

019117

FIFTH AMENDMENT TO LEASE
(Executive Complex)

THIS FIFTH AMENDMENT TO LEASE ("**Fifth Amendment**") is dated for reference purposes only this 16th day of July 2002, by and between EXECUTIVE ONE ASSOCIATES, an Illinois limited partnership ("**Landlord**") and THE CITY OF SAN DIEGO, a California municipal corporation ("**Tenant**").

R E C I T A L S:

A. Landlord and Tenant entered into that certain Office Lease dated as of January 28, 1999 (the "**Original Lease**"), as amended by (i) that certain First Amendment to Lease dated as of May 30, 2000 by and between Landlord and Tenant ("**First Amendment**"), (ii) that certain Second Amendment to Lease dated as of May 26, 2000 by and between Landlord and Tenant ("**Second Amendment**"), (iii) that certain Third Amendment to Lease dated as of October 31, 2000 by and between Landlord and Tenant ("**Third Amendment**"), and that certain Fourth Amendment to Lease dated as of November 30, 2001 by and between Landlord and Tenant ("**Fourth Amendment**"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain office space located in that certain building located and addressed at 1010 Second Avenue, San Diego, California (the "**Building**"). The Original Lease, as amended by the First Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment is hereinafter referred to as the "**Lease**."

B. By this Fifth Amendment, Landlord and Tenant desire to expand the Existing Premises (as defined below) and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

A G R E E M E N T:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The Existing Premises. Landlord and Tenant hereby agree that pursuant to the Lease, Landlord currently leases to Tenant and Tenant currently leases from Landlord that certain office space in the Building, which office space is stipulated by Landlord and Tenant to contain 125,832 rentable square feet and is located on the third (3rd) floor of the Building (commonly known as Suite 300), the fourth (4th) floor of the Building (commonly known as Suite 400), the fifth (5th) floor of the west tower of the Building (commonly known as Suite 555), the fifth (5th) floor of the east tower of the Building (commonly known as Suite 500), the sixth (6th) floor of the west tower of the Building (commonly known as Suite 666), the eighth (8th)

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SAN DIEGO, CALIFORNIA

floor of the east tower of the Building (commonly known as Suite 800), the ninth (9th) floor of the Building (commonly known as Suite 900), pursuant to the Fourth Amendment, a portion of the tenth (10th) floor of the Building (commonly known as Suite 1060), the eleventh (11th) floor of the Building (commonly known as Suite 1100), the twelfth (12th) floor of the Building (commonly known as Suite 1200), pursuant to the First Amendment, the fourteenth (14th) floor of the Building (commonly known as Suite 1400), pursuant to the Second Amendment, the nineteenth (19th) floor of the Building (commonly known as Suite 1900), pursuant to the Third Amendment, a portion of the thirteenth (13th) floor of the Building (commonly known as Suite 1325), all as outlined on Exhibit "A" to the Lease (and, with respect to Suite 1400, Exhibit "A" to the First Amendment, with respect to Suite 1900, Exhibit "A" to the Second Amendment, with respect to Suite 1325, Exhibit "A" to the Third Amendment, and, with respect to Suite 1060, Exhibit "A" to the Fourth Amendment), together with (i) a portion of the fifteenth (15th) floor of the Building (commonly known as Suite 1520) and (ii) a portion of the fifteenth (15th) floor of the Building (commonly known as Suite 1530) (collectively, the "**Existing Premises**").

2. Expansion of the Existing Premises. That certain space located on the sixth (6th) floor of the Building and commonly known as Suite 600, as outlined on the floor plan attached hereto as Exhibit "A", and made a part hereof, may be referred to herein as the "**Expansion Space**". Landlord and Tenant hereby stipulate that the Expansion Space contains 10,489 rentable square feet. Effective as of the date (the "**Suite 600 Expansion Commencement Date**") that is the earlier to occur of (i) the date that the Expansion Space is Ready for Occupancy (as that term is defined in the Tenant Work Letter (defined below)), and (ii) the date Tenant commences its business operations in the Expansion Space, Tenant shall lease from Landlord and Landlord shall lease to Tenant the Expansion Space. Accordingly, effective upon the Suite 600 Expansion Commencement Date, the Existing Premises shall be increased to include the Expansion Space. The Suite 600 Expansion Space Commencement Date is anticipated to be October 1, 2002. Landlord and Tenant hereby agree that such addition of the Expansion Space to the Existing Premises shall, effective as of the Suite 600 Expansion Commencement Date, increase the number of rentable square feet leased by Tenant in the Building to a total of 136,321 rentable square feet. Effective as of the Suite 600 Expansion Commencement Date, all references to the "Premises" shall mean and refer to the Existing Premises as expanded by the Expansion Space. Tenant hereby acknowledges that the Expansion Space is currently leased by an existing tenant and that Landlord shall have no liability to Tenant for any damages resulting from any delay in delivering possession of the Expansion Space to Tenant on or before the anticipated Suite 600 Expansion Commencement Date. In the event Landlord is unable to deliver the Expansion Space on or before the anticipated Suite 600 Expansion Commencement Date, then the Suite 600 Expansion Commencement Date shall be extended until such date as Landlord actually delivers the Expansion Space to Tenant.

3. Term and Base Monthly Rent. The Term for Tenant's lease of the Expansion Space ("**Expansion Space Term**") shall commence on the Suite 600 Expansion Commencement Date, and shall expire coterminously with Tenant's lease of the Existing Premises. During the Expansion Space Term, Tenant shall pay, in accordance with the provisions of this Section 3, the same Base Monthly Rent for the Expansion Space (on a per rentable square foot basis as provided in Section 8 of the Basic Lease Provisions of the Lease) as is then payable by Tenant for the Existing Premises on a per rentable square foot basis (and subject to increases in such Base Monthly Rent as provided in Section 8 of the Basic Lease Provisions of the Lease);

provided, however, that Section 3.1.2 of the Lease shall not apply to Tenant's Base Monthly Rent obligations for the Expansion Space. Accordingly, effective as of the Suite 600 Expansion Commencement Date, Section 8 of the Basic Lease Provisions of the Lease will be deemed modified as follows (on account of the addition of the Expansion Space to the Existing Premises):

<u>Period During Lease Term</u>	<u>Annual Base Rent</u>	<u>Base Monthly Rent</u>	<u>Base Monthly Rent Rate per Rentable Square Foot</u>
Suite 600 Expansion Commencement Date through March 31, 2003	\$2,339,268.36	\$194,939.03	\$1.43
April 1, 2003 through March 31, 2004	\$2,371,985.40	\$197,665.45	\$1.45
April 1, 2004 through March 31, 2005	\$2,404,702.44	\$200,391.87	\$1.47
April 1, 2005 through March 31, 2006	\$2,437,419.48	\$203,118.29	\$1.49
April 1, 2006 through March 31, 2007	\$2,470,136.52	\$205,844.71	\$1.51
April 1, 2007 through March 31, 2008	\$2,502,853.56	\$208,571.13	\$1.53
April 1, 2008 through March 31, 2009	\$2,535,570.60	\$211,297.55	\$1.55
April 1, 2009 through March 31, 2010	\$2,568,287.64	\$214,023.97	\$1.57
April 1, 2010 through March 31, 2011	\$2,601,004.68	\$216,750.39	\$1.59
April 1, 2011 through March 31, 2012	\$2,633,721.72	\$219,476.81	\$1.61
April 1, 2012 through March 31, 2013	\$2,666,438.76	\$222,203.23	\$1.63
April 1, 2013 through March 31, 2014	\$2,699,155.80	\$224,929.65	\$1.65

4. Tenant's Percentage Share, Base Year and Parking.

4.1. Tenant's Percentage Share. Notwithstanding anything to the contrary in the Lease, during the Expansion Space Term, Tenant's Percentage Share of Operating Expenses for the Expansion Space only shall be 3.23%. Accordingly, effective as of the commencement of the Expansion Space Term, Tenant's Percentage Share of Operating Expenses as set forth in Section 12 of the Basic Lease Provisions of the Lease shall be deemed revised to be 42.03%. For purposes of this Fifth Amendment, the term rentable square feet shall be deemed to mean square feet of "Rentable Area". Landlord and Tenant acknowledge and agree that the Building contains 324,341 square feet of Rentable Area.

