

EXECUTIVE SUMMARY**DATE ISSUED:** January 20, 2010**REPORT NO:** HCR10-020**ATTENTION:** Members of the Housing Commission
For the Agenda of February 19, 2010**SUBJECT:** Family Justice Center Lease Arrangements/Authorization to complete Tenant
Improvements at Smart Corner (District 2)**SUMMARY:****Family Justice Center (FJC) Lease and Tenant Improvements:**

FJC seeks to lease the entire second floor of the Smart Corner (SC) building, approximately 22,216 rentable square feet. The initial term of the lease is for ten years at an initial lease rate of \$1.70 per rentable square foot, full service gross, with six percent (6%) increase of the prior year's rent every two (2) years. SDHC will provide to the City of San Diego and FJC a Tenant Improvement (T.I.) Allowance of Seventy and No/100 Dollars (\$70) per rentable square foot (sq. ft.) for the build out of the space inclusive of Architectural fees. Tenant improvements will be consistent with LEED Green Building requirements.

Tenant Improvements of Ground Floor:

The Housing Opportunities Collaborative (HOC) will occupy approximately 2,300 sq. ft. in the SC building, located at the corner of Eleventh and Broadway. The HC will utilize the remaining Economic Development Academy (EDA) ground floor space containing approximately 9,300 sq. ft. for an EDA, which will provide supportive services to HC clients. In order to take advantage of economies of scale, it is highly desirable to combine the build out of both the ground and second floors into one publicly bid contract. In order to meet the FJC's timeline for occupancy (October 1, 2010), the Housing Commission (HC) is requesting authority for the President & Chief Executive Officer (CEO) to execute contracts up to a maximum cost.

STAFF RECOMMENDATION:


That the HC recommends that the Housing Authority authorize the President and Chief Executive Officer (CEO) of the SDHC to take the following actions:

- 1) Execute lease documents between the SDHC and the City of San Diego for the FJC, for the entire second floor office space at the Smart Corner building in a form that substantially conforms with Lease Agreement. The lease would have a ten year initial term and two (2) five year options to renew
- 2) Execute construction and furniture supply contracts to complete tenant improvements for the HOC and EDA on the first floor in an amount not to exceed One Million Eight Hundred Seventeen Thousand Eight Hundred Three and No/100 Dollars (\$1,817,803).
- 3) Execute construction and furniture supply contracts to complete tenant improvements on the second floor for FJC in an amount not to exceed One Million Five Hundred Fifty Five Thousand One Hundred Twenty and No/100 Dollars (\$1,555,120).
- 4) Perform such other acts and execute such other documents as are necessary to finalize the lease, complete the construction and pay real estate commissions to Studley, the City's broker, and to CB Richard Ellis as referenced within the lease agreement and the commission agreements between the parties, upon the final approval of the lease by the Housing Authority and the City Council.


FISCAL CONSIDERATIONS:

Project funding is included in the FY10 Housing Commission budget revision approved on December 18, 2009 by the Board of Commissioners and by the Housing Authority on January 26, 2010.

Respectfully submitted,


D. Lawrence Clemens
Senior Vice President

Approved by,


Carol M. Vaughan
Executive Vice President &
Chief Operating Officer

REPORT

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For the Agenda of February 19, 2010

SUBJECT: Family Justice Center Lease Arrangements/Authorization to complete Tenant
Improvements at Smart Corner (District 2)

REQUESTED ACTION:

Recommend approval by the Housing Commission (HC) of the proposed leasing arrangement between the San Diego Housing Commission (SDHC) and the City of San Diego on behalf of the Family Justice Center (FJC) to lease office space at the Smart Corner building and to provide the HC with authorization to complete tenant improvements on the first and second floors at the Smart Corner located at 1122 Broadway ("the Smart Corner building").

STAFF RECOMMENDATION:

That the HC recommends that the Housing Authority authorize the President and Chief Executive Officer (CEO) of the SDHC to take the following actions:

- 1) Execute lease documents between the SDHC and the City of San Diego for the FJC, for the entire second floor office space at the Smart Corner building in a form that substantially conforms with Attachment 1. The lease would have a ten year initial term and two (2) five year options to renew.
- 2) Execute construction and furniture supply contracts to complete tenant improvements for the Housing Opportunities Collaborative (HOC) and Economic Development Academy (EDA) on the first floor in an amount not to exceed One Million Eight Hundred Seventeen Thousand Eight Hundred Three and No/100 Dollars (\$1,817,803).
- 3) Execute construction and furniture supply contracts to complete tenant improvements on the second floor for FJC in an amount not to exceed One Million Five Hundred Fifty Five Thousand One Hundred Twenty and No/100 Dollars (\$1,555,120).
- 4) Perform such other acts and execute such other documents as are necessary to finalize the lease, complete the construction and pay real estate commissions to Studley, the City's broker, and to CB Richard Ellis as referenced within the lease agreement and the commission agreements between the parties, upon the final approval of the lease by the Housing Authority and the City Council.

BACKGROUND:

On July 23, 2003 and July 29, 2003, the SDHC and the Housing Authority, respectively, approved a Purchase and Sale Agreement (PSA) between the SDHC and Lankford & Associates, Inc. for the Smart Corner building. On November 1, 2006, the SDHC took title to the parking garage and office building on time and on budget. The SDHC occupies three of the five floors in the Smart Corner building. The SDHC retained the leasing services of CB Richard Ellis to negotiate leasing arrangements with potential tenants for the ground and second floors.

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DISCUSSION:

FJC Lease and Tenant Improvements:

FJC seeks to lease the entire second floor of the Smart Corner building, approximately 22,216 rentable square feet and occupy the space by October 1, 2010. Attachment 1 is the proposed Lease Agreement between the SDHC ("Landlord") and the City of San Diego ("Tenant").

The initial term of the lease is for ten years and the lease includes two (2) five year options to extend for a total potential lease term of twenty years. The initial lease rate is \$1.70 per rentable square foot, equating to a monthly rent of \$37,767, and \$453,206 annually. Every twenty-four months, the base rental rate will increase by six percent (6%) of the prior year's rent. The second floor space is being rented to the City of San Diego on a "full-service gross" basis, meaning that the SDHC will provide and pay for all costs associated with FJC's occupancy including utilities, janitorial, common area expenses, etc.

Additionally, the City of San Diego may exercise two (2) additional five year options, at ninety percent (90%) of the then prevailing fair market rent. The City of San Diego will be entitled to rent up to sixty (60) unreserved parking spaces throughout the term of the Lease at One Hundred Twenty Five and No/100 Dollars (\$125) per space per month and One Hundred Ten and No/100 Dollars (\$110) per space of reserved tandem spaces. All rented parking spaces described above will be available for FJC's use twenty-four (24) hours per day, seven (7) days per week, and fifty-two (52) weeks per year.

SDHC shall provide to the City of San Diego and FJC a Tenant Improvement (T.I.) Allowance of Seventy and No/100 Dollars (\$70) per rentable square foot (sq. ft.) for the build out of the space, including the cost of plans and permits. Tenant Improvements shall be consistent with LEED Green Building requirements. On December 18, 2009, the HC entered into a contract with Davis Davis Architects, Inc. in the amount of One Hundred Nine Thousand Five Hundred and No/100 Dollars (\$109,500) for the design of the FJC space. Budgeted T.I. funds in reserves and remaining for the second floor at this time are One Million Four Hundred Forty Five Thousand Six Hundred Twenty and No/100 Dollars (\$1,445,620). If excess T.I. funds remain upon completion of the second floor T.I. and related work, it is recommended that the FJC use excess funds for all reasonable costs associated with moving, cabling, signage, project management, and security.

Tenant Improvements of Ground Floor:

The HC is also seeking approval to complete the build out of the remaining ground floor space at the Smart Corner.

The HOC, a non-profit agency, providing foreclosure assistance and client referrals will occupy an approximately 2,300 sq. ft. suite in the Smart Corner building, located at the corner of Eleventh and Broadway. The HC desires to utilize the remaining EDA ground floor space containing approximately 9,300 sq. ft. for an EDA, which will provide supportive services to HC clients.

In order to take advantage of economies of scale, it is highly desirable to combine the build out of both the ground and second floors into one publicly bid contract. In order to meet the FJC's timeline for occupancy (October 1, 2010), the HC is requesting authority for the CEO to execute contracts up to a maximum cost. Commission staff is therefore seeking authority for the CEO to execute contracts to complete the tenant improvements on both the ground and second floors at a total cost not to exceed the proposed budget, (Attachment 2).

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The construction contract will be publicly bid, will include the payment of prevailing wages and will then be awarded to the lowest responsive bidder. The furniture contract for the EDA and the Housing HOC spaces will be procured utilizing the U.S. Communities contract, which is a cooperative government contract.

FISCAL CONSIDERATIONS:

Project funding is included in the FY10 Housing Commission budget revision approved on December 18, 2009 by the Board of Commissioners and by the Housing Authority on January 26, 2010.

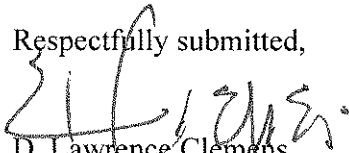
PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

Housing Commission and Housing Authority previously approved leases for retail space to 7-Eleven and K&A Pacific, Inc.


ENVIRONMENTAL REVIEW:

The proposed leasing agreement and construction is exempt from the requirements of California Environmental Quality Act (CEQA) because the Smart Corner building is an existing facility and the proposed actions involve negligible or no expansion of the existing use; therefore no CEQA processing is required. The activity is also exempt from review under the National Environmental Policy Act since no federal funds are implicated in this action.

Respectfully submitted,


D. Lawrence Clemens
Senior Vice President

Approved by,


Carol M. Vaughan
Executive Vice President &
Chief Operating Officer

Attachments: 1 – Lease Agreement
2 – Proposed Budget

**SECOND FLOOR
THE SMART CORNER
1122 BROADWAY
SAN DIEGO, CALIFORNIA**

ATTACHMENT 1

**OFFICE LEASE
City of San Diego [Family Justice Center]**

THIS OFFICE LEASE ("Lease") is entered into by and between SAN DIEGO HOUSING COMMISSION, a public agency ("Landlord"), and THE CITY OF SAN DIEGO, a California municipal corporation ("Tenant"), to be effective as of **February 1, 2010** (the "Effective Date"), when approved and authorized by the parties' respective governing bodies and in compliance with applicable laws, signed by the parties, and approved by their respective attorneys, as follows:

1. Definitions.

"Additional Rent" shall have that meaning ascribed to it in Section 4(c) of this Lease.

"Base Rent" shall have that meaning ascribed to it in Section 4(b) of this Lease.

"Building" means the building commonly known as The Smart Corner, located at 1122 Broadway, San Diego, California.

"Building Rules and Regulations" means the rules and regulations which may hereafter be adopted by Landlord for the care, protection, cleanliness, and operation of the Premises and the Project, and any reasonable modifications or additions to such rules and regulations adopted by Landlord so long as the same does not negatively impact the Project or Premises or Tenant's use, occupancy and enjoyment thereof or Tenant's rights under this Lease. Notwithstanding the foregoing, Landlord and Tenant agree that the terms and conditions of this Lease shall control the rights and responsibilities of the parties and shall supersede any and all provisions of the Building Rules and Regulations which may now or in the future conflict with the terms and conditions of this Lease. Landlord shall not be responsible to Tenant for failure of any other tenant or occupant of the Building to observe or comply with any of the Building Rules and Regulations. The term "Building Rules and Regulations" shall be deemed to include any and all reasonable amendments made by Landlord to the Building Rules and Regulations after the date of this Lease as Landlord may deem desirable, in Landlord's reasonable discretion, for the proper and efficient operation and maintenance of the Building. Such rules and regulations may include, without limitation restrictions in the hours during which the Building will be open for use so long as the same does not negatively impact the Project or Premises or Tenant's use, occupancy and enjoyment thereof or Tenant's rights under this Lease.

"Commencement Date" means the later of (i) October 1, 2010; or, (ii) the first day of the month following fourteen (14) calendar days after Substantial Completion, provided Tenant has been allowed fourteen (14) days of access to the Premises as set forth in Section 5(c) of this

Lease. If such access has not been provided, the Commencement Date shall be the later of: (iii) October 1, 2010; or, (iv) the first day of the month following said fourteen (14) days of access.

