injury and consequential damages claims), demands, damages, losses, liabilities, obligations, penalties, fines, actions, cause of action, judgments, suits, proceedings, costs and expenses (including, without limitation, attorneys' fees, court costs, administrative procedural costs and experts' fees) of any kind or nature whatsoever which may at any time be imposed upon, incurred or suffered by, or asserted or awarded against, BUYER relating to or arising from the presence, use handling, generation, storage, release or disposal of Hazardous Materials by SELLER or SELLER's lessee's (other than BUYER) or any person acting under Lessor's direct control and authority on, under or about the Leased Premises prior to the transfer of title to the Leased Premises to BUYER. For the purpose of this Section, Hazardous Materials shall include, without limitation, substances defined as "hazardous substances"," hazardous wastes", or stated to be known to cause cancer or reproductive toxicity, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq.; the

Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. Section 1317 et seq.; Sections 25115, 25117, 25122.7, 25140, 25249.5, 25249.8, 25281, 25316 or 25501 of the California Health & Safety Code; and any substances regulated pursuant to any Environmental Law(s). The term "Environmental Law(s)" means each and every applicable federal, state and local law, statute, ordinance, regulation, rule, judicial or administrative order or decree, permit, license, approval, authorization or similar requirement of each and every federal, state and local governmental agency or other governmental authority pertaining to the protection of human health and safety or the environment.

This indemnity by SELLER herein contained shall survive the transfer of title to BUYER in perpetuity.

SURVIVAL

12. All terms and conditions in this Agreement, which represent continuing obligations and duties of the PARTIES, that have not been satisfied prior to Close of Escrow shall survive Close of Escrow and transfer of title to BUYER and shall continue to be binding on the respective obligated party in accordance with their terms. All representations and warranties and statements made by the respective parties contained herein or made in writing pursuant to this Agreement are intended to be, and shall remain, true and correct as of the Close of Escrow, shall be deemed to be material, and, together with all conditions, covenants and indemnities made by the respective parties contained herein or made in writing pursuant to this Agreement (except as otherwise expressly limited or expanded by the terms of this Agreement), shall survive the execution and delivery of this Agreement and the Close of Escrow, or, to the extent the context requires, beyond any termination of this Agreement.

FURTHER ACTION

13. Each party hereto shall, before or after the Close of Escrow, duly execute and deliver such papers, documents and instruments and perform all acts reasonably necessary or proper to carry out and effectuate the terms of this Agreement.

EXHIBIT "D"

State of California • Arnold Schwarzenegger, Governor
State and Consumer Services Agency

D E P A R T M E N T O F G E N E R A L S E R V I C E S

Real Estate Services Division .Professional Services Branch
707 Third Street, Suite 505 • West Sacramento, CA 95605 • (916) 375-4172
Fax (916) 375-4173 • www.resd.dgs.ca.gov/psb/realestate

File No.:

Dear Ladies and Gentlemen:

Thank you for your request for an Estoppel Certificate for leased premises located at _____ ("Leased Premises"). We certify the following:

1. Under that certain Lease dated_____ ("Lease"), between _____ ("Lessor") and _____ ("State"), as amended and/or extended, the State, by and through its duly appointed, qualified and acting Director of General Services, leases the Leased Premises from Lessor.

2. The Leased Premises consist of approximately _____net rentable square feet of office space for a term commencing on _____, and ending on _____. The State has no option to renew or extend the Lease Term, terminate or cancel the Lease, or to purchase all or any part of the Leased Premises, except _____.

3. The present monthly (i) Base Rent for the Leased Premises is $_____ and (ii) Additional Rent for the Leased Premises is $_____, each paid in arrears on the last day of each month. The Additional Rent is subject to adjustment by any increase or decrease of the Consumer Price Index (CPI) in accordance with Section _ of the Lease. All monthly installments of Base Rent and Additional Rent have been paid when due through _____.

4. The Lease is in full force and effect, and has not been modified, supplemented or amended in any way, except _____.

5. At the present time, there are no existing defenses or offsets and the State has no apparent claim against the Lessor that might be set off by accruing rentals, except _____. In addition, State has not delivered any notice to Lessor regarding a default by Lessor under the Lease.