4.2. Base Year. The Base Year for the Premises (including the Expansion Space) shall remain the calendar year 2003.

4.3. Parking. Tenant shall have the right to rent from Landlord up to ten (10) additional parking passes in connection with Tenant's lease of the Expansion Space, provided that (i) Tenant complies with all of the terms and conditions set forth in Article 26 of the Original Lease, including, without limitation, the obligation to pay the prevailing parking rate for such parking passes and (ii) in the event Tenant fails to use any of such parking passes for a period of nine (9) or more consecutive months, Tenant shall no longer have the right to use such parking passes except on an "as available" basis.

5. Condition of the Expansion Space; Tenant Improvements. Landlord and Tenant agree that the Expansion Space will be improved in accordance with the terms of the Tenant Work Letter attached hereto as Exhibit B ("Tenant Work Letter"). Except as specifically set forth in the Lease, as amended hereby, and the Tenant Work Letter, Tenant shall accept the Expansion Space in its presently existing, "as is" condition, and Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Expansion Space.

6. Termination Premises. Tenant acknowledges that Tenant has no further rights to terminate portions of the Premises pursuant to the terms of Section 2.1.5, Termination Premises, of the Original Lease.

7. Condition Precedent. Landlord and Tenant acknowledge and agree that the effectiveness of this Fifth Amendment is conditioned upon the approval of the same by the San Diego City Council. If such approval has not been obtained on or before August 14, 2002, then Tenant shall provide Landlord with written notice (the "**Amendment Termination Notice**") thereof on or before August 21, 2002. Upon receipt of the Amendment Termination Notice, this Fifth Amendment shall be of no further force or effect and the Lease shall continue in full force and effect on the terms and conditions set forth therein (without reference to this Fifth Amendment); provided, however, that the failure of Tenant to provide Landlord with such Amendment Termination Notice on or before August 21, 2002 shall waive Tenant's right to provide Landlord with such Amendment Termination Notice and such approval shall be deemed to have been obtained and the Lease (as modified by this Fifth Amendment) shall remain in full force and effect.

8. Brokers. Except for Irving Hughes ("**Tenant's Broker**") and A.W. Arendsee Real Estate, Inc. ("**Landlord's Broker**"), each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this Fifth Amendment. Each party further agrees to defend, indemnify and hold harmless the other party

from and against any claim for commission or finder's fee by any entity (other than Landlord's Broker and Tenant's Broker) who claims or alleges that they were retained or engaged by the first party or at the request of such party in connection with this Fifth Amendment.

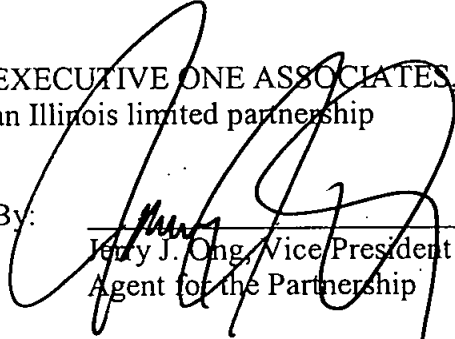
9. Defaults. Tenant hereby represents and warrants to Landlord that, as of the date of this Fifth Amendment, Tenant is in full compliance with all terms, covenants and conditions of the Lease and that there are no breaches or defaults under the Lease by Landlord or Tenant, and that Tenant knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Landlord or Tenant.

10. No Further Modification. Except as set forth in this Fifth Amendment, all of the terms and provisions of the Lease shall apply with respect to the Expansion Space and shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, this Fifth Amendment is executed by the City of San Diego, acting through its City manager, and by Landlord acting by and through its lawfully authorized officers.

"LANDLORD"

EXECUTIVE ONE ASSOCIATES,
an Illinois limited partnership

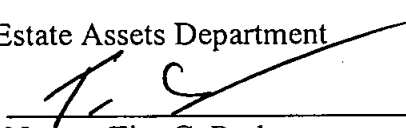
By: 

Jerry J. Ong, Vice President
Agent for the Partnership

"TENANT"

THE CITY OF SAN DIEGO,
a California municipal corporation

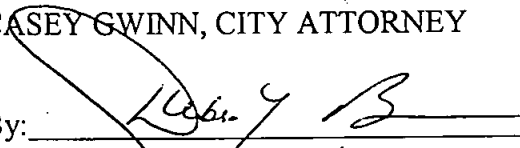
By: Real Estate Assets Department

By: 

Name: Tim C. Rothans
Its: Deputy Director

APPROVED AS TO FORM AND LEGALITY
THIS 5th DAY OF Nov 2002

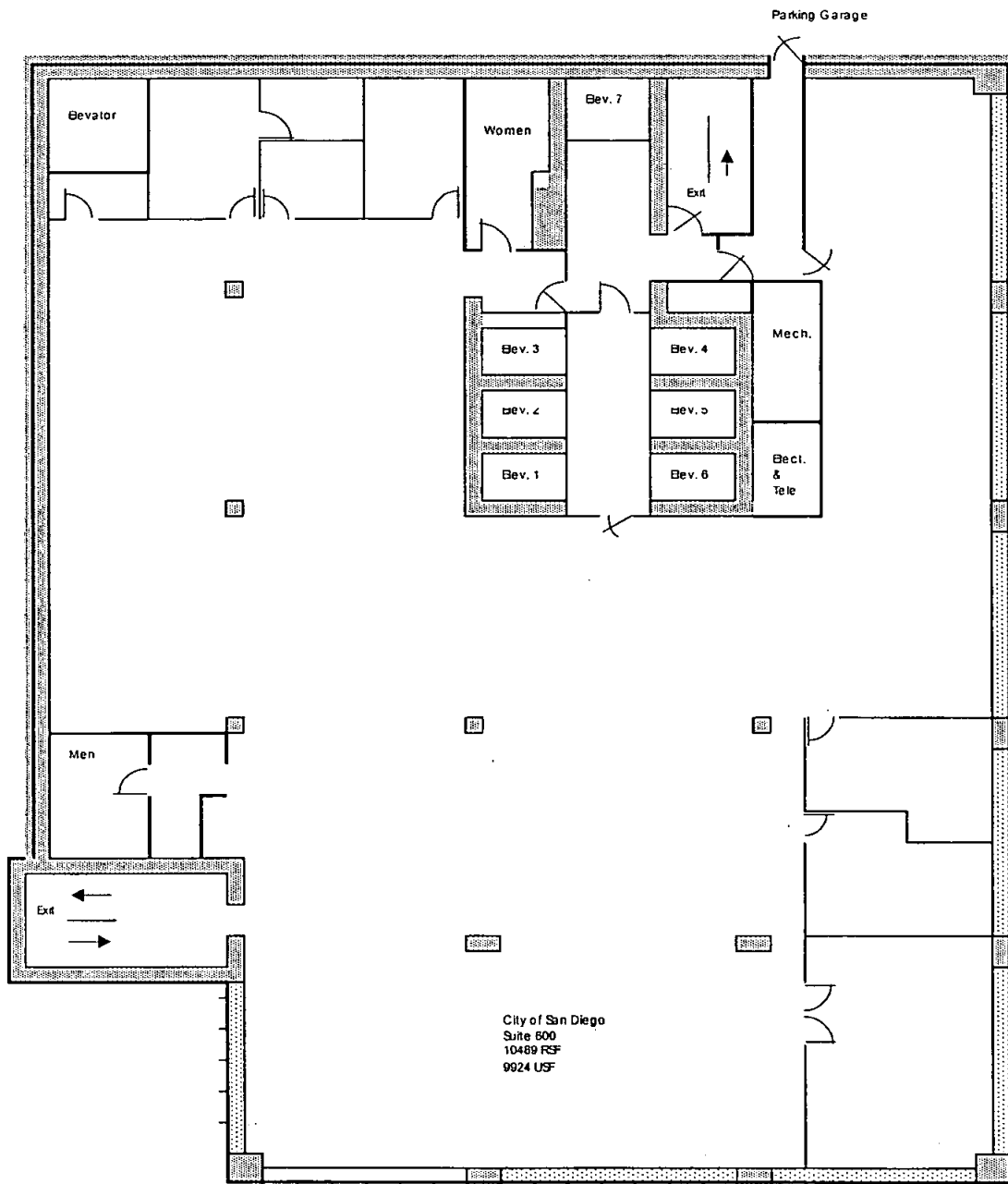
CASEY GWINN, CITY ATTORNEY

By: 