“Garage” means the parking garage located generally underneath the Building. No leasehold estate is created by this Lease, or otherwise, for the Garage or any portion of it.

“Hazardous Material” means:

(1) Those substances included within the definitions of “hazardous substance,” “hazardous waste,” “hazardous material,” “toxic substance,” “solid waste,” “pollutant” or “contaminant” in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. §9601 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. §6901 et seq.); the Clean Water Act (33 U.S.C. §2601 et seq.); the Toxic Substances Control Act (15 U.S.C. §9601 et seq.); the Hazardous Materials Transportation Act (49 U.S.C. §1801 et seq.); or under any other applicable environmental law;

(2) Those substances included within the definitions of “Extremely Hazardous Waste,” “Hazardous Waste,” or “Restricted Hazardous Waste,” under §§25115, 25117 or 25122.7 of the California Health and Safety Code, or listed or identified pursuant to §§25140 or 44321 of the California Health and Safety Code;

(3) Those substances included within the definitions of “Hazardous Material,” “Hazardous Substance,” “Hazardous Waste,” “Toxic Air Contaminant” or “Medical Waste” under §§25281, 25316, 25501, 25501.1, 25023.2 or 39655 of the California Health and Safety Code;

(4) Those substances included within the definitions of “Oil” or a “Hazardous Substance” listed or identified pursuant to §311 of the Federal Water Pollution Control Act, 33 U.S.C. §1321, as well as any other hydrocarbonic substance or by-product;

(5) Those substances included within the definitions of “Hazardous Waste,” “Extremely Hazardous Waste,” or an “Acutely Hazardous Waste” pursuant to Chapter 11 of Title 22 of the California Code of Regulations;

(6) Those substances listed by the State of California as a chemical known by the State to cause cancer or reproductive toxicity pursuant to §25249.9(a) of the California Health and Safety Code;

(7) Any material which due to its characteristics or interaction with one or more other substances, chemical compounds, or mixtures, damages or threatens to damage, health, safety, or the environment, or is required by any law or public agency to be remediated, including remediation which such law or public agency requires in order for the property to be put to any lawful purpose;

(8) Any material whose presence would require remediation pursuant to the guidelines set forth in the State of California Leaking Underground Fuel Tank Field Manual, whether or not the presence of such material resulted from a leaking underground fuel tank;

(9) Pesticides regulated under the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. §136 et seq.;

(10) Asbestos, PCBs, and other substances regulated under the Toxic Substances Control Act, 15 U.S.C. §2601 et seq.;

(11) Any radioactive material including without limitation any “source material,” “special nuclear material,” “by-product material,” “low-level wastes,” “high-level radioactive waste,” “spent nuclear fuel” or “transuranic waste,” and any other radioactive materials or radioactive wastes, however produced, regulated under the Atomic Energy Act, 42 U.S.C. §§2011 et seq., the Nuclear Waste Policy Act, 42 U.S.C. §§10101 et seq., or pursuant to the California Radiation Control Law, California Health and Safety Code §§25800 et seq.;

(12) Any material regulated under the Occupational Safety and Health Act, 29 U.S.C. §§651 et seq., or the California Occupational Safety and Health Act, California Labor Code §§6300 et seq.;

(13) Any material regulated under the Clean Air Act, 42 U.S.C. §§7401 et seq. or pursuant to Division 26 of the California Health and Safety Code;

(14) Those substances listed in the United States Department of Transportation Table (49 CFR Part 172.101), or by the Environmental Protection Agency, or any successor agency, as hazardous substances (40 CFR Part 302);

(15) Other substances, materials, and wastes that are or become regulated or classified as hazardous or toxic under federal, state or local laws or regulations;

(16) Any material, waste or substance that is:

- (i) a petroleum or refined petroleum product;
- (ii) asbestos;
- (iii) polychlorinated biphenyl;
- (iv) designated as a hazardous substance pursuant to 33 U.S.C. §1321 or listed pursuant to 33 U.S.C. §1317;
- (v) a flammable explosive; or
- (vi) a radioactive material; and

(17) Substances defined, or as may be defined, as “hazardous substances,” “hazardous materials,” or “toxic substances” in the Safe Drinking Water Act (42 U.S.C. §§ 300f et seq.), the Toxic Substances Control Act (15 U.S.C. §§ 2601 et seq.), the Clean Air Act

(42 U.S.C. §§ 7401 et seq.), California Health & Safety Code §§ 25100 et seq. and §§ 39000 et seq., the California Safe Drinking Water & Toxic Enforcement Act of 1986 (California Health & Safety Code §§ 25249.5 et seq.), the Porter-Cologne Water Quality Control Act (California Water Code §§ 13000 et seq.), any and all amendments and recodifications of the foregoing laws and any rules or regulations adopted and publications promulgated pursuant to said laws; and

(18) (i) any other substance which results in liability to any person or entity from exposure to such substance under any statutory or common law theory; (ii) any matter or substance which is in excess of relevant and appropriate levels set forth in any applicable federal, state, or local laws or regulations pertaining to the regulation of any hazardous or toxic substance, material or waste, or for which any applicable federal, state or local agency orders or otherwise requires the removal, treatment or remediation; (iii) asbestos; (iv) urea formaldehyde foam insulation; (v) transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls (PCBs) in excess of fifty (50) parts per million; or (vi) any other chemical, material, or substance, to which exposure is prohibited, limited or regulated by any governmental authority or agency or which may or could pose a hazard to the health and safety of the occupants of the Building or the owners of property adjacent to the Building.

“Initial Improvements” means the tenant improvements constructed by Landlord in the Premises prior to Tenant’s initial occupancy following the issuance of a certificate of occupancy granted by the City of San Diego for the Premises, and described in the Plans and Specifications.

“Landlord” means the San Diego Housing Commission, a public agency.

“Landlord’s Affiliates” means collectively the City of San Diego, the Housing Authority of the City of San Diego, and all of their respective members, directors, council members, employees, agents, affiliates, management and other contractors.

“Normal Business Hours” means between the hours of 7:00 a.m. and 7:00 p.m., Monday through Friday, and 8:00 a.m. to 3:00 p.m. on Saturdays, with legal holidays excepted.

“Plans and Specifications” means the plans and specifications for the Initial Improvements, approved by Landlord and Tenant, and which are attached hereto as ***Exhibit B: Plans and Specifications***.

“Premises” means the approximately 22,216 rentable square feet comprising the entire second floor of the Building, as shown on the Premises Floor Plan. Notwithstanding the foregoing, the cable trays above the ceiling on the second floor, the “IDF room” and the “Electrical Room” on the second floor of the Building are not included as a part of the Premises. All measurements of usable and rentable square footage, which Tenant may independently verify within ninety (90) days after the Commencement Date, shall be computed in accordance with the American National Standard of measuring floor area in office buildings of the Building Owners and Managers Association International (ANSI/BOMA Z65.1-1996).

“Premises Floor Plan” means the floor plan of the Premises attached hereto as ***Exhibit A: Premises Floor Plan***.

“Project” means the Building, Garage and surrounding real property to the extent owned by Landlord.

“Rent” means collectively Base Rent and Additional Rent.

“Substantial Completion” means completion of the construction of the Initial Improvements as evidenced by a certificate of occupancy granted by the City of San Diego for the Premises.

“Tenant” means The City of San Diego, a California municipal corporation.

“Term” shall have that meaning ascribed to it in Section 3 of this Lease.

“TI Allowance” shall have that meaning ascribed to it in Section 5(a) of this Lease.

2. Lease of the Premises. Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord.

3. Term. Unless sooner terminated pursuant to the terms of this Lease, the term of this Lease (“Term”) shall be ten (10) years, plus any extensions exercised hereunder, beginning on the Commencement Date.

(a) Option to Extend. Provided Tenant is not in default of this Lease, Tenant shall have two (2) five-year options to extend the Term (“Option to Extend”) at ninety percent (90%) of the fair market rent then prevailing for similar office space in comparable buildings in the same market area as the Building, including without limitation all concessions being offered at such time. Tenant may exercise an Option to Extend at any time by written notice to Landlord at least nine (9) months prior to the expiration of this Lease.

(b) Tenant’s Termination Right. Provided Tenant is not in default of this Lease, Tenant may terminate this Lease at any time after the fifth (5th) year of the Term, but only upon six (6) months prior written notice to Landlord. Before the effective date of such termination, Tenant shall reimburse Landlord for Landlord’s unamortized costs of both the brokerage commissions related to this Lease and the TI Allowance, applying a six percent (6%) simple interest rate, amortized on a straight-line basis.

4. Rent and Security Deposit.

(a) Security Deposit. Tenant shall not be required to pay any deposit under the terms of this Lease.

(b) Base Rent. Tenant shall pay Landlord full-service, gross monthly rent (the “Base Rent”) in the amount of One Dollar and Seventy Cents (\$1.70) per rentable square foot per month (i.e., Thirty-Seven Thousand Seven Hundred Sixty-Seven Dollars and Twenty Cents (\$37,767.20), due and payable in advance on the first (1st) day of each month during the Term.

Notwithstanding the foregoing, Tenant shall pay the first month's Base Rent to Landlord upon execution of this Lease. The Base Rent shall increase every twenty-four (24) months, measured from the Commencement Date, by an amount which is six percent (6%) more than the prior year's Base Rent. All Rent may be paid by check and delivered personally or by First Class Mail to Landlord's designated agent at 1122 Broadway, Suite 300, San Diego, California, 92101.

(c) Additional Rent. In addition to the Base Rent, Tenant shall pay to Landlord as additional Rent ("Additional Rent") Tenant's pro rata share (the "Tenant Share") of the amount by which the then current year's "Office CAM Pool" (defined below) exceeds the Office CAM Pool for the fiscal year beginning on July 1, 2011 (the "Base Year"); provided, however, there shall be no pass through of Operating Expenses until January 1, 2012. The Tenant Share shall be calculated using twenty-one and nine one-hundredths percent (21.09%), which amount was calculated by dividing the rentable square footage of the Premises by the rentable square footage of the office-space component of the Building. The direct "Operating Expenses" (defined below) shall be adjusted to reflect one hundred percent (100%) occupancy of the Building. There shall be no cap on the pass-through of Operating Expenses when calculating the Tenant Share. Each year, Landlord shall deliver to Tenant an estimate of the Tenant Share.

(1) Installment Payments. Together with its payment of the Base Rent, Tenant shall pay to Landlord a monthly installment of one-twelfth (1/12) of the estimated Tenant Share. If Landlord does not provide Tenant with an estimate of the Tenant Share for a given year by January 1 of that year, Tenant shall continue to pay monthly installments based on the most recent year's estimate until Landlord provides Tenant with a new estimate. Landlord shall revise the estimate of the Tenant Share at any time and from time to time to reflect changing costs to minimize the amount of the annual reconciliation of the estimated Tenant Share with the actual Tenant Share (discussed below). After receiving such a revised estimate, Tenant's monthly installments of the estimated Tenant Share shall be based on the revised estimate.

(2) Annual Reconciliation. As soon as practicable after each calendar year, Landlord shall furnish Tenant with a statement of the actual Tenant Share for the prior calendar year (the "Landlord's Statement"). If Tenant overpaid the Tenant Share for the prior calendar year, Landlord shall either provide Tenant with a refund or apply such overpayment to Rent due or next becoming due; provided, however, if the Term expires before the determination of the overpayment, Landlord shall refund the overpayment to Tenant after first deducting any unpaid Rent. If Tenant underpaid the Tenant Share, Tenant shall pay Landlord the amount of the underpayment within sixty (60) days after receipt of the Landlord's Statement.