6. No advance rental or deposit has been paid by the State to Lessor.

7. All improvement work to be performed by Lessor under the Lease has been completed in accordance with the Lease and has been accepted by the undersigned.

8. State represents that it has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of State is authorized to do so.

9. State has accepted possession of and occupies the entire Leased Premises under the Lease, except _____.

The State acknowledges that this Estoppel Certificate may be delivered to Lessor or to a prospective mortgagee and one or more mezzanine loan lenders which have made loans to the direct or indirect owners of Lessor or prospective purchaser, and each of their respective successors and assigns, and acknowledges that said prospective mortgagee, mezzanine lender, or prospective purchaser, and each of their respective successors and assigns, will be relying upon the statements contained herein in making the loan or acquiring the property of which the Leased Premises are a part and that receipt by it of this certificate is a condition of making such loan or acquiring such property.

Should any changes occur regarding the terms of the Lease in the future, the State will acknowledge appropriate and legally sufficient notification and/or documentation received in that event and proceed accordingly. Any such notification and/or documentation should be mailed to the State in accordance with Lease Section 7. Please note that the address above is our current address and your records should reflect that.

If you have any questions, please contact me at (916)_____ or via FAX to (916) 375-4173.

Sincerely,

Associate Real Estate Officer
Lease Management

:initials

cc: Lessor (unless Lessor is addressee)

EXHIBIT "E"

RECORDING REQUESTED BY

WHEN RECORDED MAIL TO:

Department of General Services
Real Estate Services Division
Lease Management Unit
707 - 3rd Street, 5th Floor
West Sacramento, CA 95605

File No.: SPACE ABOVE THIS LINE FOR RECORDER'S USE

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (Agreement) is entered into as of ___th day of between _____ (together with its successors and assigns, Lender), _____ (Lessor) and The State of California, acting by and through the Director of the Department of General Services (Tenant).

A. Tenant is the lessee and Lessor is the lessor or successor to the lessor of that certain Lease dated _____, as amended (Lease), covering certain premises (Premises) at , California (Property).

B. Lender is the beneficiary under a Deed of Trust and Security Agreement and Fixture Filing (with Assignment of Rents and Leases) dated _____ executed by Lessor, as trustor, and recorded on _____ as Instrument Number _____ Official Records of County, California, (Deed of Trust).

C. The parties desire, pursuant to the terms of this Agreement, to acknowledge and agree that upon foreclosure, Tenant's occupancy of the Premises shall not be disturbed and that Tenant shall attorn to Lender or such other acquiring party at the foreclosure sale, as landlord under the Lease.

Now therefore, in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

1. *Subordination.* Tenant and Lender hereby agree that the Lease is and shall at all times be subject and subordinate in all respects to the Deed of Trust and to all renewals, modifications, increases, replacements and extensions thereof and to all sums secured thereby, subject to the terms and conditions hereinafter set forth in this Agreement.

2. *Nondisturbance*. Provided Tenant is not in default at the time of foreclosure, beyond any period given to Tenant to cure such default, in the payment of rent or in the performance of any of the terms, or covenants, or conditions of the Lease, Tenant's possession of the Premises and Tenant's rights and privileges under the Lease, including any extensions or renewals, shall not be diminished or interfered with by Lender during the term of the Lease or any extensions or renewals, except as otherwise provided for in the Lease. Provided Tenant is not in default at the time of foreclosure, beyond any period given Tenant to cure such default, in the payment of rent or in the performance of any of the terms, covenants, or conditions of the Lease, Lender will not join Tenant as a party for the purpose of terminating or otherwise affecting Tenant's interest under the Lease, in any action of foreclosure or other proceeding brought by Lender to enforce any rights arising because of any default under the Deed of Trust. Lender may, however, join Tenant as a party

if joinder is necessary under any statute or law to secure the remedies available to Lender under the Deed of Trust, but joinder shall be for that purpose only and not for the purpose of terminating the Lease or affecting Tenant's right to possession of the Premises.