Name: Debra J. Bevier
Title: Deputy City Attorney

EXHIBIT "A"

OUTLINE OF THE EXPANSION SPACE



6th East Tower Floor

Single Tenant
9924 USF
10489 RSF
1.056881 R/U

NOT TO SCALE
FOR ILLUSTRATION ONLY

EXHIBIT "B"

TENANT WORK LETTER

This Tenant Work Letter shall set forth the terms and conditions relating to the construction of the tenant improvements in the Expansion Space. This Tenant Work Letter is essentially organized chronologically and addresses the issues of the construction of the Expansion Space, in sequence, as such issues will arise during the actual construction of the Expansion Space. All references in this Tenant Work Letter to Sections of "this Fifth Amendment" shall mean the relevant portion of Sections 1 through 10 of the Fifth Amendment to which this Tenant Work Letter is attached as Exhibit B and of which this Tenant Work Letter forms a part, and all references in this Tenant Work Letter to Sections of "this Tenant Work Letter" shall mean the relevant portion of Sections 1 through 6 of this Tenant Work Letter.

SECTION 1

CONDITION OF EXPANSION SPACE

Tenant shall accept the Expansion Space in its presently existing, "as is" condition and Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Expansion Space except to the extent otherwise specifically provided in the Approved Working Drawings (defined in Section 3.4 below) and this Tenant Work Letter or covered by the Tenant Improvement Allowance (defined in Section 2.1 below).

SECTION 2

TENANT IMPROVEMENTS

2.1 Tenant Improvement Allowance. Tenant shall be entitled to a one-time tenant improvement allowance (the "Tenant Improvement Allowance") in the amount of Two Hundred Sixty-Two Thousand Two Hundred Twenty-Five and No/100 Dollars (\$262,225.00) (i.e., Twenty-Five and No/100 Dollars (\$25.00) per rentable square foot of the Expansion Space) for the costs relating to the initial design and construction of Tenant's improvements which are permanently affixed to the Expansion Space (the "Tenant Improvements"). In no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount which exceeds the Tenant Improvement Allowance. All Tenant Improvements for which the Tenant Improvement Allowance has been made available shall be deemed Landlord's property under the terms of the Lease, as amended by the Fifth Amendment.

2.2 Disbursement of the Tenant Improvement Allowance. Except as otherwise set forth in this Tenant Work Letter, the Tenant Improvement Allowance shall be disbursed by Landlord (each of which disbursements shall be made pursuant to Landlord's disbursement process) for costs related to the construction of the Tenant Improvements and for the following items and costs (collectively, the "Tenant Improvement Allowance Items"): (i) payment of the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Tenant Work Letter, and payment of the fees incurred by, and the cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the "Construction Drawings," as that term is defined in Section 3.1 of this Tenant

Work Letter; (ii) the cost of any changes in the base, shell and core of the Building when such changes are required by the Construction Drawings; and (iii) the cost of any changes to the Construction Drawings or Tenant Improvements required by all applicable building codes (the "Code").

2.3 Standard Tenant Improvement Package. Landlord has established specifications (the "Specifications") for the Building standard components to be used in the construction of the Tenant Improvements in the Expansion Space (collectively, the "Standard Improvement Package"), which Specifications shall be supplied to Tenant by Landlord. The quality of Tenant Improvements shall be equal to or of greater quality than the quality of the Specifications, provided that Landlord may, at Landlord's option, require the Tenant Improvements to comply with certain Specifications. Landlord may make changes to the Specifications for the Standard Improvement Package from time to time.

SECTION 3

CONSTRUCTION DRAWINGS

3.1 Selection of Architect/Construction Drawings. Landlord shall, on behalf of Tenant, retain Maggetti Elam Associates (the "Architect") to prepare the "Construction Drawings," as that term is defined in this Section 3.1. Landlord shall, on behalf of Tenant, retain engineering consultants or subcontractors designated by Landlord (the "Engineers") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, lifesafety, and sprinkler work of the Tenant Improvements. Tenant hereby acknowledges and agrees that Landlord is hiring the Architect and the Engineers as an accommodation to Tenant. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "Construction Drawings." All Construction Drawings shall comply with the drawing format and specifications as determined by Landlord, shall be consistent with, and a logical extension of the Final Space Plan (defined in Section 3.2 below) and shall be subject to Landlord's and Tenant's approval.

3.2 Final Space Plan. The Architect has prepared, and Tenant has approved, that certain final space plan for Tenant Improvements in the Expansion Space, dated March 12, 2002 and revised March 14, 2002 (collectively, the "Final Space Plan").

3.3 Final Working Drawings. Landlord, the Architect and the Engineers shall work diligently to complete the final architectural and engineering working drawings for the Expansion Space ("Final Working Drawings"), which Final Working Drawings shall be in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits, and shall submit the same to Tenant for Tenant's approval. The Final Working Drawings shall be consistent with, and a logical extension of, the Final Space Plan. Tenant shall, exercising its diligent, good faith efforts, cooperate with Landlord, the Architect and the Engineers in the completion of the Final Working Drawings, and shall promptly respond to all requests from Landlord, the Architect or the Engineers for any information required to complete the Final Working Drawings.

3.4 Approved Working Drawings. The Final Working Drawings shall be approved by Tenant (the "Approved Working Drawings") within three (3) days after Tenant's receipt of the Final Working Drawings. Architect shall immediately submit the Approved Working Drawings

to the appropriate municipal authorities for all applicable building permits necessary to allow "Contractor," as that term is defined in Section 4.1, below, to commence and fully complete the construction of the Tenant Improvements (the "Permits"). No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord, provided that Landlord may withhold its consent, in its sole discretion, to any change in the Approved Working Drawings if such change would directly or indirectly delay the "Substantial Completion" of the Expansion Space as that term is defined in Section 5.1 of this Tenant Work Letter.

3.5 Time Deadlines. Tenant shall use its best, good faith, efforts and all due diligence to cooperate with the Architect, the Engineers, and Landlord to complete all phases of the Construction Drawings and the permitting process and to receive the permits, and with Contractor for approval of the "Cost Proposal," as that term is defined in Section 4.2 of this Tenant Work Letter, as soon as possible after the execution of the Fifth Amendment, and, in that regard, shall meet with Landlord on a scheduled basis to be determined by Landlord, to discuss Tenant's progress in connection with the same. The applicable dates for approval of items, plans and drawings as described in this Section 3, Section 4, below, and in this Tenant Work Letter are set forth and further elaborated upon in Schedule 1 (the "Time Deadlines"), attached hereto. Tenant agrees to comply with the Time Deadlines.

SECTION 4

CONSTRUCTION OF THE TENANT IMPROVEMENTS

4.1 Contractor. A contractor designated by Landlord ("Contractor") shall construct the Tenant Improvements.

4.2 Cost Proposal. After the Approved Working Drawings are signed by Landlord and Tenant, Landlord shall provide Tenant with a cost proposal in accordance with the Approved Working Drawings, which cost proposal shall include, as nearly as possible, the cost of all Tenant Improvement Allowance Items to be incurred by Tenant in connection with the design and construction of the Tenant Improvements (the "Cost Proposal"). Tenant shall approve and deliver the Cost Proposal to Landlord within three (3) days of the receipt of the same, and upon receipt of the same by Landlord, Landlord shall be released by Tenant to purchase the items set forth in the Cost Proposal and to commence the construction relating to such items. The date by which Tenant must approve and deliver the Cost Proposal to Landlord shall be known hereafter as the "Cost Proposal Delivery Date".