(3) Retail CAM Pool and Office CAM Pool. Landlord shall compute and maintain two (2) separate operating expense pools, one for the ground-floor retail component of the Building ("Retail CAM Pool") and a second for the office-space component of the Building ("Office CAM Pool"). To the extent that any amounts properly incurred as Operating Expenses hereunder are incurred solely with respect to the ground-floor retail component of the Building

such costs shall be allocated to the Retail CAM Pool. To the extent that any amounts properly incurred as Operating Expenses hereunder are incurred solely with respect to the office-space component of the Building, such costs shall be allocated to the Office CAM Pool. To the extent any amounts properly incurred as Operating Expenses hereunder are incurred with respect to or benefit of the entire Building and/or both the ground-floor retail component of the Building and the office-space component of the Building, Landlord shall allocate such amounts between the Retail CAM Pool and the Office CAM Pool by allocating four and fifty-eight one-hundredths percent (4.58%) to the Retail CAM Pool and ninety-five and forty-two one-hundredths percent (95.42%) to the Office CAM Pool.

(4) Operating Expenses Defined. “Operating Expenses” shall mean the reasonable cost of insurance required and obtained by Landlord pursuant to this Lease, and the aggregate of all costs and expenses payable by Landlord in connection with the ownership, operation, management, maintenance, cleaning, and repair of the Project. Operating Expenses shall include without limitation the costs of: (a) landscaping, repaving, resurfacing, repairing, replacing, painting, lighting, cleaning, and removing trash and similar items with respect to the Common Areas; (b) all taxes; (c) utilities, including water and electricity; (d) trash disposal service; (e) operating, repairing, and maintaining life-safety systems, including without limitation sprinkler systems; (f) operating, repairing, and maintaining the heating and air conditioning (“HVAC”) system and elevator services; (g) painting, window washing, general cleaning, and janitorial services for the Building; (h) monitoring services, if provided by Landlord, including without limitation monitoring or control devices used by Landlord in regulating the parking areas; (i) compensation (including employment taxes and fringe benefits) of all persons who perform duties connected with the operation, maintenance, and repair of the Building or Common Areas; (j) energy allocation, energy use surcharges, or environmental charges; (k) municipal inspection fees or charges; (l) any other costs or expenses incurred by Landlord in connection with the Common Areas which are not otherwise reimbursed directly by tenants; (m) management fees; (n) that part of office rent or rental value of space used or furnished by Landlord to enhance, manage, operate, and maintain the Project; (o) accounting, consulting, and legal fees and expenses incurred in connection with the operation and maintenance of the Project or any other costs related thereto; and (p) any additional services which Landlord reasonably deems necessary in connection with the management or operation of the Project. The computation of Operating Expenses shall be made in accordance with generally accepted accounting principles consistently applied. Charges for any services, goods, or materials furnished by Landlord at Tenant’s request and charges for services, goods, and materials furnished by Landlord as a result of uses or demands by Tenant in excess of those charges which are normally furnished to other tenants in the Building, and all other sums payable by Tenant under this Lease shall not be included in Operating Expenses, but shall be payable by Tenant within sixty (60) days after Landlord delivers a statement for such services, goods, or materials to Tenant. Operating Expenses shall not include any brokerage fees or costs with respect to the Building, or costs of acquisition of new land or construction of new buildings, any expenditures for which Landlord is reimbursed from any source (e.g., other reimbursements from tenants for common expenses), including without limitation insurance and condemnation proceeds, and expenses in connection with services or other benefits of a type that are not provided to another tenant or occupant of the Building. Operating Expenses shall not exceed the reasonable and customary expenses for buildings of similar location and character to that of the

Building. Tenant may review Landlord's books and records at all reasonable times.

(5) Base Year Cleaning & Maintenance. Landlord shall provide and include within the Base-Year Operating Expenses five (5)-days-per-week office janitorial services and maintenance of the Building systems, Building exterior and Common Areas.

(6) Operating Expense Exclusions. Operating Expenses shall expressly exclude the following without limitation:

- (a) Repairs or other work to the Project occasioned by any uninsured fire, windstorm, or other casualty;
- (b) Leasing commissions, attorney's fees, costs and disbursements and other expenses incurred in connection with negotiations or disputes with tenants, other occupants or prospective tenants or other occupants of the Project;
- (c) Costs incurred in renovating or otherwise improving or decorating or redecorating space for tenants in, or other occupants of, the Project, or vacant, leasable space in the Project;
- (d) Costs of correcting defects in the construction of the Project (including latent defects in the improvements or equipment used therein);
- (e) Interest on debt or amortization payments on mortgages, and rental under ground or underlying leases (except to the extent the same may be made to pay or reimburse, or may be measured by, ad valorem taxes);
- (f) Costs of Landlord's general corporate or partnership overhead and general administrative expenses, which costs would not be charged to the Operating Expenses of the Building in accordance with generally accepted accounting principles, consistently applied;
- (g) Costs incurred in advertising and promotional activities for the Project;
- (h) Costs incurred due to the violation by Landlord or any tenant of the terms and conditions of any lease pertaining to the Project or of any valid, applicable building code, regulation or law or incurred due to the Project being in violation of any such code, regulation or law;
- (i) The management fee, overhead, and/or profit increments paid to subsidiaries or affiliates of Landlord for service on or to the Project, to the extent the costs of such services exceed reasonable costs for such services rendered by unaffiliated persons or entities of similar skill, competence, and experience;
- (j) Any compensation paid to clerks, attendants, or other persons in commercial concessions, if any, operated by Landlord;
- (k) Landlord's costs of general electricity and other services sold to tenants, which services are not standard for the Project;

- (l) Any other expenses which, under generally accepted accounting principles, consistently applied, would not be rendered as a normal maintenance or operating expense of the Project;
- (m) Salaries of officers and executives of Landlord and of Project staff members above the grade of Building Manager;
- (n) The costs of any items for which Landlord is reimbursed by insurance or otherwise;
- (o) The cost of any repair necessitated by a total or partial taking by eminent domain, excluding any costs of any repair necessitated by a total or partial taking by the City of San Diego;
- (p) Insurance premiums to the extent of any refunds thereof; and
- (q) Any expenses for repairs or maintenance which are reimbursed through warranties or service contracts.

(7) Disputed Landlord's Statement. If Tenant disputes a Landlord's Statement, Tenant may at any time deliver to Landlord a written notice of such dispute ("Dispute Notice"). The Dispute Notice shall specify the items in the Landlord's Statement claimed to be incorrect. If Landlord disagrees with the Dispute Notice, Landlord and Tenant shall mutually select an independent certified public accountant (a "Neutral Accountant") of national standing not compensated on a contingency fee or similar basis relating to the results of such audit. Landlord and Tenant shall each pay fifty percent (50%) of the Neutral Accountant's costs and fees. The Neutral Accountant shall review Landlord's Statement and any pertinent supporting documentation and render an opinion regarding the items in dispute. The Neutral Accountant's opinion shall be deemed correct and shall be conclusively binding on both Landlord and Tenant. If Tenant is found to have overpaid items disputed in the Landlord's Statement, the amount of overpayment shall be credited against Tenant's obligations to pay Rent next becoming due, or reimbursed to Tenant if no such amounts shall become owing. If Tenant is found to have underpaid items disputed in the Landlord's Statement, Tenant shall pay the amount of such underpayment to Landlord within sixty (60) days after receipt of the Neutral Accountant's opinion.

(d) Delinquent Rent.

(1) Grace Period. No Rent or other monetary obligation of Tenant's under this Lease shall be delinquent until after the fifth (5th) day following the applicable payment's due date. All interest and late charges allowed under this Lease shall be calculated as of the due date of the applicable payment and not from the date of expiration of any grace period.

(2) Interest. Any amount due from Tenant to Landlord which is not paid when due shall bear interest at six percent (6%) per annum from the date such payment was due until paid.

(3) Late Charges. Tenant acknowledges that in addition to lost interest, the late payment by Tenant to Landlord of Rent or any other sums due hereunder will cause

Landlord to incur other costs not contemplated in this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such other costs include, but are not limited to, processing, administrative and accounting costs. Accordingly, if any installment of Rent or other sum due from Tenant to Landlord is delinquent, Tenant shall pay to Landlord, immediately upon receipt of notice from Landlord, as Additional Rent, a late charge equal to five percent (5%) of such delinquent amount. The parties agree that: (i) such late charge represents a fair and reasonable estimate of the costs Landlord will incur in processing such delinquent payment by Tenant; (ii) such late charge shall be paid to Landlord as liquidated damages for each delinquent payment pursuant to California Civil Code Section 1671; and (iii) the payment of late charges and the payment of interest are distinct and separate from one another in that the payment of interest is to compensate Landlord for the use of Landlord's money by Tenant, while the payment of late charges is to compensate Landlord for the additional administrative expense incurred by Landlord in handling and processing delinquent payments.

(4) No Waiver. Neither assessment nor acceptance of interest or late charges by Landlord shall constitute a waiver of Tenant's breach or default with respect to any overdue amount, nor prevent Landlord from exercising any of its other rights and remedies under this Lease. Nothing contained in this Section 4(d) shall be deemed to condone, authorize, sanction or grant to Tenant an option for the late payment of Rent or other sums due hereunder.

5. Alterations.

(a) Initial Improvements. Landlord, at Landlord's expense, shall provide a tenant improvement allowance (the "TI Allowance") of up to Seventy Dollars (\$70) per rentable square foot for use by Tenant to make the Initial Improvements. The TI Allowance shall include the costs of design, plans, and permits. The Initial Improvements shall be consistent with "LEED Green Building Requirements" and shall be completed by Landlord's contractor. The Initial Improvements shall be subject to approvals by Landlord, the City of San Diego, and to the extent necessary, Centre City Development Corporation and the Redevelopment Agency of the City of San Diego.

(1) Tenant may use the TI Allowance for any and all reasonable costs associated with moving, including without limitation cabling, signage, project management, security and movers ("Reasonable Moving Costs"), provided Tenant shall only be allowed to apply TI Allowance monies toward Reasonable Moving Costs after the TI Allowance has been first applied to the physical improvements and related costs, including without limitation design, plans, and permits. Landlord shall pay Tenant's vendors directly for Reasonable Moving Costs upon presentation of invoices.

(2) The TI Allowance shall not be reduced by costs legally required to be made by Landlord as owner of the Project, such as modifications and upgrades to the building core for life safety backbone and ADA compliance regarding the building core.

(3) Landlord acknowledges that the base building shell has been designed and constructed with adequate system capacity to allow for the build-out of the premises consistent with a Class A building. Landlord further acknowledges that the existing

improvement of the premises have been completed in a workmanlike manner and in accordance with applicable regulations and ordinances for unoccupied space.

(4) In addition to the TI Allowance, Landlord shall pay Tenant's architect for a preliminary test fit, which shall not be deducted from the TI Allowance.

(b) Timing of Construction of Initial Improvements.

(1) Not later than March 1, 2010, Landlord shall provide Tenant with a final tenant improvement plan ("Plan"). Within five (5) business days after receipt of the Plan, Tenant shall approve or disapprove the Plan. If approved, Landlord shall prepare an invitation to bid on the Initial Improvements (the "Bid Package"), which shall include line drawings, finish schedules and specifications. Landlord shall solicit bid responses to the Bid Package from contractors. Landlord shall accept the lowest bid price from a responsible bidder, conditioned on approval by Landlord's Board of Commissioners and/or the San Diego Housing Authority, as may be required. Subject to such approval, Landlord shall immediately enter into a contract with the accepted contractor (the "Contractor"), which contract shall provide for Substantial Completion not later than September 15, 2010, which date shall be extended for circumstances beyond the reasonable control of Landlord and/or the Contractor. The Initial Improvements shall be constructed in a good and workmanlike manner. Prior to commencement of construction of the Initial Improvements, Tenant and Landlord shall each designate a tenant-improvement project representative to assure coordination and communication between Landlord, Tenant, and the Contractor.

(2) Tenant has entered into this Lease materially based on Landlord's assurance that Tenant will be able to enter and occupy the Premises prior to October 1, 2010, as contemplated by this Lease, because after that date, Tenant will incur additional rent obligations under its current lease (the "707 Broadway Lease") at 707 Broadway in the city of San Diego. If Tenant is unable to occupy the Premises on or prior to October 1, 2010, as contemplated by this Lease because of failure of the Landlord to timely deliver the space to Tenant, Landlord shall credit Rent payable under this Lease in an amount equal to the difference in the rent paid by the Tenant under the 707 Broadway Lease after October 1, 2010 and the amount of rent that the Tenant would have paid to Landlord under this Lease had the Initial Improvements been completed or before September 15, 2010.