3. *Attornment*. If the Lessor's interest is transferred to and owned by Lender or any successor or assign of Lender, or any purchaser at a foreclosure sale (together with Lender, the (Acquiring Party)), because of foreclosure, sale under a private power from a deed of trust, a deed in lieu of foreclosure, or other proceedings brought by Lender (or on behalf of Lender), or by any other manner and Acquiring Party succeeds to Lessor's interest under the Lease, effective immediately and automatically upon the occurrence of any such succession in interest, (i) Tenant shall be bound to the Acquiring Party, and, except as expressly set forth otherwise in this Agreement, Acquiring Party shall be bound to Tenant, under all of the terms, covenants and conditions of the Lease for the balance of the remaining term, including any extensions or renewals, with the same effect as if Acquiring Party were Lessor under the Lease, (ii) Tenant agrees to attorn to Acquiring Party as the landlord, with the attornment being effective and self-operable without the execution by the parties of any further instruments (provided that Tenant shall, upon request, sign and deliver any commercially reasonable instrument (without any additional terms, conditions or lease amendments) reasonably requested to evidence such attornment), (iii) Tenant shall pay to Acquiring Party all rental payments required to be made by Tenant pursuant to the terms of the Lease for the remainder of the Lease term, (iv) Acquiring Party shall not be liable for any default of any prior landlord under the Lease, including, without limitation, Lessor, except where such default is continuing at the time Acquiring Party acquires title to the Premises and Acquiring Party fails to cure the same after receiving notice thereof, (v) Acquiring Party shall not be subject to any offsets or defenses which Tenant may have against any prior landlord under the Lease, including, without limitation, Lessor, except where such offsets or defenses arise out of a default of the prior landlord which is continuing at the time Acquiring Party acquires title to the Premises and Acquiring Party fails to cure the same after receiving notice thereof; (vi) Acquiring Party shall not be liable for any obligations of any prior landlord, including, without limitation, Lessor, arising under the Lease following any subsequent transfer of title to the Premises by Acquiring Party, (vii) Acquiring Party shall not be bound by payment of any security deposits to any prior landlord (including Lessor), except to the extent of such security deposits as have actually been received, and (viii) Acquiring Party shall not be bound by any amendment or modification of the Lease or by any waiver or forbearance on the part of any prior landlord made or given without the prior written consent of Acquiring Party or any subsequent holder of the Deed of Trust, which consent shall not be unreasonably withheld.

4. *Representations*. The parties hereto represent that each is authorized to execute this Agreement and that the individuals signing on behalf of such party possess the requisite power to bind such party hereto. Tenant represents that (i) the Lease has been duly executed and delivered by Tenant and is in full force and effect pursuant to the terms contained therein, (ii) there have been no modifications or additions to the Lease, except as follows: _____, (iii) the Lease constitutes the entire agreement of the parties with respect to the leasing of the Premises, and (iv) there are no defaults under the Lease on the part of either the Tenant or the Lessor, and to Tenant's actual knowledge, Tenant has no existing claims, defenses or offsets against rental due or to become due under the Lease, except _____.

5. *Notice*. Acquiring Party agrees to give Tenant prompt notice of Acquiring Party's succession to Lessor's interest, which notice shall include the name of the Acquiring Party and the address to which Tenant should forward rental payments.

6. *Lender Cure Rights*. Tenant will notify Lender in writing of any default by Lessor under the Lease that would entitle Tenant to cancel or terminate the Lease or abate the rents payable thereunder. Such notice shall be sent to Lender at: _____. If within thirty (30) calendar days after receipt of such default notice Lender notifies Tenant in writing of its intent to cure such default, Lender shall have the later of (i) ten (10) business days following delivery by Lender of its notice of intent to cure such default and (ii) thirty (30) days beyond the curative period available to Lessor under the Lease, to cure the default by Lessor. Lender has no obligation to cure any default by Lessor and shall have no liability for not curing any default. In addition, as to any default by Lessor the cure of which requires possession and control of the Premises, Lender's cure period shall continue for such additional time as Lender may reasonably require to obtain possession and control of the Premises.