4.3 Construction of Tenant Improvements by Contractor under the Supervision of Landlord.

4.3.1 Over-Allowance Amount. On the Cost Proposal Delivery Date, Tenant shall deliver to Landlord cash in an amount (the "Over-Allowance Amount") equal to the difference between (i) the amount of the Cost Proposal and (ii) the amount of the Tenant Improvement Allowance. The Over-Allowance Amount shall be disbursed by Landlord prior to the disbursement of any then remaining portion of the Tenant Improvement Allowance, and such disbursement shall be pursuant to the same procedure as the Tenant Improvement Allowance. In the event that, after the Cost Proposal Delivery Date, any revisions, changes, or substitutions shall be made to the Construction Drawings or the Tenant Improvements, any additional costs

which arise in connection with such revisions, changes or substitutions requested by Tenant shall be paid by Tenant to Landlord immediately upon Landlord's request as an addition to the Over-Allowance Amount.

4.3.2 Landlord's Retention of Contractor. Landlord shall independently retain Contractor, on behalf of Tenant, to construct the Tenant Improvements in accordance with the Approved Working Drawings and the Cost Proposal and Landlord shall supervise the construction by Contractor.

4.3.3 Contractor's Warranties and Guaranties. Landlord hereby assigns to Tenant all warranties and guaranties by Contractor, Architect and Engineers, if any, relating to the Tenant Improvements, and Tenant hereby waives all claims against Landlord relating to, or arising out of the construction of, the Tenant Improvements.

4.3.4 Tenant's Covenants. Tenant hereby indemnifies Landlord for any loss, claims, damages or delays arising from the actions of Architect on the Premises or in the Building. Within ten (10) days after completion of construction of the Tenant Improvements, Tenant shall cause Contractor and Architect to cause a Notice of Completion to be recorded in the office of the County Recorder of the county in which the Building is located in accordance with Section 3093 of the Civil Code of the State of California or any successor statute and furnish a copy thereof to Landlord upon recordation, failing which, Landlord may itself execute and file the same on behalf of Tenant as Tenant's agent for such purpose.

SECTION 5

COMPLETION OF THE TENANT IMPROVEMENTS; SUITE 600 EXPANSION COMMENCEMENT DATE

5.1 Ready for Occupancy. The Expansion Space shall be deemed "Ready for Occupancy" upon the Substantial Completion of the Expansion Space. For purposes of the Fifth Amendment, "Substantial Completion" of the Expansion Space shall occur upon the completion of construction of the Tenant Improvements in the Expansion Space pursuant to the Approved Working Drawings, with the exception of any punch list items and any tenant fixtures, telephones and computers and any cabling related thereto, photocopy machines, and workstations, built-in furniture, or equipment the purchase and installation of which shall be Tenant's sole responsibility.

5.2 Delay of the Substantial Completion of the Expansion Space. Except as provided in this Section 5.2, the Suite 600 Expansion Commencement Date shall occur as set forth in the Fifth Amendment and Section 5.1, above. If there shall be a delay or there are delays in the Substantial Completion of the Expansion Space or in the occurrence of any of the other conditions precedent to the Suite 600 Expansion Commencement Date, as set forth in the Fifth Amendment, as a direct, indirect, partial, or total result of:

5.2.1 Tenant's failure to comply with the Time Deadlines;

5.2.2 Tenant's failure to timely approve any matter requiring Tenant's approval;

5.2.3 A breach by Tenant of the terms of this Tenant Work Letter or the Lease, as amended by the Fifth Amendment;

5.2.4 Tenant's request for changes in the Approved Working Drawings;

5.2.5 Tenant's requirement for materials, components, finishes or improvements which are not available in a commercially reasonable time given the anticipated date of Substantial Completion of the Expansion Space, as set forth in the Fifth Amendment, or which are different from, or not included in, the Standard Improvement Package;

5.2.6 Changes to the base, shell and core of the Building required by the Approved Working Drawings;

5.2.7 The requirement of any work or improvements in the Expansion Space that are inconsistent with or not a logical extension of the Final Space Plan; or

5.2.8 Any other acts or omissions of Tenant, or its agents, or employees;

then, notwithstanding anything to the contrary set forth in the Lease, as amended by the Fifth Amendment, or this Tenant Work Letter and regardless of the actual date of the Substantial Completion of the Expansion Space, the date of Substantial Completion of the Expansion Space shall be deemed to be the date the Substantial Completion of the Expansion Space would have occurred if no Tenant delay or delays, as set forth above, had occurred.

SECTION 6

MISCELLANEOUS

6.1 Tenant's Entry Into the Expansion Space Prior to Substantial Completion. Provided that Tenant and its agents do not interfere with Contractor's work in the Building and the Expansion Space, Contractor shall allow Tenant access to the Expansion Space prior to the Substantial Completion of the Expansion Space for the purpose of Tenant installing overstandard equipment or fixtures (including Tenant's data and telephone equipment) in the Expansion Space. Prior to Tenant's entry into the Expansion Space as permitted by the terms of this Section 6.1, Tenant shall submit a schedule to Landlord and Contractor, for their approval, which schedule shall detail the timing and purpose of Tenant's entry. Tenant shall hold Landlord harmless from and indemnify, protect and defend Landlord against any loss or damage to the Building or Expansion Space and against injury to any persons caused by Tenant's actions pursuant to this Section 6.1.

6.2 Freight Elevators. Landlord shall, consistent with its obligations to other tenants of the Building, make the freight elevator reasonably available to Tenant in connection with initial decorating, furnishing and moving into the Expansion Space.

6.3 Tenant's Representative. Tenant has designated Diana Monaco as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

6.4 Landlord's Representative. Landlord has designated Peter Tietz as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

6.5 Time of the Essence in This Tenant Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. In all instances where Tenant is required to approve or deliver an item, if no written notice of approval is given or the item is not delivered within the stated time period, at Landlord's sole option, at the end of such period the item shall automatically be deemed approved or delivered by Tenant and the next succeeding time period shall commence.

6.6 Tenant's Lease Default. Notwithstanding any provision to the contrary contained in this Lease, as amended by the Fifth Amendment, if an event of default as described in the Lease, as amended by the Fifth Amendment, or a default by Tenant under this Tenant Work Letter, has occurred at any time on or before the Substantial Completion of the Expansion Space, then (i) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, as amended by the Fifth Amendment, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Expansion Space (in which case, Tenant shall be responsible for any delay in the Substantial Completion of the Expansion Space caused by such work stoppage as set forth in Section 5 of this Tenant Work Letter), and (ii) all other obligations of Landlord under the terms of this Tenant Work Letter shall be forgiven until such time as such default is cured pursuant to the terms of the Lease, as amended by the Fifth Amendment.

SCHEDULE 1 TO EXHIBIT B

TIME DEADLINES

	<u>Dates</u>	<u>Actions to be Performed</u>
A.	Approved, March 14, 2002	Final Space Plan to be completed by Tenant and delivered to Landlord.
B.	Three (3) days after the receipt of the Final Working Drawings by Tenant	Tenant to approve Final Working Drawings and deliver Approved Working Drawings to Landlord.
C.	Three (3) days after the receipt of the Cost Proposal by Tenant	Tenant to approve Cost Proposal and deliver Cost Proposal to Landlord.