(3) The following target dates shall be used to monitor Landlord's performance of its obligation to achieve Substantial Completion by September 15, 2010:

Plan Check Submission.....	February 8, 2010
Tenant Comments on Initial Submission	February 15, 2010
Secondary Plan Check.....	March 1, 2010
Construction Documents Submitted to Tenant.....	March 1, 2010
Tenant & Landlord Review & Approve Construction Documents. . .	March 5, 2010
Lease Approval/Execution.....	March 15, 2010

Out to Bid.	March 8, 2010
Bids Due.	April 8, 2010
Commencement of Construction.	May 3, 2010
Completion of Construction.	September 3, 2010
Occupancy.	October 1, 2010

Landlord shall notify Tenant immediately upon Landlord's reasonable determination that a milestone date will more likely than not be missed.

(c) Tenant's Entry Prior to Commencement Date. Landlord shall allow Tenant fourteen (14) days of access to the Premises after Substantial Completion and prior to the Commencement Date for the purpose of installing equipment, furniture, trade fixtures, and other personal property, including without limitation cabling and data and telephone equipment. Tenant acknowledges and agrees that such entry into the Premises prior to the Commencement Date may not interfere with the timely and orderly prosecution of the work by Landlord related to the Initial Improvements, and shall be subject to all of the terms and conditions of this Lease, except the payment of Rent.

(d) Subsequent Improvements by Tenant. Tenant shall not make any alterations to or install any fixtures on or in the Premises in excess of \$10,000 in cost without Landlord's written consent. After depletion of the TI Allowance, any fixtures, alterations, improvements or additions consented to by Landlord shall be constructed without cost to Landlord in a first-class, good, workmanlike and defect-free manner by licensed contractors with experience in construction of tenant improvements in Class-A office buildings and approved by Landlord, which approval may be withheld by Landlord in its reasonable discretion. Tenant shall obtain all required permits or licenses required by applicable governmental authorities and Tenant shall be solely responsible for the effect of any alterations made by Tenant on the Premises or the Building, regardless of Landlord's consent to such alterations. Excepting improvements to the Premises made by Landlord, in no event shall Landlord be responsible for repair of or liability to Tenant for any defects in any alterations, improvements or additions to the Premises made or caused to be made by Tenant. Tenant shall give Landlord fifteen (15) days advance notice before beginning any work on alterations to allow Landlord time to file a "Notice of Non-responsibility" and take any other actions in anticipation of such work. Upon completion of the alterations, Tenant shall provide Landlord with a complete set of "as-built" plans.

(e) Alterations by Landlord. Landlord may make alterations or other changes to the Project which Landlord determines in its sole and absolute discretion are necessary or desirable without notice to or consent of Tenant provided the same does not negatively impact the Project or the Premises or Tenant's use, occupancy and enjoyment thereof or Tenant's rights under this Lease. Tenant shall cooperate with Landlord if Landlord elects to make alterations or other changes to the Project.

(f) Removal of Improvements. Tenant shall remove from the Premises all of Tenant's personal property, including without limitation furnishings, machinery, trade fixtures, equipment, and improvements on or before the expiration of the Term, or as soon as practicable

after termination of this Lease, but in no event later than sixty (60) days after the termination of this Lease. Tenant shall pay to Landlord rent calculated on a per diem basis using the Base Rent in effect just prior to such termination for any period of time needed to remove Tenant's personal property after the termination of this Lease. Tenant shall repair any damage to the Premises or the Building caused by such removal, including without limitation patching and filling holes. Notwithstanding the foregoing, Tenant shall not remove or be required to remove, any HVAC systems, restroom fixtures, flooring, plumbing, ceilings, walls, or utility or electrical components.

6. Use.

(a) Permitted Use. Tenant represents and warrants to Landlord that Tenant shall use the Premises only as general office and uses related to the operation of the San Diego Family Justice Center as of the Effective Date. Tenant shall operate its business at the Premises in accordance with all applicable legal requirements applicable to Tenant's use and occupancy of the Premises.

(b) Additional Use Limitations. Tenant shall not permit the occupancy of the Premises at any time during the Term to exceed that allowed by the applicable codes and regulations concerning occupancy. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or injure or unreasonably annoy them or use or allow the Premises to be used for any unlawful purpose. Tenant's use and occupancy of the Premises shall not create a nuisance. Tenant shall not commit or permit to be committed any waste in or upon the Premises.

(c) Compliance with Laws, Covenants and Requirements. Tenant shall comply with, and shall not use the Premises in any way, or permit or suffer anything to be done in or about the Premises, which will conflict with: (i) any law, rule, or regulation applicable to Tenant and affecting the Project or the Premises, now in force or which may hereafter be promulgated, including without limitation the provisions of any city or county zoning codes regulating the use of the Project or any transportation management program established by any governmental or quasi-governmental entity that is either voluntarily or involuntarily made applicable to the Project; (ii) any covenant, condition or restriction of public record and now in force affecting the Project, including without limitation any notices, letters or other such documentation affecting the Project; (iii) the Americans with Disabilities Act, including without limitation the architectural barrier removal requirements of said Act; or (iv) any licensing requirements of any city, county, or other governmental or quasi-governmental entity regulating Tenant's use of the Premises (collectively referred to as "Applicable Laws, Covenants and Requirements"). Tenant shall promptly notify Landlord of and shall promptly provide Landlord with true, correct and legible copies of all orders, reports, notices and correspondence which are "public records" under the California Public Records Act concerning the investigation, compliance, and corrective actions and all complaints, pleadings, and other legal documents filed against Tenant relating to Tenant's failure to comply with Applicable Laws, Covenants and Requirements. Tenant shall, at its sole cost and expense, promptly comply with all Applicable Laws, Covenants and Requirements in so far as they relate to the specific manner of Tenant's use and occupancy of the Premises. The judgment of any court of competent jurisdiction or the admission by Tenant in

any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any Applicable Laws, Covenants and Requirements, shall be conclusive of the fact as between Landlord and Tenant. The Building is a non-smoking building and Tenant shall not allow its employees, agents, contractors, subcontractors, clients, invitees or others using or occupying the Premises to smoke while in the Premises.

(d) Hazardous Material.

(1) Except with respect to commercially packaged products used and stored by Tenant at the Premises, such as common cleaning fluids and supplies, neither Tenant nor Tenant's agents, employees, contractors, invitees, or licensees shall engage in any activity in, on or about the Premises or the Building, nor permit others to engage in any such activity, which will result in the Premises or the Building containing any Hazardous Material. If at any time after the Commencement Date it is determined that Tenant or Tenant's agents, employees, contractors, invitees or licensees, have been responsible for the Premises or the Building containing any Hazardous Material, then Tenant shall be solely responsible for and shall pay for all costs incurred in connection with the removal of the Hazardous Materials to the extent directly or indirectly caused or allowed by Tenant, or any agent, employee, contractor, invitee or licensee of Tenant.. The obligations on the part of Tenant set forth in this paragraph 6(d) shall survive the expiration or the earlier termination of this Lease.

(2) Tenant shall promptly comply with the requirements of Section 25359.7(b) of the California Health and Safety Code and/or any successor or similar statute to provide Landlord with written notice that any Hazardous Material has come or will come to be located on or beneath the Premises, or the Project if Tenant discovers or has reasonable cause to believe of the presence of such materials. Should Tenant fail to so notify Landlord, Landlord shall have all rights and remedies provided for such a failure by such Section 25359.7(b) in addition to all other rights and remedies which Landlord may have under this Lease or otherwise. Tenant shall not take any remedial action related to Hazardous Materials located in or about the Premises or the Project and shall not enter into a settlement, consent decree or compromise in response to any claim related to Hazardous Materials without the prior written consent of Landlord, which may be withheld by Landlord in its sole and absolute discretion. Tenant shall immediately notify Landlord in writing of: (i) any enforcement, clean-up, removal or other governmental action instituted, completed or threatened with regard to Hazardous Materials at the Premises or the Project of which Tenant is directly notified; (ii) any claim made or threatened by any person against Tenant, Landlord, the Premises, or the Project related to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials of which Tenant is directly notified; and (iii) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials at or removed from the Premises, or the Project, including any complaints, notices, warnings or assertions of any violation in connection therewith of which Tenant is directly notified.

(3) In addition to any other indemnity contained in this Lease, Tenant shall defend, indemnify, and hold Landlord and Landlord's Affiliates, excepting the City of San Diego, harmless from and against any and all losses, liabilities, general, special, consequential and/or incidental damages, injuries, costs, expenses, claims of any and every kind whatsoever,

including without limitation court costs, reasonable attorneys' fees, damages to any person, the Premises, the Project, or loss of rents, which at any time or from time to time may be paid, incurred or suffered by or asserted against Landlord with respect to, or as a direct or indirect result of: (i) the breach by Tenant of any of the covenants set forth in this Section 6(d); or (ii) the presence on, under or the escape, seepage, leakage, spillage, discharge, emission, release from, onto or into the Premises or the Project, of any Hazardous Material to the extent directly or indirectly caused or allowed by Tenant, or any agent, employee, contractor, invitee or licensee of Tenant after the Commencement Date. Tenant's indemnification obligations under this Section (6)(d)(3) shall survive the expiration or earlier termination of this Lease.

(e) Compliance with Americans with Disabilities Act and Other Disability, Health and Safety Requirements. Tenant shall comply with all requirements of the ADA, Title 24 and any other Applicable Laws, Covenants and Requirements relating to disabled access and facilities, upgraded fire safety equipment, seismic protection, and other disability and health and safety regulations (collectively, "Disability and Safety Laws") with respect to the Premises, including without limitation the Initial Improvements and any future tenant improvement work performed by Tenant. Notwithstanding the foregoing, compliance with all Disability and Safety Laws with respect to the shell and core of the Premises and all portions of the Building other than the Premises shall be solely the responsibility of Landlord. Tenant shall indemnify, defend and hold Landlord harmless from and against all liabilities, losses, demands, actions, expenses or claims, including reasonable attorneys' fees and court costs to the extent directly arising out of or in any manner connected with Tenant's failure to comply with Disability and Safety Laws, including without limitation, the costs of making any alterations, renovations or accommodations required by Disability and Safety Laws or any governmental enforcement agency, to the extent compliance is directly related to tenant improvement work performed by Tenant. Tenant's indemnification obligations under this Section 6(e) shall survive the expiration or earlier termination of this Lease.

(f) Additional Prohibited Actions of Tenant. Tenant shall not commit or suffer the commission of any acts on the Premises or in the Building, nor use or allow the use of the Premises or the Building in any way that increases the existing rates for, or causes cancellation of, any fire, casualty, liability, or other insurance policy insuring the Building or its contents.

(g) Building Rules and Regulations. Tenant shall, and Tenant shall cause its agents, servants, employees, invitees, and licensees to, observe and comply fully and faithfully with the Building Rules and Regulations. Landlord shall not be responsible to Tenant for failure of any other tenant or occupant of the Building to observe or comply with any of the Building Rules and Regulations.

(h) Inspection of Premises. With prior notice and with an authorized Tenant escort, Landlord may enter upon the Premises at all reasonable times for the purpose of inspecting the condition of the Premises and to determine whether Tenant is complying with its obligations hereunder, to supply any service to be provided by Landlord to Tenant hereunder, to exhibit the Premises to prospective purchasers, mortgagees or tenants, to post notices of nonresponsibility, and to repair the Premises and any other portion of the Building, without abatement of rent, and may for that purpose erect scaffolding and other necessary structures that are reasonably required

by the character of the work to be performed by Landlord, provided that the business of Tenant shall not be interfered with unreasonably. With prior notice and with an authorized Tenant escort within the Premises, Landlord may at all times access the cable trays above the ceiling in the Premises, the IDF room and the Electrical Room on the second floor of the Building. Landlord acknowledges the sensitive and confidential nature of Tenant's operations and shall take all steps reasonably necessary to ensure that access the cable trays above the ceiling in the Premises, the IDF room and the Electrical Room on the second floor of the Building does not unreasonably interfere with Tenant's operations. For each of the aforesaid purposes, Landlord shall have and retain a key with which to unlock all of the doors in, upon and about the Premises, and Landlord may use any and all means which Landlord may deem proper to open such doors in the event of an emergency. Any entry to the Premises or portions thereof obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction, actual or constructive, of Tenant from the Premises, or any portion thereof. Any such inspections shall be performed with as little disturbance and inconvenience to Tenant as reasonably possible.