7. *Miscellaneous*. This Agreement may not be modified other than by an agreement in writing signed by the parties or by their respective successors in interest. If any party commences any action against any other party based on this Agreement, the prevailing party shall be entitled to recover, in addition to damages or other relief, reasonable attorneys' fees, expenses, and costs of suit. This Agreement shall be binding on and inure to the benefit of the parties and their respective heirs, successors and assigns. The headings of this Agreement are for reference only and shall not limit or define any meaning of this Agreement. This Agreement may be executed in one or more counterparts, each of which is an original, but all of which shall constitute one and the same instrument. This Agreement shall be construed in accordance with and governed by California law. Lender agrees to provide Tenant a fully executed copy of the agreement.

8. State shall not, without obtaining the prior written consent of Lender, (1) amend or modify the Lease, (ii) prepay rent or other sums under the Lease for more than one (1) months in advance of the due dates thereof, or (iii) assign or sublet the Lease other than to any entity permitted by the terms of the Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

LENDER:

By: _____ _____
Date

Name: _____

Title: _____

TENANT: STATE OF CALIFORNIA

By: Director of the Department of General Services

By: _____ _____
Date

Name: _____, Manager

Title: Real Estate Leasing and Management

LESSOR:

By: _____ _____
Date

Name: _____

Title: _____

EXHIBIT "F"

Security and Background Check

The Lessor acknowledges that the Public Utilities Commission (PUC) currently occupies the Leased Premises. Lessor hereby releases and waives any claims against the State, its employees, agents and contractors in the event of damage to the Leased Premises as a result of actions or inactions related to State's additional security personnel; provided, however, with respect to damage to the Leased Premises as a result of such actions only, such release and waiver shall apply only to the extent such damage is actually insured (or would have been insured had Lessor carried the insurance required under this Lease). In order to meet the security-related needs and requirements of the occupants of the Leased Premises including the PUC, the Lessor agrees as follows:

A. Building Perimeter. The Lessor acknowledges and agrees that access to the Leased Premises must be controlled at all times and at all locations including all pedestrian entrances, the loading dock, the parking garage entrance and the street-level emergency exit doors. The State, at its sole cost and expense, will provide, maintain, repair and replace all equipment required for building perimeter security and building access control including weapons screening stations, the card key access system, and all security cameras and related equipment, and all security personnel.

B. Internal Building Access; Card Key System. The State will retain control over access to the various parts of the Leased Premises and that access will be controlled primarily through use of a card key access system. As set forth in Section A of this Exhibit "F", State is responsible for providing and maintaining the card key access system hardware and the State will retain complete control and responsibility for the operation of the card key access system serving the Leased Premises including, but not limited to, ownership and control of the software that operates the system, the issuance of access cards, and control over the levels of access permitted by those cards. The Lessor acknowledges that the State will retain sole and absolute authority to determine access to the Leased Premises.

C. California Highway Patrol Role and Presence. The California Highway Patrol (the "**CHP**"), the duly authorized law enforcement agency with jurisdiction over the State owned and operated facilities may have a presence in the Leased Premises. The Lessor acknowledges and agrees that because of the nature of certain of the activities carried on in the Leased Premises, the presence of the CHP may be an essential part of the overall building security program.

(1) **Building Presence**. The State, at its sole cost and expense, may contract with the CHP to provide certain building-wide police protective services for all occupants of the Leased Premises.

D. PUC Private Security Guard Service. The Lessor acknowledges that the State may elect to have in place a contract with a private security service to provide certain unarmed security guard services for the PUC in and around the Leased Premises. Such private security service shall be at State's sole cost and expense.

E. Background Checks. Unless otherwise approved by the State in writing, no person, including Lessor, Lessor employees, and Lessor Contractor employees may have unescorted access to any part of the Leased Premises without having first undergone and passed a fingerprint-based criminal background check and subject to such other requirements as the State may elect to impose (provided that the cost of such background checks and other requirements shall be paid by State or reimbursed by State to Lessor, as applicable). For purposes of this Exhibit "F", the term "Contractor" means all third-party contractors, vendors, service providers, and all levels of subcontractors, and their respective employees, consultants, and representatives, that provide goods, services, or supplies to the Leased Premises with respect to the operation of the Leased Premises.