ORDINANCE NUMBER 19117

ADOPTED ON OCT 28 2002

AN ORDINANCE AUTHORIZING THE CITY MANAGER
TO EXECUTE A FIFTH AMENDMENT TO LEASE
AGREEMENT WITH EXECUTIVE ONE ASSOCIATES FOR
OFFICE SPACE

WHEREAS, the City has a Master Lease with Executive One Associates for space at the Executive Complex building; and

WHEREAS, Facilities Financing and the Planning Department are currently sharing space on the 4th floor of the City Administration Building. The departments' space needs have grown beyond their current capacities; and

WHEREAS, available space was found on the 6th floor of the Executive Complex building that will meet the space needs of Facilities Financing; and

WHEREAS, the City can lease approximately 10,489 square feet on the 6th floor of the Executive Complex building, at a monthly rental rate of \$1.43 per square foot or \$14,999.27 per month. The term of the amendment would be for approximately 12 years, commencing on or about December 1, 2002, and terminating on March 31, 2014, the expiration date of the Master Lease;

WHEREAS, the landlord will install the tenant improvements in the space at the landlord's sole cost and expense. The estimated cost for the tenant improvements is \$262,225.00. City will pay \$29,998.54 in tenant improvement overages beyond the estimated

cost provided one year ago due to code requirements. No further tenant improvement costs will be paid by the City;

WHEREAS, six votes of the City Council are required to adopt this Ordinance pursuant to Section 99 of the City Charter; NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

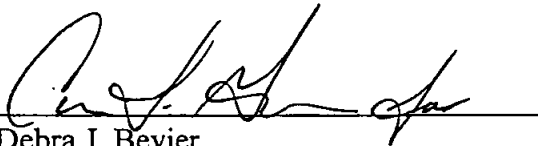
Section 1. That the City Manager is authorized to execute, for and on behalf of the City of San Diego, a Fifth Amendment to Lease with Executive One Associates, for the lease of an expansion area of approximately 10,489 square feet, at a monthly rental rate of \$14,999.27, for a term of approximately 12 years, under the terms and conditions set forth in that Fifth Amendment to Lease agreement on file in the office of the City Clerk as Document No. OO- 19117.

Section 2. That the City Auditor and Comptroller is authorized to expend an amount not to exceed \$135,622.77 from Facilities Financing Fund No. 10250, Dept. 541, for rent from the FY2003 budget. The monthly rent will increase by approximately 1.5% per year through the term of the Master Lease.

Section 3. That a full reading of this Ordinance is dispensed with prior to its final passage, a written or printed copy having been available to the City Council and the public a day prior to its final passage.

Section 4. This Ordinance shall take effect and be in force on the thirtieth day from and after its passage.

APPROVED: CASEY GWINN, City Attorney

By 
Debra J. Bevier
Deputy City Attorney

DJB:mm
09/26/02
Dept:REA
Job: 223138
Aud.Cert:2300344
O-2003-45
Form=leaseord.frm

Passed and adopted by the Council of The City of San Diego on October 28, 2002 by the following vote:

YEAS: PETERS, WEAR, ATKINS, STEVENS, MAIENSCHIN, FYRE, MADAFFER, INZUNZA, MAYOR MURPHY

NAYS: NONE NOT PRESENT: NONE

AUTHENTICATED BY:

DICK MURPHY

Mayor of The City of San Diego, California

CHARLES G. ABDELNOUR

City Clerk of The City of San Diego, California

(Seal)

By: Esther Ramos, Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of ORDINANCE NO. O- 19117 (New Series) of The City of San Diego, California.

I FURTHER CERTIFY that said ordinance was not finally passed until twelve calendar days had elapsed between the day of its introduction and the day of its final passage, to wit, on October 14, 2002 and on October 28, 2002.

I FURTHER CERTIFY that the reading of said ordinance in full was dispensed with by a vote of not less than a majority of the members elected to the Council, and that there was available for the consideration of each member of the Council and the public prior to the day of its passage a written or printed copy of said ordinance.

CHARLES G. ABDELNOUR

City Clerk of The City of San Diego, California

(Seal)

By: Esther Ramos, Deputy

FOURTH AMENDMENT TO LEASE
(Executive Complex)

THIS FOURTH AMENDMENT TO LEASE ("Fourth Amendment") is dated for reference purposes only this 30th day of November, 2001, by and between EXECUTIVE ONE ASSOCIATES, an Illinois limited partnership ("Landlord") and THE CITY OF SAN DIEGO, a California municipal corporation ("Tenant").

RECITALS:

A. Landlord and Tenant entered into that certain Office Lease dated as of January 28, 1999 (the "Original Lease"), as amended by (i) that certain First Amendment to Lease dated as of May 30, 2000 by and between Landlord and Tenant ("First Amendment"), (ii) that certain Second Amendment to Lease dated as of May 26, 2000 by and between Landlord and Tenant ("Second Amendment"), and (iii) that certain Third Amendment to Lease dated as of October 31, 2000 by and between Landlord and Tenant ("Third Amendment"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain office space located in that certain building located and addressed at 1010 Second Avenue, San Diego, California (the "Building"). The Original Lease, as amended by the First Amendment, the Second Amendment and the Third Amendment, is hereinafter referred to as the "Lease."

B. By this Fourth Amendment, Landlord and Tenant desire to expand the Existing Premises (as defined below) and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

AGREEMENT:

1. The Existing Premises. Landlord and Tenant hereby agree that pursuant to the Lease, Landlord currently leases to Tenant and Tenant currently leases from Landlord that certain office space in the Building, which office space is stipulated by Landlord and Tenant to contain 124,738 rentable square feet and is located on the third (3rd) floor of the Building (commonly known as Suite 300), the fourth (4th) floor of the Building (commonly known as Suite 400), the fifth (5th) floor of the west tower of the Building (commonly known as Suite 555), the fifth (5th) floor of the east tower of the Building (commonly known as Suite 500), the sixth (6th) floor of the west tower of the Building (commonly known as Suite 666), the eighth (8th) floor of the east tower of the Building (commonly known as Suite 800), the ninth (9th) floor of the Building (commonly known as Suite 900), the eleventh (11th) floor of the Building (commonly known as Suite 1100), the twelfth (12th) floor of the Building (commonly known as Suite 1200), pursuant to the First Amendment, the fourteenth (14th) floor of the east tower of the Building (commonly known as Suite 1400), pursuant to the Second Amendment, the nineteenth (19th) floor of the east tower of the Building (commonly known as Suite 1900) and, pursuant to the Third Amendment, the thirteenth (13th) floor of the east tower of the Building (commonly known as Suite 1325), all as outlined on Exhibit "A" to the Lease (and, with respect to Suite 1400, Exhibit "A" to the First Amendment and, with respect to Suite 1900, Exhibit "A" to the Second Amendment and, with respect to Suite 1325, Exhibit "A" to the Third Amendment), together with (i) a portion of the fifteenth (15th) floor of the Building (commonly known as Suite 1520) and a portion of the fifteenth (15th) floor of the Building (commonly known as Suite 1530) (collectively, the "Existing Premises").

2. Expansion of the Existing Premises. That certain space located on the tenth (10th) floor of the Building and commonly known as Suite 1060, as outlined on the floor plan attached hereto as Exhibit "A", and made a part hereof, may be referred to herein as the "Expansion Space". Landlord and Tenant hereby stipulate that the Expansion Space contains 1,094 rentable

DOCUMENT NO. 00-10046
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SAN DIEGO, CALIFORNIA

square feet. Effective as of February 1, 2002 ("**Suite 1060 Expansion Commencement Date**"), Tenant shall lease from Landlord and Landlord shall lease to Tenant the Expansion Space. Accordingly, effective upon the Suite 1060 Expansion Commencement Date, the Existing Premises shall be increased to include the Expansion Space. Landlord and Tenant hereby agree that such addition of the Expansion Space to the Existing Premises shall, effective as of the Suite 1060 Expansion Commencement Date, increase the number of rentable square feet leased by Tenant in the Building to a total of 125,832 rentable square feet. Effective as of the Suite 1060 Expansion Commencement Date, all references to the "Premises" shall mean and refer to the Existing Premises as expanded by the Expansion Space. Notwithstanding anything above to the contrary, after Landlord's completion of Landlord's Work (as defined below), Landlord shall allow Tenant to enter the Expansion Space prior to the Suite 1060 Expansion Commencement Date (the "**Early Occupancy Date**") for purposes of installation of Tenant's furniture, fixtures and equipment (and, subject to Tenant's compliance (at Tenant's sole cost and expense) with all applicable laws, the commencement of business operations therein); provided, however, that Tenant's entry into the Expansion Space from and after the Early Occupancy Date shall be subject to and is conditioned upon Tenant's coordination of such entry with Landlord. Such early occupancy shall be subject to all of the terms and conditions of the Lease (as modified by this Fourth Amendment), including, without limitation, the provisions of Article 9 of the Lease and including Tenant's obligation to pay Base Monthly Rent for the Expansion Space from and after the Early Occupancy Date, as well as any additional rent and other charges applicable to Tenant's occupancy of such Expansion Space. In any event, Tenant agrees to provide Landlord with prior notice of any such intended early occupancy. Notwithstanding anything in this Fourth Amendment to the contrary, Tenant's occupancy of the Expansion Space from and after the Early Occupancy Date shall be deemed Tenant's waiver of the condition precedent described in Section 6 below.