(i) Tenant Acknowledgement of Trolley Easement and Fare Paid Zone. Tenant acknowledges that an easement for the operation and maintenance of a trolley station lies adjacent to the Project, and that such trolley easement may affect Tenant's use of the Premises. Tenant further acknowledges that the trolley platform located on the northeast side of the Building is a "Fare Paid Zone," which requires all persons on the trolley platform to have a trolley ticket or to be in the process of purchasing a trolley ticket.

7. Landlord Warranties and Duties.

(a) Compliance. Landlord warrants and represents that the Premises and the Project, including common areas, are in compliance with all laws, rules and regulations, including without limitation all environmental laws and the Americans with Disabilities Act of 1990, and shall be responsible hereafter for any legal requirements applicable to the shell Building, Garage and common areas.

(b) Hazardous Materials. Landlord shall defend, indemnify and hold Tenant harmless from and against any and all losses, liabilities, general, special, consequential and/or incidental damages, injuries costs, expenses, claims of any and every kind whatsoever, including without limitation court costs, reasonable attorneys' fees, damages to any person, the Premises, the Project or loss of rents which at any time or from time to time may be paid, incurred or suffered by or asserted against Tenant with respect to, or as a direct or indirect result of the presence on, under or the escape, seepage, leakage, spillage, discharge, emission, release from, onto or into the Premises, or the Project, of any Hazardous Material to the extent directly or indirectly caused or allowed by Landlord, or any agent, employee, contractor, invitee or licensee of Landlord during the Term. Landlord's indemnification obligations under this Section (7)(b) shall survive the expiration or earlier termination of this Lease. Tenant acknowledges receipt of: (i) that certain Phase II report prepared by Gradient Engineers dated October 24, 2002 ("Phase II Report"); (ii) that certain Mitigation Plan and Closure Report filed with the County Department of Environmental Health by the Centre City Development Corporation. To the best of

Landlord's knowledge, other than as disclosed in the Phase II Report or the Mitigation Plan and Closure Report, no Hazardous Substance has been released, discharged or disposed of on, under or about the Premises or the Project.

8. Services and Utilities.

(a) Utilities. Landlord shall furnish to the Premises, during Normal Business Hours, water and electricity suitable for Tenant's permitted use of the Premises, and HVAC required in Landlord's reasonable judgment for the comfortable use and occupation of the Premises, all of which shall be subject to the Building Rules and Regulations, as well as any governmental requirements or standards relating to, among other things, energy conservation. Tenant may request that Landlord provide HVAC to the Premises at any time outside of Normal Business Hours. After hours HVAC shall be provided upon request at Landlord's standard charge, which shall be no more than is reasonably necessary to cover the costs of providing such HVAC. Elevator service to the Building shall be provided twenty-four (24) hours a day, subject to any regulations reasonably enacted by Landlord.

(b) Energy Provider. Tenant acknowledges and agrees that the decision whether to change the provider of electricity to the Building and the selection of the provider of electricity to the Building shall be made by Landlord in its sole and absolute discretion. Tenant shall cooperate with Landlord (including providing Landlord upon request at no charge with information regarding Tenant's electrical consumption) to facilitate Landlord's decision-making process. Tenant shall cooperate with Landlord in any present or future government-mandated conservation requirements.

(c) Breaks In Utility Services. Landlord shall not be liable for and Tenant shall not be entitled to any abatement or reduction of rent by reason of Landlord's failure to furnish any utilities and services, including without limitation electricity, water and HVAC, when such failure is caused by any of the following and to the extent beyond the reasonable control of Landlord: (i) accidents, breakage or repairs; (ii) strikes, brownouts, blackouts, riots, civil disturbances, lockouts or other labor disturbances or labor disputes of any character; (iii) governmental regulation, moratorium or other governmental action; (iv) limitation, rationing, curtailment or restriction on the use of water, electricity, gas heating, cooling or other forms of service or utility provided to the Premises; or (v) by any other cause, similar or dissimilar, and beyond the reasonable control of Landlord, nor shall such failure under such circumstances be construed as a constructive or actual eviction of Tenant.

9. Taxes. Tenant and Landlord are both public entities and as such are not subject to the imposition of real estate taxes. Provided Tenant maintains its status as a municipality that is exempt from taxes, Tenant shall pay no taxes under the terms of this Lease. To the extent possessory interest taxes are assessed by any appropriate taxing authority concerning the construction of the Initial Improvements or any other improvement to the Building caused by Tenant, Tenant shall pay, before delinquency, all such taxes, in addition to the Base Rent and Additional Rent payable under this Lease.

10. Maintenance.

(a) Landlord's Maintenance Obligations. Landlord shall keep the Project in a neat, clean, and orderly condition at all times and shall not permit rubbish, waste, or garbage, to accumulate at any time. Landlord shall not commit or permit any waste of the Project or any acts to be done in violation of any law. Landlord shall repair and maintain, in a first-class manner, in accordance with the practices of other first-class office buildings located in downtown San Diego, the structural portions of the Building and Garage, the systems and equipment, the base-building plumbing, heating, ventilating, air conditioning and electrical systems, mechanical, fire/life safety systems, facilities and components (excluding those systems that are located in the Premises, solely serve the Premises, and are reasonably accessible to Tenant), the common areas of the Project, and the windows, doors, plate glass and exterior surfaces of all walls that are adjacent to the common areas serving the Project and not located in the Premises.

(b) Tenant's Maintenance of the Premises. Tenant shall keep the Premises in a neat, clean and orderly condition, and shall not permit rubbish, waste or garbage to accumulate at any time.

(c) Repair of the Premises. Tenant shall make all repairs and replacements to the Premises, as and when necessary to preserve in a first-class order, condition and repair (less normal wear and tear) the Premises and every part thereof, including without limitation all fixtures, interior walls, interior surfaces of exterior walls, ceilings, windows, doors, cabinets, draperies, window coverings, carpeting and other floor coverings and plate glass located within the Premises, and all utility systems and facilities located within and solely serving the Premises.

(d) Landlord's Right to Make Repairs. If Tenant fails to maintain the Premises in a first-class order, condition and repair as required by this Lease or fails to comply with any applicable laws, regulations or requirements as required by this Lease, then within a reasonable time following written notification to Tenant (except in the case of an emergency, in which case no prior notification shall be required), Landlord may, but shall not be obligated to, enter the Premises at a reasonable time and with an authorized Tenant escort to do such reasonable acts and expend such reasonable funds at the expense of Tenant as required to place the Premises in the condition required by this Lease. The amount so expended by Landlord shall be paid by Tenant within sixty (60) days after demand. Landlord shall have no liability to Tenant for any reasonable inconvenience or interference with Tenant's use of the Premises resulting from Landlord's performance of such maintenance or repair work.

11. Casualty Damage and Casualty Insurance.

(a) Insured Casualties. If the Premises, or any portion thereof, is damaged or destroyed by any casualty that is covered by the insurance maintained by Landlord, then Landlord shall rebuild and restore the Premises, as the case may be, and repair the damaged portion thereof, provided: (i) the amount of insurance proceeds available to Landlord equals or exceeds the cost of such rebuilding, restoration and repair; (ii) such rebuilding, restoration and repair can be completed within one hundred eighty (180) days after the work commences in the opinion of a registered architect or engineer appointed by Landlord; (iii) the damage or

destruction has occurred more than twelve (12) months before the expiration of the Term; and (iv) such rebuilding, restoration, or repair is then permitted, under applicable governmental laws, rules and regulations, to be done in such a manner as to return the Premises to substantially its condition immediately prior to the damage or destruction, including without limitation the same net rentable floor area. If any of the circumstances described in (i) through (iv) above cannot be satisfied, Landlord may, at its option, either: (1) rebuild or restore the Premises or Building, as the case may be, and repair the damaged portion thereof; or (2) elect not to so rebuild or restore and this Lease shall then terminate. To the extent insurance proceeds must be paid to a mortgagee or beneficiary under, or must be applied to reduce any indebtedness secured by, a mortgage or deed of trust encumbering the Premises, or the Building, such proceeds, for the purposes of this Section 11(a), shall be deemed not available to Landlord unless such mortgagee or beneficiary permits Landlord to use such proceeds for the rebuilding, restoration, and repair of the Premises or Building. Notwithstanding the foregoing, Landlord shall have no obligation to repair any damage to, or to replace any of, Tenant's personal property, including without limitation furnishings, fixtures, and equipment.

(b) Non-Insured Casualties. If the Premises, or any portion thereof, is materially damaged or destroyed by any casualty not covered by Landlord's insurance, then Landlord may, at its option, either (i) rebuild or restore the Premises and repair the damaged portions thereof at Landlord's own expense; or (ii) terminate this Lease effective as of the date the damage or destruction occurred. Within sixty (60) days after the material damage or destruction occurs, Landlord shall notify Tenant of its election to either rebuild or restore the Premises and repair the damaged portions thereof, or to terminate this Lease. Notwithstanding the foregoing, unless Tenant's actions or omissions are the cause of the damage, Tenant may terminate this Lease upon thirty (30) days prior written notice if Landlord elects to perform such repair or restoration and either: (1) such repair or restoration cannot be completed within one hundred eighty (180) days; or (2) the damage or destruction occurs within the last twelve (12) months of the Term. To the extent Tenant's actions or omissions are the cause of the damage, Tenant shall be liable to and shall reimburse Landlord for any and all damages caused thereby.

(c) Minor Casualties. If the Premises are not rendered substantially unfit for the occupancy or use herein contemplated as the result of any insured casualty, Landlord shall promptly and diligently restore the Premises at Landlord's expense to the condition existing prior to the occurrence of the casualty, and the Rent shall be abated to the extent the Premises are not usable as contemplated by this Lease during such restoration period.

(d) Abatement of Rent. Provided this Lease is not terminated as provided in Sections 11(a) or (b), above, Tenant shall be entitled to an abatement of Rent by reason of the damage to or destruction of the Premises, only to the extent that: (i) the floor area of the Premises cannot be reasonably used by Tenant for the conduct of its business; or (ii) Tenant does not have reasonable access to the Premises, in which event the Rent shall abate in the proportion which the approximate area of the damaged or destroyed portion of the Premises bears to the total area of the Premises commencing upon the date the damage to or destruction of the Premises or Building occurred until substantial completion of the repair of such damage or destruction.

12. Insurance.

(a) Tenant Insurance Requirements. Tenant shall, at Tenant's sole cost and expense, maintain in force continuously throughout the Term:

(1) Commercial general public liability and property damage insurance covering the Premises with limits of not less than \$2,000,000 for injury to or death of one or more persons and/or property damage arising out of a single accident or occurrence and \$2,000,000 in the aggregate. All such insurance shall name the Metropolitan Transit Development Board, Landlord and the Housing Authority of the City of San Diego as additional insureds (with cross liability endorsements and an endorsement providing contractual liability for work performed near a railroad). Upon receipt of written request therefor, Tenant shall furnish Landlord a certificate from the insurer evidencing such coverage as required by this Section 12(a)(1);

(2) Worker's compensation insurance, with coverage as required by the State of California;

(3) Fire, extended coverage, and vandalism and malicious mischief insurance, insuring Tenant's personal property, including without limitation furniture, furnishings and fixtures on the Premises for not less than one hundred percent (100%) of the actual replacement value thereof; and

(4) Such other insurance as Landlord or Landlord's lender deems reasonably necessary to carry in connection with the ownership and operation of a first-class building.