3. Term and Base Monthly Rent. The Term for Tenant's lease of the Expansion Space ("**Expansion Space Term**") shall commence on the earlier of (i) the Early Occupancy Date or (ii) the Suite 1060 Expansion Commencement Date, and shall expire co-terminously with Tenant's lease of the Existing Premises. During the Expansion Space Term, Tenant shall pay, in accordance with the provisions of this Section 3, the same Base Monthly Rent for the Expansion Space (on a per rentable square foot basis as provided in Section 8 of the Basic Lease Provisions of the Lease) as is then payable by Tenant for the Existing Premises on a per rentable square foot basis (and subject to increases in such Base Monthly Rent as provided in Section 8 of the Basic Lease Provisions of the Lease); provided, however, that Section 3.1.2 of the Lease shall not apply to Tenant's Base Monthly Rent obligations for the Expansion Space. Accordingly, effective as of the Suite 1060 Expansion Commencement Date, Section 8 of the Basic Lease Provisions of the Lease will be deemed modified as follows (on account of the addition of the Expansion Space to the Existing Premises):

<u>Period During Lease Term</u>	<u>Annual Base Rent</u>	<u>Base Monthly Rent</u>	<u>Base Monthly Rent Rate per Rentable Square Foot</u>
Suite 1060 Expansion Commencement Date (or, if applicable, the Early Occupancy Date) through March 31, 2002	\$2,129,077.40	\$177,423.12	\$1.41
April 1, 2002 through March 31, 2003	\$2,159,277.10	\$179,939.76	\$1.43
April 1, 2003 through March 31, 2004	\$2,189,476.80	\$182,456.40	\$1.45
April 1, 2004 through March 31, 2005	\$2,219,676.40	\$184,973.04	\$1.47
April 1, 2005 through March 31, 2006	\$2,249,876.10	\$187,489.68	\$1.49
April 1, 2006 through March 31, 2007	\$2,280,075.80	\$190,006.32	\$1.51

<u>Period During Lease Term</u>	<u>Annual Base Rent</u>	<u>Base Monthly Rent</u>	<u>Base Monthly Rent Rate per Rentable Square Foot</u>
April 1, 2007 through March 31, 2008	\$2,310,275.50	\$192,522.96	\$1.53
April 1, 2008 through March 31, 2009	\$2,340,475.20	\$195,039.60	\$1.55
April 1, 2009 through March 31, 2010	\$2,370,674.80	\$197,556.24	\$1.57
April 1, 2010 through March 31, 2011	\$2,400,874.50	\$200,072.88	\$1.59
April 1, 2011 through March 31, 2012	\$2,431,074.20	\$202,589.52	\$1.61
April 1, 2012 through March 31, 2013	\$2,461,273.90	\$205,106.16	\$1.63
April 1, 2013 through March 31, 2014	\$2,491,473.60	\$207,622.80	\$1.65

4. Tenant's Percentage Share, Base Year and Parking.

4.1. Tenant's Percentage Share. Notwithstanding anything to the contrary in the Lease, during the Expansion Space Term, Tenant's Percentage Share of Operating Expenses for the Expansion Space only shall be 0.337%. Accordingly, effective as of the commencement of the Expansion Space Term, Tenant's Percentage Share of Operating Expenses as set forth in Section 12 of the Basic Lease Provisions of the Lease shall be deemed revised to be 38.79%. For purposes of this Fourth Amendment, the term rentable square feet shall be deemed to mean square feet of "Rentable Area". Landlord and Tenant acknowledge and agree that the Building contains 324,341 square feet of Rentable Area.

4.2. Base Year. The Base Year for the Premises (including the Expansion Space) shall remain the calendar year 2003.

4.3. Parking. In no event will Tenant be entitled to additional parking spaces on account of the addition of the Expansion Space to the Existing Premises. Accordingly, the last sentence of Section 26.1 of the Lease shall not apply to the expansion of the Existing Premises as provided in this Fourth Amendment.

5. Tenant Improvements. As soon as reasonably possible following the date of the full execution and delivery of this Fourth Amendment by Landlord and Tenant and prior to the Suite 1060 Expansion Commencement Date (subject, however, to Force Majeure Events (as defined in Article 27 of the Lease) and other causes beyond the reasonable control of Landlord), Landlord shall, at Landlord's sole cost and expense utilizing Building standard materials and in Landlord's Building standard manner, repaint the interior painted walls of the Expansion Space using Building-standard paint ("Landlord's Work"). Except for Landlord's Work, Tenant accepts the Expansion Space in its "then as-is" condition and Tenant acknowledges and agrees that, notwithstanding anything in the Lease to the contrary, Landlord shall not be obligated to provide or pay for any improvement work in the Expansion Space (including, but not limited to, remediation of any asbestos existing in the Expansion Space) nor prepare the Expansion Space for Tenant's occupancy.

6. Substitute Premises. Landlord shall have the right at any time during the Expansion Space Term, with respect to the Expansion Space only, and upon giving Tenant not less than sixty (60) days prior notice, to provide and furnish Tenant with space elsewhere in the Building of approximately the same size as the Expansion Space and remove and place Tenant in such space, with Landlord to (i) improve such new space to a level equivalent to that of the Expansion Space and (ii) pay all reasonable approved costs and expenses incurred as a result of such movement to such new space. If Landlord moves Tenant to such new space, the Lease, as amended, and each and all of its terms, covenants and conditions shall remain in full force and

effect and shall be deemed applicable to such new space and such new space shall thereafter be deemed to be the "Expansion Space" as though Landlord and Tenant had entered into an express written amendment of the Lease with respect thereto.

7. Condition Precedent. Landlord and Tenant acknowledge and agree that the effectiveness of this Fourth Amendment is conditioned upon the approval of the same by the San Diego City Council. If such approval has not been obtained on or before January 1, 2002, then Tenant shall provide Landlord with written notice (the "Amendment Termination Notice") thereof on or before January 1, 2002. Upon receipt of the Amendment Termination Notice, this Fourth Amendment shall be of no further force or effect and the Lease shall continue in full force and effect on the terms and conditions set forth therein (without reference to this Fourth Amendment); provided, however, that the failure of Tenant to provide Landlord with such Amendment Termination Notice on or before January 1, 2002 shall waive Tenant's right to provide Landlord with such Amendment Termination Notice and such approval shall be deemed to have been obtained and the Lease (as modified by this Fourth Amendment) shall remain in full force and effect.

8. Brokers. Except for Irving Hughes ("Tenant's Broker") and A.W. Arendsee Real Estate, Inc. ("Landlord's Broker"), each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this Fourth Amendment. Each party further agrees to defend, indemnify and hold harmless the other party from and against any claim for commission or finder's fee by any entity (other than Landlord's Broker and Tenant's Broker) who claims or alleges that they were retained or engaged by the first party or at the request of such party in connection with this Fourth Amendment.

9. Defaults. Tenant hereby represents and warrants to Landlord that, as of the date of this Fourth Amendment, Tenant is in full compliance with all terms, covenants and conditions of the Lease and that there are no breaches or defaults under the Lease by Landlord or Tenant, and that Tenant knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Landlord or Tenant.

10. No Further Modification. Except as set forth in this Fourth Amendment, all of the terms and provisions of the Lease shall apply with respect to the Expansion Space and shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, this Fourth Amendment has been executed as of the day and year first above written, by the City, acting through its City manager and by Landlord acting through its lawfully authorized officers.

"LANDLORD"

EXECUTIVE ONE ASSOCIATES,
an Illinois limited partnership

By: _____

Jerry J. Ong, Vice President
Agent for the Partnership

"TENANT"

THE CITY OF SAN DIEGO,
a California municipal corporation

By: Real Estate Assets Department

By: _____

Name: Tim C. Rothmans
Its: Deputy Director

APPROVED AS TO FORM AND LEGALITY
THIS 22 DAY OF April, 2002.

CASEY GWINN, CITY ATTORNEY

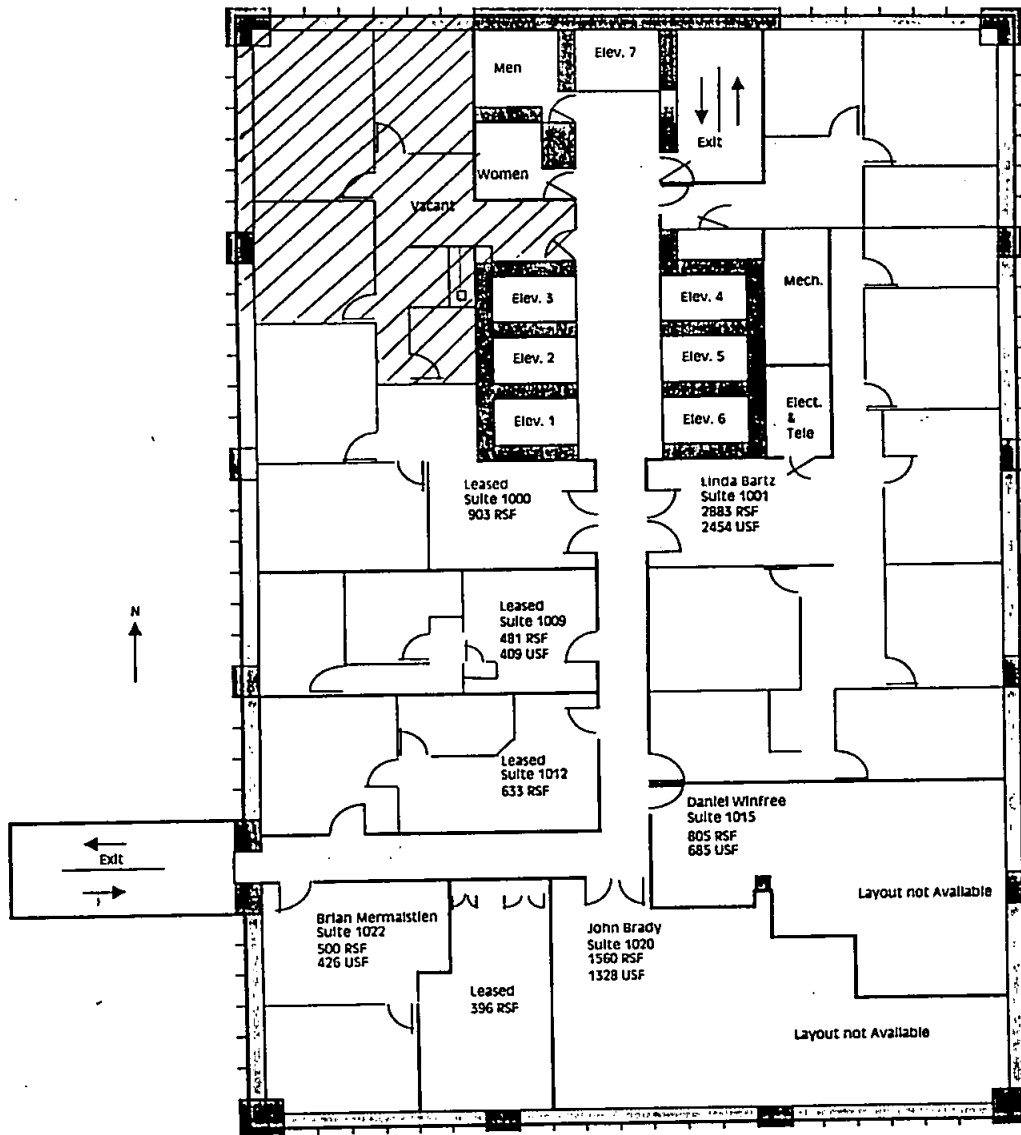
By: _____

Name: Debra J. Bevier
Title: Deputy City Attorney

0- 13046

EXHIBIT "A"

OUTLINE OF THE EXPANSION SPACE



10th Floor East Tower

Multi Tenant
7599 USF
8929 RSF
1.175073 R/U

NOT TO SCALE
FOR ILLUSTRATION ONLY

Executive Complex

Exhibit A-1
Premises

COPY

**THIRD AMENDMENT TO LEASE
(Executive Complex)**

THIS THIRD AMENDMENT TO LEASE ("**Third Amendment**") is made and entered into as of the 31 day of October, 2000, by and between EXECUTIVE ONE ASSOCIATES, an Illinois limited partnership ("**Landlord**") and THE CITY OF SAN DIEGO, a California municipal corporation ("**Tenant**").

RECITALS:

A. Landlord and Tenant entered into that certain Office Lease dated as of January 28, 1999 (the "**Original Lease**"), as amended by (i) that certain First Amendment to Lease dated May 30, 2000 by and between Landlord and Tenant ("**First Amendment**"), and (ii) that certain Second Amendment to Lease dated May 26, 2000 by and between Landlord and Tenant ("**Second Amendment**") whereby Landlord leased to Tenant and Tenant leased from Landlord certain office space located in that certain building located and addressed at 1010 Second Avenue, San Diego, California (the "**Building**"). The Original Lease, as amended by the First Amendment and Second Amendment, is hereinafter referred to as the "**Lease**."

B. By this Third Amendment, Landlord and Tenant desire to expand the Existing Premises (as defined below) and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

AGREEMENT:

1. The Existing Premises. Landlord and Tenant hereby agree that pursuant to the Lease, Landlord currently leases to Tenant and Tenant currently leases from Landlord that certain office space in the Building, which office space is stipulated by Landlord and Tenant to contain 122,186 rentable square feet and is located on the third (3rd) floor of the Building (commonly known as Suite 300), the fourth (4th) floor of the Building (commonly known as Suite 400), the fifth (5th) floor of the west tower of the Building (commonly known as Suite 555), the fifth (5th) floor of the east tower of the Building (commonly known as Suite 500), the sixth (6th) floor of the west tower of the Building (commonly known as Suite 666), the eighth (8th) floor of the east tower of the Building (commonly known as Suite 800), the ninth (9th) floor of the Building (commonly known as Suite 900), the eleventh (11th) floor of the Building (commonly known as Suite 1100), the twelfth (12th) floor of the Building (commonly known as Suite 1200), pursuant to the First Amendment, the fourteenth (14th) floor of the east tower of the Building (commonly known as Suite 1400), and, pursuant to the Second Amendment, the nineteenth (19th) floor of the east tower of the Building (commonly known as Suite 1900) all as outlined on Exhibit "A" to the Lease (and, with respect to Suite 1400, Exhibit "A" to the First Amendment and, with respect to Suite 1900, Exhibit "A" to the Second Amendment), together with (i) a portion of the fifteenth (15th) floor of the Building (commonly known as Suite 1520) and a portion of the fifteenth (15th) floor of the Building (commonly known as Suite 1530) (collectively, the "**Existing Premises**").

2. Expansion of the Existing Premises. That certain space located on the thirteenth (13th) floor of the east tower of the Building and commonly known as Suite 1325, as outlined on the floor plan attached hereto as Exhibit "A", and made a part hereof, may be referred to herein as the "**Expansion Space**". Landlord and Tenant hereby stipulate that the Expansion Space contains 2,552 rentable square feet. Effective as of December 1, 2000 ("**Suite 1325 Expansion Commencement Date**"), Tenant shall lease from Landlord and Landlord shall lease to Tenant

DOCUMENT NO. 00-18919

FILED JAN 30 2001

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

the Expansion Space. Accordingly, effective upon the Suite 1325 Expansion Commencement Date, the Existing Premises shall be increased to include the Expansion Space. Landlord and Tenant hereby agree that such addition of the Expansion Space to the Existing Premises shall, effective as of the Suite 1325 Expansion Commencement Date, increase the number of rentable square feet leased by Tenant in the Building to a total of 124,738 rentable square feet. Effective as of the Suite 1325 Expansion Commencement Date, all references to the "Premises" shall mean and refer to the Existing Premises as expanded by the Expansion Space.