(b) Additional Insurance Requirements. Each insurance policy obtained by Tenant pursuant to this Lease shall contain a clause that the insurer shall provide to Landlord at least thirty (30) days prior written notice of any material change, non-renewal or cancellation of the policy and shall be in a form satisfactory to Landlord and shall be taken out with an insurance company authorized to do business in the State of California and rated not less than Financial Class XIII and Policy Holder Rating "A" in the current issue of Best's Insurance Code. In addition, all insurance policies obtained by Tenant shall be written as primary policies, non-contributing with or in excess of any coverage which Landlord may carry, with loss payable clauses reasonably satisfactory to Landlord and in favor of Landlord and naming Landlord and any management agent from time to time designated by Landlord and any lender of Landlord as additional insureds. The liability limits of the above-described insurance policies shall in no way limit the liability of any party under the terms of this Lease. Not more frequently than every two (2) years, if, in the reasonable opinion of Landlord, the amount of liability insurance specified in Section 12(a) is not adequate, such limits of coverage shall be adjusted by Landlord, by written notification to Tenant, to maintain insurance protection at least equal to the protection afforded on the Commencement Date. If Tenant fails to maintain and secure the insurance coverage required under this Section 12, Landlord may, in addition to all other remedies provided herein and by law, but shall not be obligated to, procure and maintain such insurance, the cost of which shall be due and payable to Landlord by Tenant on demand. No policy of insurance required by this Lease shall contain a deductible exceeding Ten Thousand Dollars (\$10,000) per occurrence. Tenant shall be solely responsible for the payment of any deductible.

(c) Self-Insurance. Notwithstanding anything to the contrary contained in this Section 12, Tenant may elect to self insure its obligations under this Section 12, provided Tenant delivers to Landlord reasonable evidence of such self-insurance and related satisfactory financial ability.

(d) Landlord Insurance Requirements.

(1) Liability Insurance. Landlord shall, at Landlord's expense, maintain in force continuously throughout the Term, commercial general public liability insurance covering the Building (including the Premises) with combined single limit coverage of \$2,000,000 or its equivalent, and shall upon Tenant's written request furnish Tenant a certificate from the insurer evidencing such coverage.

(2) Property Insurance. Landlord shall maintain all-risk property insurance covering the Project, Premises and the Building against loss or damage resulting from fire and other insurable casualties.

13. Indemnity.

(a) Tenant shall indemnify, defend and hold Landlord and Landlord's Affiliates, excepting the City of San Diego, harmless from and against all liabilities, losses, demands, actions, expenses or claims, including reasonable attorneys' fees, fees of experts and accountants and court costs, for injury to or death of any person or for damages to any property arising out of or in any manner connected with: (i) the use, occupancy or enjoyment of the Project or Premises by Tenant and/or any sublessee and their agents, employees, invitees, licensees or contractors ("Tenant's Agents") or any work, activity or other things allowed by Tenant or Tenant's Agents to be done in or about the Project or Premises; (ii) any breach or default in the performance of any obligation of Tenant under this Lease; and (iii) to the extent allowed by law, any act or omission by Tenant or Tenant's Agents on or about the Project or Premises; provided, however, Tenant shall not be obligated to so indemnify Landlord or Landlord's Affiliates, excepting the City of San Diego, to the extent any such matters arise from or are caused by the acts or omissions of Landlord or Landlord's Affiliates, excepting the City of San Diego. If Tenant is required to defend Landlord, then Landlord may select its own defense counsel, and Tenant shall pay on behalf of, or to, Landlord all reasonable defense expenses incurred by Landlord. The indemnifications contained herein shall survive the expiration or earlier termination of this Lease.

(b) Landlord shall indemnify, defend and hold Tenant and Tenant's Agents harmless from and against all liabilities, losses, demands, actions, expenses or claims, including reasonable attorneys' fees, fees of experts and accountants and court costs, for injury to or death of any person or for damages to any property arising out of or in any manner connected with: (i) the use, occupancy or enjoyment of the Project or Premises by Landlord or Landlord's Affiliates, excepting the City of San Diego, or any work, activity or other things allowed by Landlord or Landlord's Affiliates, excepting the City of San Diego, to be done in or about the Project or Premises; (ii) any breach or default in the performance of any obligation of Landlord under this

Lease; and (iii) to the extent allowed by law, any act or omission by Landlord or Landlord's Affiliates, excepting the City of San Diego, on or about the Project or Premises; provided, however, that Landlord shall not be obligated to so indemnify Tenant or Tenant's Agents to the extent any such matters arise from or are caused by the willful misconduct or negligence of Tenant or Tenant's Agents. If Landlord is required to defend Tenant, then Tenant may select its own defense counsel, and Landlord shall pay on behalf of, or to, Tenant all reasonable defense expenses incurred by Tenant. The indemnifications contained herein shall survive the expiration or earlier termination of this Lease.

14. Assignment and Sublease. Tenant may assign this Lease, or sublease any portion of the Premises to any Tenant-related entity, subsidiary, or successor ("Affiliate"), without Landlord's consent, but with notice to Landlord. As to any person or entity that is not an Affiliate, Tenant shall not directly or indirectly, voluntarily or by operation of law, sublease, sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of the Premises or this Lease, without the prior written consent of Landlord, which may be withheld by Landlord in its sole and absolute discretion; provided, however, that Landlord shall not unreasonably withhold, condition, or delay the approval of any proposed assignment or sublease. Any assignment or sublease shall be subject to all of the terms and conditions of this Lease. In no event shall any sublease, sale, assignment, encumbrance, pledge, transfer or hypothecation relieve Tenant of its obligations hereunder. Tenant shall remain primarily liable for performance of Tenant's obligations hereunder, whether this Lease is assigned, sublet and/or otherwise transferred, including without limitation the payment of Rent. No reasonable withholding of consent by Landlord shall give rise to any claim by Tenant or any proposed assignee, or entitle Tenant to terminate this Lease, to recover contract damages or to any abatement of Rent. Landlord shall not have a recapture right in the event of an assignment or sublease to an Affiliate or to a third-party assignee or sublessee. Landlord shall not have any profit participation in an assignment or sublease to an Affiliate or in the sublease of up to ten (10) individual offices to a third-party sublessee. In connection with any assignment or sublease of the Premises to a third-party sublessee not heretofore mentioned, as a condition to Landlord's consent, Tenant shall pay to Landlord as Rent as and when received by Tenant an amount equal to fifty percent (50%) of all "Profit" (as hereinafter defined) derived from such assignment or sublease. "Profit" shall mean the difference between (i) the sum of any and all amounts payable by the proposed assignee or sublessee under the terms of the proposed assignment or sublease, and (ii) the sum of the Rent and other payment obligations payable to Landlord by Tenant under the terms of this Lease, less Tenant's costs incurred and related to the sublease, including without limitation tenant improvements, commissions, downtime if vacant, legal expenses, and other leasing concessions. For all purposes under this Section 14, a sub-sublease, assignment of sublease or any similar arrangement shall be considered a sublease. Tenant understands and acknowledges that the intent of the parties in negotiating this Lease was not to create any bonus value or allow Tenant to profit as a result of any favorable terms contained herein or any future changes in the market for the Premises. Tenant further acknowledges that any such value shall be shared with Landlord as set forth in this Section 14. Landlord reserves the right to review and approve financial statements of all prospective assignees and to approve the form of the assignment and/or sublease involved in each transaction, as a condition to the approval of any and all assignments and subletting. Any assignment or sublease must be to a governmental entity or 501 (C)(3) entity, as required by the restrictions affecting the Premises and the Project.

15. Eminent Domain.

(a) Total Taking. If all or substantially all of the Premises are condemned or taken in any manner for public or quasi-public use, including without limitation a conveyance or assignment in lieu of the condemnation or taking, or if so much of the Premises is so taken or condemned so as to render the remaining portion of the Premises unusable by Tenant for the conduct of Tenant's business, as determined by the condemning authority, this Lease shall automatically terminate on the earlier of the date on which actual physical possession is taken by the condemner or the date of dispossession of Tenant as a result of such condemnation or other taking.

(b) Partial Taking. If less than all or substantially all of the Premises is so condemned or taken, rendering the remaining portion of the Premises usable by Tenant for the conduct of its business, as determined by the condemning authority, this Lease shall automatically terminate only as to the portion of the Premises so taken as of the earlier of the date on which actual physical possession is taken by the condemner or the date of dispossession of Tenant as a result of such condemnation or taking. If such portion of the Building is condemned or otherwise taken so as to require, in the opinion of Landlord, a substantial alteration or reconstruction of the remaining portions thereof, this Lease may be terminated by Landlord, as of the date on which actual physical possession is taken by the condemner or dispossession of Tenant as a result of such condemnation or taking, by written notice to Tenant within sixty (60) days following notice to Landlord of the date on which such physical possession is taken or dispossession will occur.

(c) Award. Landlord shall be entitled to the entire award in any condemnation proceeding or other proceeding for taking for public or quasi-public use, including without limitation any award made for the value of the leasehold estate created by this Lease. No award for any partial or total taking shall be apportioned, and Tenant hereby assigns to Landlord any award that may be made in such condemnation or other taking, together with any and all rights of Tenant now or hereafter arising in or to the same or any part thereof. Although all damages in the event of any condemnation shall belong to Landlord whether such damages are awarded as compensation for diminution in value of the leasehold or to the fee of the Premises, Tenant may claim and recover from the condemner, but not from Landlord, such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of damages to Tenant's business by reason of the condemnation and for or on account of any cost or loss which Tenant might incur to remove Tenant's personal property, including without limitation furniture, fixtures, and equipment, or for the interruption of or other damage to Tenant's business.

(d) Rent Abatement. In the event of a partial condemnation or other taking that does not result in a termination of this Lease as to the entire Premises, the Rent and all other charges shall abate in proportion to the portion of the Premises taken by such condemnation or other taking. If this Lease is terminated, in whole or in part, pursuant to any of the provisions of this Section 15, all Rent and other charges payable by Tenant to Landlord hereunder and attributable to the Premises taken shall be paid up to the date upon which actual physical possession is taken by the condemner or the date of dispossession of Tenant.

(e) Temporary Taking. If all or any portion of the Premises is condemned or otherwise taken for public or quasi-public use for a limited period of time, this Lease shall remain in full force and effect and Tenant shall continue to perform its obligations under this Lease; provided, however, the Rent and all other charges payable by Tenant to Landlord hereunder shall abate during such limited period in proportion to the portion of the Premises that is rendered unusable as a result of such condemnation or other taking. Landlord shall be entitled to receive the entire award made in connection with any such temporary condemnation or other taking.

(f) Transfer of Landlord's Interest to Condemner. Landlord may, without any obligation to Tenant, agree to sell and/or convey to the condemner the Premises, the Project, or any portion thereof, sought by the condemner, subject to this Lease and the rights of Tenant hereunder, without first requiring that any action or proceeding be instituted or, if instituted, pursued to a judgment.

16. Attorneys' Fees. If any action shall be instituted by either Landlord or Tenant for the enforcement or interpretation of any of its rights or remedies in or under this Lease, the prevailing party shall be entitled to recover from the losing party all costs incurred by the prevailing party in said action and any appeal therefrom, including reasonable attorneys' fees and court costs to be fixed by the court therein. The "prevailing party" shall be that party who obtains substantially the result sought, whether by settlement, dismissal, or judgment.

17. Default.

(a) Tenant's Default. The occurrence of any one or more of the following shall constitute a default hereunder by Tenant:

(1) Tenant abandons the Premises;

(2) Tenant is delinquent three (3) times within a twelve (12)-month period in paying any Rent or other charges required under this Lease;

(3) Tenant fails to promptly and fully perform any other of its obligations contained in this Lease and such failure continues for thirty (30) days (or such shorter time provided herein) after written notice thereof from Landlord; provided, however, that if the obligation to be performed by Tenant is of such nature that the same cannot reasonably be performed within thirty (30) days and if Tenant commences such performance within said thirty (30) day period and thereafter diligently undertakes to complete the same, then such failure shall not be a default hereunder. Such thirty (30) day notice shall be in lieu of and not in addition to any notice required under California Code of Civil Procedure Section 1161;

(4) A trustee, disbursing agent or receiver is appointed to take possession of all or substantially all of Tenant's assets or of Tenant's interest in this Lease and Tenant or any guarantor of Tenant's obligations under this Lease does not regain possession within sixty (60) days after such appointment; Tenant makes an assignment for the benefit of creditors; or all or

substantially all of Tenant's assets in, on or about the Premises or Tenant's interest in this Lease are attached or levied upon under execution and Tenant does not discharge the same within sixty (60) days thereafter;

(5) A petition in bankruptcy, insolvency or for reorganization or arrangement is filed by or against Tenant or any guarantor of Tenant's obligations under this Lease pursuant to any federal or state statute and, with respect to any such petition filed against it, Tenant or such guarantor fails to secure a stay or discharge thereof within sixty (60) days after the filing of the same;

(6) Immediately, in the event of any assignment, subletting or other transfer for which the prior written consent of Landlord has not been obtained;

(7) Immediately, in the event of discovery of any false or misleading statement concerning financial information submitted by Tenant and/or any guarantor of Tenant's obligations to Landlord in connection with obtaining this Lease or any other consent or agreement by Landlord;

(8) Immediately, in the event Tenant admits in writing its inability to pay its debts as they mature; or

(9) Immediately, upon the suspension of Tenant's right to conduct its business, caused by the order, judgment, decree, decision or other act of any court or governmental agency.

(b) Landlord's Remedies. Upon the occurrence of a default by Tenant that is not cured by Tenant within any applicable grace period, Landlord shall have the following rights and remedies in addition to all other rights and remedies available to Landlord at law or in equity:

(1) The rights and remedies provided by California Civil Code Section 1951.4, which allows Landlord to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover rent and any other additional monetary charges as they become due, for as long as Landlord does not terminate Tenant's right to possession; provided, however, if Landlord elects to exercise its remedies described in this Section 17(b)(1) and Landlord does not terminate this Lease, and if Tenant requests Landlord's consent to an assignment of this Lease or a sublease of the Premises at such time as Tenant is in default, Landlord shall not unreasonably withhold its consent to such assignment or sublease. Acts of maintenance or preservation, efforts to relet the Premises or the appointment of a receiver upon Landlord's initiative to protect its interest under this Lease shall not constitute a termination of Tenant's right to possession;

(2) The right to terminate this Lease by giving notice to Tenant in accordance with applicable law;

(3) The right and power to enter the Premises and remove therefrom all persons and property, to store such property in a public warehouse or elsewhere at the cost of and

for the account of Tenant. Before retrieving any such property from storage, Tenant shall pay to Landlord, upon demand, all expenses incurred in such removal and all storage charges against such property. Any such property of Tenant not so retaken from storage by Tenant within thirty (30) days after such property is removed from the Premises shall be deemed abandoned and may be either disposed of by Landlord pursuant to Section 1988 of the California Civil Code or retained by Landlord as its own property. Landlord may from time to time sublet the Premises or any part thereof for such term or terms (which may extend beyond the Term) and at such rent and such other terms as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. Upon each such subletting, Tenant shall be immediately liable for payment to Landlord of the cost of such subletting and such alterations and repairs incurred by Landlord, if any. Any amounts received by Landlord from such subletting shall be applied first toward the cost of any alterations or repairs made to the Premises in connection with such subletting; second, to payment of Rent and other monetary obligations due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied in payment of future Rent and other monetary obligations as the same become due hereunder. If Tenant has been credited with any rent to be received by such subletting and such rent shall not be promptly paid to Landlord by the subtenant(s), or if such rents received from such subletting during any month are less than those to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. No taking possession of the Premises by Landlord shall be construed as an election on Landlord's part to terminate this Lease unless written notice of such intention is given to Tenant. Notwithstanding any such subletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous default;

(4) The right to have a receiver appointed for Tenant, upon application by Landlord, to take possession of the Premises and to apply any rent collected from the Premises and to exercise all other rights and remedies granted to Landlord pursuant to this Section 17; and

(5) The rights and remedies provided by California Civil Code Section 1951.2 to recover from Tenant upon termination of this Lease, including:

(A) the worth at the time of the award of the unpaid rent which had been earned at the time of termination;

(B) the worth at the time of the award of the amount by which the unpaid rent which would have been earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(C) subject to subdivision (c) of California Civil Code Section 1951.2, the worth at the time of the award of the amount by which the unpaid rent for the balance of the Term after the time of the award exceeds the amount of rental loss that Tenant proves could be reasonably avoided; and

(D) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including without

limitation reasonable attorneys' fees, reasonable broker's commissions and reasonable finder's fees (not only in connection with the reletting of the Premises, but also that portion of any leasing commission paid by Landlord in connection with this Lease which is applicable to that portion of the Term which is unexpired as of the date on which this Lease is terminated), reasonable costs for repairs, cleanup, refurbishing, removal (including the repair of any damage caused by such removal) and storage or disposal of Tenant's personal property, including without limitation equipment, and fixtures, and anything else Tenant is required by this Lease to remove but does not remove, and any costs for alterations, additions and renovations and any other costs and expenses incurred by Landlord in regaining possession of and reletting or attempting to relet the Premises.

(c) Worth at the Time of the Award. The "worth at the time of award" of the amounts referred to in Section 17(b)(5)(A) and (B), above, shall be computed by allowing interest at ten percent (10%) per annum. The "worth at the time of award" of the amount referred to in Section 17(b)(5)(C), above, shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(d) Mitigation of Damages. Landlord's obligation to mitigate damages after a default by Tenant under this Lease that results in Landlord regaining possession of all or part of the Premises shall be satisfied in full if Landlord undertakes to lease the Premises to a substitute tenant in accordance with the following criteria:

(1) Landlord shall have no obligation to solicit or entertain negotiations with any other prospective tenants for the Premises until Landlord obtains full and complete possession of the Premises including without limitation the final and unappealable legal right to relet the Premises free of any claim of Tenant;

(2) Landlord shall not be obligated to offer the Premises to any prospective tenant when other premises in the Building suitable for that prospective tenant's use are currently available, or will be available within three (3) months;

(3) Landlord shall not be obligated to lease the Premises to a substitute tenant for a rent less than the current fair market rent then prevailing for similar office space in comparable buildings in the same market area as the Building;

(4) Landlord shall not be obligated to enter into a new lease under terms and conditions that are commercially unreasonable;

(5) Landlord shall not be obligated to enter into a lease with any proposed substitute tenant that does not have, in Landlord's reasonable opinion, sufficient financial resources or operating experience to operate the Premises in a first-class manner;

(6) Landlord shall not be required to accept any substitute tenant offered by Tenant or to observe any instructions given by Tenant regarding such reletting;

(7) Landlord shall not be obligated to enter into a lease with any substitute tenant whose use would substantially negatively conflict with other tenants' uses in the Building; and

(8) Landlord shall not be required to expend any amount of money to alter, remodel, or otherwise make the Premises suitable for use by a substitute tenant, unless:

(A) Tenant pays any such sum to Landlord in advance of Landlord's execution of a lease with such substitute tenant (which payment shall not be in lieu of any damages or other sums to which Landlord may be entitled as a result of Tenant's default under this Lease); or

(B) Landlord, in Landlord's sole and absolute discretion, determines that any such expenditure is financially justified in connection with entering into any lease with such substitute tenant.

(e) Waiver by Tenant. Upon compliance with the criteria set forth in Section 17(d), above, regarding reletting of the Premises after a default by Tenant, Landlord shall be deemed to have fully satisfied Landlord's obligation to mitigate damages under this Lease; and Tenant waives, to the fullest extent legally permissible, any right to assert in any action by Landlord to enforce the terms of this Lease, any defense, counterclaim, or rights of setoff or recoupment respecting the mitigation of damages by Landlord, unless and to the extent Landlord maliciously or in bad faith fails to act in accordance with the requirements of this clause.

(f) No Waiver of Indemnification. Neither the termination of this Lease nor the exercise of any remedy under this Lease or otherwise available at law or in equity shall affect the right of Landlord to any right of indemnification set forth in this Lease or otherwise available at law or in equity for any act or omission of Tenant, and all rights to indemnification or other obligations of Tenant which are intended to be performed after termination of this Lease shall survive termination of this Lease and termination of Tenant's right to possession under this Lease.

(g) Landlord's Default.

(1) Default. It shall be a default of this Lease by Landlord if Landlord fails to perform any of its obligations under this Lease for a period of thirty (30) days after receipt of written notice thereof from Tenant; provided, however, that if the obligation is of such nature that the same cannot reasonably be performed within such thirty (30) day period, such default shall be deemed to have been cured if Landlord commences such performance within said thirty (30) day period and thereafter diligently undertakes to complete, and completes, the same.

(2) Tenant's Remedies. Except as may otherwise be provided in this Lease, Tenant shall not have the right based upon a default of Landlord to terminate this Lease or to withhold, offset or abate Rent. Tenant shall not have the right to terminate this Lease or to withhold, offset or abate the payment of Rent based upon the unreasonable or arbitrary withholding by Landlord of its consent or approval of any matter requiring Landlord's consent or

approval, including without limitation any proposed assignment or subletting; Tenant's remedies in such instance shall be limited to declaratory relief, specific performance, injunctive relief, and/or actual damages.

(3) Non-Recourse. Notwithstanding anything to the contrary contained in this Lease, Tenant shall look solely to the estate and property of Landlord in the Project for the enforcement of any judgment or other judicial decree requiring the payment of money by Landlord to Tenant by reason of any default or breach by Landlord in the performance of its obligations under this Lease, it being intended hereby that no other assets of Landlord or any of Landlord's Affiliates shall be subject to levy, execution, attachment or any other legal process for the enforcement or satisfaction of the remedies pursued by Tenant in the event of such default or breach.

(4) Limitation of Liability. In the event of a sale or transfer of the Premises, the person or entity defined as "Landlord" immediately prior to such transfer shall be automatically released from all personal liability for the performance or observance of any obligation of this Lease required to be performed by Landlord after the date of such transfer.

18. Signage. Tenant shall have standard Building and Project signage rights solely at Tenant's cost, which may be applied from the TI Allowance, if available. Any signage shall be in accordance with Landlord's signage plan and subject to Centre City Development Corporation's approval.

19. Quiet Enjoyment. Upon payment by Tenant of the Rent herein provided, and provided Tenant is not in default of this Lease, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term without hindrance or interruption by Landlord or any other person or persons lawfully or equitably claiming by, through or under Landlord, subject to the terms and conditions of this Lease and any mortgage and/or deed of trust to which this Lease is subordinate and subject to Landlord's right from time to time to perform tenant improvement work in other space in the Project involving without limitation construction noise, the use of scaffolding, delays in the use of the Building's elevators, the presence of work crews and the use of the Building's elevators by work crews; provided such work does not unreasonably interfere with Tenant's use of the Premises.

20. Landlord Exclusive Control.

(a) Building Alterations. Landlord shall have sole and exclusive control of the Project, as well as the right to make changes to the Project, provided the same does not negatively impact the Project or Premises or Tenant's use, occupancy, and enjoyment thereof or Tenant's rights under this Lease. Landlord may, but shall not be obligated to: (i) restrain the use of the Project by unauthorized persons; (ii) utilize from time to time any portion of the Project (except the Premises without Tenant's prior written consent) for promotional and related matters; (iii) temporarily close any portion of the Project (except the Premises without Tenant's prior written consent) for repairs, improvements or alterations; (iv) change the shape and size of the Project (except the Premises without Tenant's prior written consent); or (v) change the location of improvements within the Project (except the Premises without Tenant's prior written consent),

including without limitation parking structures and other parking facilities, roadways, and curb cuts. Landlord may determine the nature, size, and extent of the common areas as well as make changes to the common areas from time to time which, in Landlord's opinion, are deemed desirable provided the same does not negatively impact the Project or Premises or Tenant's use, occupancy, and enjoyment thereof or Tenant's rights under this Lease.

(b) Landlord's Rights. Landlord may install, use, maintain, repair, relocate, and replace pipes, ducts, conduits, wires, and appurtenant meters and equipment included in the Premises or outside the Premises, change the boundary lines of the Project and install, use, maintain, repair, alter, or relocate, expand and replace any common areas. Such rights of Landlord shall include, without limitation, temporarily designating from time to time certain portions of the common areas as exclusively for the benefit of certain tenants in the Project.

21. Parking.

(a) Parking Validations. Tenant shall have the right to purchase fifteen (15)-minute parking validations based on the below-stated unreserved monthly rates throughout the first ten (10) years of the Term. During any extension of the Term as provided in this Lease, the price for such parking validations shall be the same as such then-current unreserved monthly parking rates. Validations shall be used only during Normal Business Hours.

(b) Tenant Parking. Landlord shall provide Tenant with forty (40) unreserved parking spaces beginning on the Commencement Date and for use throughout the Term. Tenant may rent up to twenty (20) additional unreserved parking spaces throughout the Term with ninety (90) days prior written notice. Tenant shall pay for such parking at the rate of One Hundred Twenty-Five Dollars (\$125) per space, per month, fixed for the first ten (10) years of the Term. Tenant may, at Landlord's discretion, reserve tandem parking spaces at the rate of One Hundred Ten Dollars (\$110) per space, per month, fixed for the first ten (10) years of the Term. All parking spaces shall be available for Tenant's use twenty-four (24) hours per day, seven (7) days per week, and fifty-two (52) weeks per year. Parking rates payable by Tenant during any extension of the Term as provided in this Lease shall not exceed the prevailing rates for comparable parking within the Project's market area.

(c) Use of Parking Spaces. All parking shall be on the terms and conditions set forth in any parking rules and regulations established by Landlord (the "Parking Rules and Regulations"). Landlord may establish such additional reasonable rules and regulations as may be deemed desirable, at Landlord's sole discretion, for the proper and efficient operation and maintenance of the Garage. Nothing contained in this Lease shall be deemed to impose liability upon Landlord for personal injury or theft, for damage to any motor vehicle, or for loss of property from within any motor vehicle, which is suffered by Tenant or any of its employees, customers, service suppliers, or other invitees in connection with their use of parking spaces in the Garage or elsewhere.

(d) Landlord Control of Garage. Landlord shall at all times have the sole and exclusive control of the Garage, and may at any time exclude and restrain any person from use or occupancy thereof. The rights of Tenant and its employees shall at all times be subject to: (i) the

rights of Landlord and other tenants in the Building to use the same in common with Tenant and its employees; (ii) the availability of parking spaces in the Garage; and (iii) Landlord's right to change the location of any assigned reserved parking spaces, in Landlord's sole discretion.

22. Roof Rights. Tenant shall have the right, without rental or other charge, to use its pro-rata share of the roof of the Building, to the extent reasonably practicable, to install, operate, and maintain telecommunications antennas, microwave dishes, television satellite dishes, and other communications equipment. Such use shall be subject to receipt of all required governmental approvals and shall not unreasonably interfere with the Building and/or Project systems and shall not adversely affect the roof and/or the roof warranties provided to Landlord.

23. Access and Security. Tenant and Tenant's employees shall have access to the Premises, Building, and Garage twenty-four (24) hours per day, seven (7) days per week, and fifty-two (52) weeks per year. The Building and Garage shall be equipped with a card-key controlled access system for after-hours access.

24. Subordination. Tenant's leasehold interest hereunder shall be subordinate to any mortgages now on, or hereafter to be placed on, the Premises. Tenant shall comply with reasonable requests of Landlord's lenders, for execution of documentation to effect such subordination of Tenant's leasehold interest, including without limitation subordination, non-disturbance, and attornment agreements. Tenant shall obtain any and all non-disturbance agreements in favor of Tenant from the holders of all mortgages, deeds of trust, ground leases and other encumbrances against the Project that Tenant in its sole discretions deems necessary.

25. Estoppel Certificates. Tenant, at any time and from time to time, upon not less than ten (10) days prior written notice from Landlord, shall execute and deliver to Landlord in a timely manner a statement evidencing the status of this Lease by: (a) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect and the date to which the Rent and other charges are paid in advance, if any; and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if they are claimed.

26. Financial Statements. Landlord has reviewed financial statements if so requested of Tenant and has relied upon the truth and accuracy thereof with Tenant's knowledge and representations of the truth and accuracy of such statements and that said statements accurately and fairly depict the financial condition of Tenant as of the Effective Date. Said financial statements are an inducing factor and consideration for the making of this Lease by Landlord with Tenant. Tenant shall, at any time and from time to time upon not less than thirty (30) days prior written notice from Landlord, furnish Landlord with Tenant's most current financial statements which accurately reflect Tenant's then financial condition.

27. Notices. Each notice required or permitted by this Lease shall be in writing and delivered in person to the other party or by a nationally recognized overnight courier such as FedEx, or United States Certified Mail, Return Receipt Requested, postage fully prepaid, to the addresses

set forth below or to such other address as either party may designate in writing and deliver as provided in this Section.

Landlord: SAN DIEGO HOUSING COMMISSION
1122 Broadway, Suite 300
San Diego, CA 92101

Copy to: CHRISTENSEN & SPATH LLP
550 West C Street, Suite 1660
San Diego, CA 92101

Tenant: THE CITY OF SAN DIEGO
Attn: Real Estate Assets Department
1200 Third Avenue, Suite 1700
M. S. 51A
San Diego, CA 92101

Copy to: SAN DIEGO CITY ATTORNEY
Attn: Real Property Section
1200 Third Avenue, Suite 1100
San Diego, California 92101-4106

28. Brokers. Landlord and Tenant each represents and warrants that except for CBRE, in the case of Landlord, and Studley, Inc., a New York corporation (“Studley”), in the case of Tenant, no broker has been involved in the negotiation or consummation of this Lease. Tenant and Landlord each agree to indemnify, defend (with an attorney of the indemnitee’s choice) and hold the other harmless from and against all claims, demands, causes of action and liabilities, including without limitation reasonable attorneys’ fees and costs, arising out of a claim for a commission by any other broker purporting to have acted on behalf of the indemnifying party.

29. Commission to Tenant’s Agent. Landlord shall pay Studley, as Tenant’s representative, a commission pursuant to a separately negotiated agreement between Landlord and Studley.

30. Force Majeure and Landlord Delay. Neither party shall be required to perform any obligation under this Lease so long as such performance is delayed or prevented by force majeure, which shall mean any acts of God, material restriction by any governmental authority (except for the City of San Diego, unless a state of emergency exists), civil riot, and any other cause not reasonably within the control of such party and which by the exercise of due diligence such party is unable, wholly or in part, to prevent or overcome.

31. Holdover. Tenant may hold over beyond the expiration of this Lease for a period of up to three (3) months (“Initial Holdover Period”) on a per diem basis under all the same terms and conditions of this Lease, including rental rate, by providing Landlord with ninety (90) days prior written notice. Occupancy after the Initial Holdover Period shall be on a month-to-month basis at one hundred twenty five percent (125%) of the Base Rent in effect at the end of the Initial Holdover Period.

32. Right of First Offer. Tenant shall have a continuous right of first offer (“Right of First Offer”) to lease contiguous space on every floor occupied by Tenant (“Offer Space”). The Offer Space shall be submitted to Tenant under the same size, terms, and conditions that Landlord would propose to an interested third party. Tenant shall have ten (10) business days after receipt of said notice in which to elect to exercise its Right of First Offer. If Tenant fails, refuses or is unable to exercise said Right of First Offer, Landlord may lease the Offer Space to any third party. All rights associated with the Right of First Offer are personal to Tenant.

33. Contingencies. Notwithstanding the execution and delivery of this Lease, this Lease shall not be binding on either party unless and until both: (1) the Housing Authority of the City of San Diego approves and authorizes it; and (2) the City Council of The City of San Diego enacts an ordinance approving and authorizing the same.

34. General Conditions.

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

(b) Captions. The captions in this Lease are inserted for convenience of reference and in no way define, describe, or limit the scope or intent of this Lease or any provision of this Lease.

(c) Partial Invalidity. Any provision of this Lease which is unenforceable, invalid, or the inclusion of which would adversely affect the validity, legality, or enforcement of this Lease shall have no effect, but all the remaining provisions of this Lease shall remain in full effect.

(d) No Third-Party Rights. Nothing in this Lease, express or implied, is intended to confer any rights or remedies upon any person, other than the parties to this Lease and their respective successors and assigns.

(e) Time of Essence. Time is of the essence in this Lease.

(f) Relationship. Nothing contained in this Lease shall be deemed or construed by the parties or by any third person to create a relationship of principal and agent or partnership or a joint venture between Landlord and Tenant or between either or both of them and any third party.

(g) Landlord Approval. Where this Lease refers to an action or approval of Landlord, it shall mean the approval of the President/CEO of the San Diego Housing Commission, or designee, unless otherwise provided.

(h) Tenant’s Approval. Whenever required or permitted under this Lease, Tenant’s consent or approval shall mean the written consent or approval of the City Manager of San

Diego, or his or her designee (“City Manager”), unless otherwise expressly provided. Tenant’s discretionary acts hereunder shall be made in the City Manager’s discretion, unless otherwise expressly provided.

(i) San Diego’s Strong Mayor Form of Governance. All references to “City Manager” in this Lease shall be deemed to refer to the Mayor of San Diego or his or her designee. This section shall remain in effect for the duration Tenant operates under the mayor-council (commonly referred to as “strong mayor”) form of governance pursuant to Article XV of The City Charter of the City of San Diego, California.

(j) Exhibits Incorporated. All exhibits referred to in and attached to this Lease are hereby incorporated in this Lease.

(k) Further Assurances. Landlord and Tenant shall execute and deliver all such instruments and documents and to take all actions reasonably required by this Lease or otherwise to accomplish its intent.

(l) Entire Agreement. This Lease contains the entire understanding of the parties. There is no other written or oral understanding between the parties with respect to this Lease or the Premises. Each party has relied solely on advice from its own attorneys and experts in entering into this Lease. No other party, agent, or attorney of any other party has made any promise, representation, or warranty whatsoever which is not contained in this Lease. No modification, amendment, or alteration of this Lease shall be valid unless it is in writing and signed by all parties hereto.

(m) No Continuing Waiver. No waiver by either party of any provision, breach, or default of this Lease shall be deemed a waiver of any other provision, the same provision in another instance, or any subsequent breach or default hereof. Landlord’s consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord’s consent to or approval of such act in another instance. No waiver by either party shall be effective unless it is in writing and signed by the waiving party.

(n) Consents. All consents to be given by either party shall be reasonably and timely given.

(o) Leasehold Mortgages. Tenant shall not encumber its leasehold interest in the Premises without Landlord’s prior written approval.

(p) Nondiscrimination. There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry in the leasing, subleasing, renting, transferring, use, occupancy, tenure or enjoyment of the Premises, nor shall Tenant itself, or any person claiming under or through it, establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the Premises.

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(q) Signature Authority. Each individual signing this Lease for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, represents and warrants to each other party hereto that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

IN WITNESS WHEREOF, this Lease is executed to be effective as of the Effective Date.

TENANT:

THE CITY OF SAN DIEGO, a California municipal corporation

BY: _____

Name: _____

Title: _____

LANDLORD:

San Diego Housing Commission, a public agency

BY: _____

Richard C. Gentry,

President & Chief Executive Officer

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, San Diego City Attorney

BY: _____

Name: _____

Title: _____

CHRISTENSEN & SPATH LLP

BY: _____

Charles B. Christensen, General Counsel

San Diego Housing Commission

EXHIBIT B: Plans and Specifications

Exhibit A: Premises Floor Plan

Exhibit B:

Plans and Specifications

Exhibit C: Initial Improvements Schedule

ATTACHMENT NO. 2

PROJECT BUDGET

USES

FAMILY JUSTICE CENTER

\$70.00 per sq. ft.	\$ 1,555,120
Davis Davis Architects, Inc. Contract	\$ (109,500)
T.I. Balance Remaining for Construction and Approved Expenses	<u>\$ 1,445,620</u>

HOUSING OPPORTUNITIES COLLABORATIVE & ECONOMIC DEVELOPMENT ACADEMY

Construction	\$ 1,352,548
Furniture, Fixtures and Equipment	\$ 300,000
Contingency	<u>\$ 165,255</u>
Total	<u>\$ 1,817,803</u>

Grand Total	<u><u>\$ 3,263,423</u></u>
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SOURCES

Tenant Improvements (Disc. PY - GL 037)	\$ 1,760,923
EDA Tenant Improvements (Section 8, PY, GL 088)	\$ 1,322,500
HOC Tenant Improvements (CDBG CY, GL 112)	<u>\$ 180,000</u>
Total	<u><u>\$ 3,263,423</u></u>