3. **Term and Base Monthly Rent.** The Term for Tenant's lease of the Expansion Space ("**Expansion Space Term**") shall commence on the Suite 1325 Expansion Commencement Date and shall expire co-terminously with Tenant's lease of the Existing Premises. During the Expansion Space Term, Tenant shall pay, in accordance with the provisions of this Section 3, the same Base Monthly Rent for the Expansion Space (on a per rentable square foot basis as provided in Section 8 of the Basic Lease Provisions of the Lease) as is then payable by Tenant for the Existing Premises on a per rentable square foot basis (and subject to increases in such Base Monthly Rent as provided in Section 8 of the Basic Lease Provisions of the Lease); provided, however, that Section 3.1.2 of the Lease shall not apply to Tenant's Base Monthly Rent obligations for the Expansion Space. Accordingly, effective as of the Suite 1325 Expansion Commencement Date, Section 8 of the Basic Lease Provisions of the Lease will be deemed modified as follows (on account of the addition of the Expansion Space to the Existing Premises):

Period During Lease Term	Annual Base Rent	Base Monthly Rent	Base Monthly Rent Rate per Rentable Square Foot
Suite 1325 Expansion Commencement Date through March 31, 2001	\$2,005,787.04	\$167,148.92	\$1.34
April 1, 2001 through March 31, 2002	\$2,110,566.96	\$175,880.58	\$1.41
April 1, 2002 through March 31, 2003	\$2,140,504.08	\$178,375.34	\$1.43
April 1, 2003 through March 31, 2004	\$2,170,441.20	\$180,870.10	\$1.45
April 1, 2004 through March 31, 2005	\$2,200,378.32	\$183,364.86	\$1.47
April 1, 2005 through March 31, 2006	\$2,230,315.44	\$185,859.62	\$1.49
April 1, 2006 through March 31, 2007	\$2,260,252.56	\$188,354.38	\$1.51
April 1, 2007 through March 31, 2008	\$2,290,189.68	\$190,849.14	\$1.53
April 1, 2008 through March 31, 2009	\$2,320,126.80	\$193,343.90	\$1.55
April 1, 2009 through March 31, 2010	\$2,350,063.92	\$195,838.66	\$1.57
April 1, 2010 through March 31, 2011	\$2,380,001.04	\$198,333.42	\$1.59
April 1, 2011 through March 31, 2012	\$2,409,938.16	\$200,828.18	\$1.61

Period During Lease Term	Annual Base Rent	Base Monthly Rent	Base Monthly Rent Rate per Rentable Square Foot
April 1, 2012 through March 31, 2013	\$2,439,875.28	\$203,322.94	\$1.63
April 1, 2013 through March 31, 2014	\$2,469,812.40	\$205,817.70	\$1.65

4. Tenant's Percentage Share, Base Year and Parking.

4.1. Tenant's Percentage Share. Notwithstanding anything to the contrary in the Lease, during the Expansion Space Term, Tenant's Percentage Share of Operating Expenses for the Expansion Space only shall be 0.786%. Accordingly, effective as of the Suite 1325 Expansion Commencement Date, Tenant's Percentage Share of Operating Expenses as set forth in Section 12 of the Basic Lease Provisions of the Lease shall be deemed revised to be 38.45%. For purposes of this Third Amendment, the term rentable square feet shall be deemed to mean square feet of "Rentable Area". Landlord and Tenant acknowledge and agree that the Building contains 324,341 square feet of Rentable Area.

4.2. Base Year. The Base Year for the Premises (including the Expansion Space) shall remain the calendar year 2003.

4.3. Parking. In no event will Tenant be entitled to additional parking spaces on account of the addition of the Expansion Space to the Existing Premises. Accordingly, the last sentence of Section 26.1 of the Lease shall not apply to the expansion of the Existing Premises as provided in this Third Amendment.

5. Tenant Improvements. Upon the date of the full execution and delivery of this Third Amendment by Landlord and Tenant and prior to the Suite 1325 Expansion Commencement Date (subject, however, to Force Majeure Events (as defined in Article 27 of the Lease) and other causes beyond the reasonable control of Landlord (including, but not limited to, delays in obtaining governmental approvals and permits)), Landlord shall, at Landlord's sole cost and expense utilizing Building standard materials and in Landlord's Building standard manner, construct those improvements described in those certain plans dated October 17, 2000 and prepared by Maggetti Elam ("**Landlord's Work**"). ~~Except for Landlord's Work, Tenant accepts the Expansion Space in its "then as-is" condition and Tenant acknowledges and agrees that Landlord shall not be obligated to provide or pay for any improvement work in the Expansion Space nor prepare the Expansion Space for Tenant's occupancy.~~

6. Condition Precedent. Landlord and Tenant acknowledge and agree that the effectiveness of this Third Amendment is conditioned upon the approval of the same by the San Diego City Council. If such approval has not been obtained on or before November 7, 2000, then Tenant shall provide Landlord with written notice (the "**Amendment Termination Notice**") thereof on or before November 7, 2000. Upon receipt of the Amendment Termination Notice, this Third Amendment shall be of no further force or effect and the Lease shall continue in full force and effect on the terms and conditions set forth therein (without reference to this Third Amendment); provided, however, that the failure of Tenant to provide Landlord with such Amendment Termination Notice on or before November 7, 2000 shall waive Tenant's right to provide Landlord with such Amendment Termination Notice and such approval shall be deemed to have been obtained and the Lease (as modified by this Third Amendment) shall remain in full force and effect.

7. Brokers. Except for Irving Hughes ("**Tenant's Broker**") and A.W. Arendsee Real Estate, Inc. ("**Landlord's Broker**"), each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this Third Amendment. Each party further agrees to defend, indemnify and hold harmless the other party from and against any claim for commission or finder's fee by any entity (other than Landlord's Broker and Tenant's Broker) who claims or alleges that they were retained or engaged by the first party or at the request of such party in connection with this Third Amendment.

8. Defaults. Tenant hereby represents and warrants to Landlord that, as of the date of this Third Amendment, Tenant is in full compliance with all terms, covenants and conditions of the Lease and that there are no breaches or defaults under the Lease by Landlord or Tenant, and that Tenant knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Landlord or Tenant.

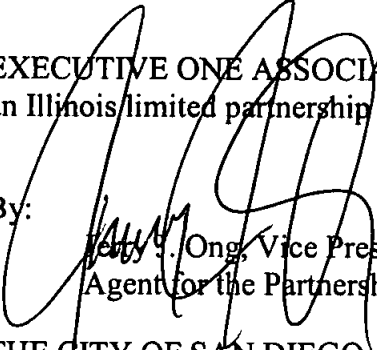
9. No Further Modification. Except as set forth in this Third Amendment, all of the terms and provisions of the Lease shall apply with respect to the Expansion Space and shall remain unmodified and in full force and effect. Effective as of the Suite 1325 Expansion Commencement Date, all references to the "Lease" shall refer to the Lease as amended by this Third Amendment.

IN WITNESS WHEREOF, this Third Amendment has been executed as of the day and year first above written by the City, acting through its City manager and by Landlord acting through its lawfully authorized officers.

"LANDLORD"

EXECUTIVE ONE ASSOCIATES,
an Illinois limited partnership

By:

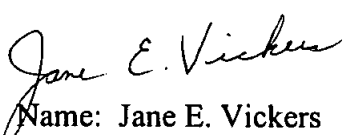

Jerry J. Ong, Vice President
Agent for the Partnership

"TENANT"

THE CITY OF SAN DIEGO,
a California municipal corporation

By: Real Estate Assets Department

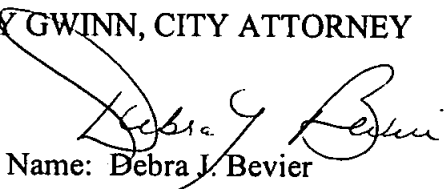
By:


Name: Jane E. Vickers
Its: Deputy Director

APPROVED AS TO FORM AND LEGALITY
THIS 5th DAY OF Feb, 2000. 2001

GASEY GWINN, CITY ATTORNEY

By:

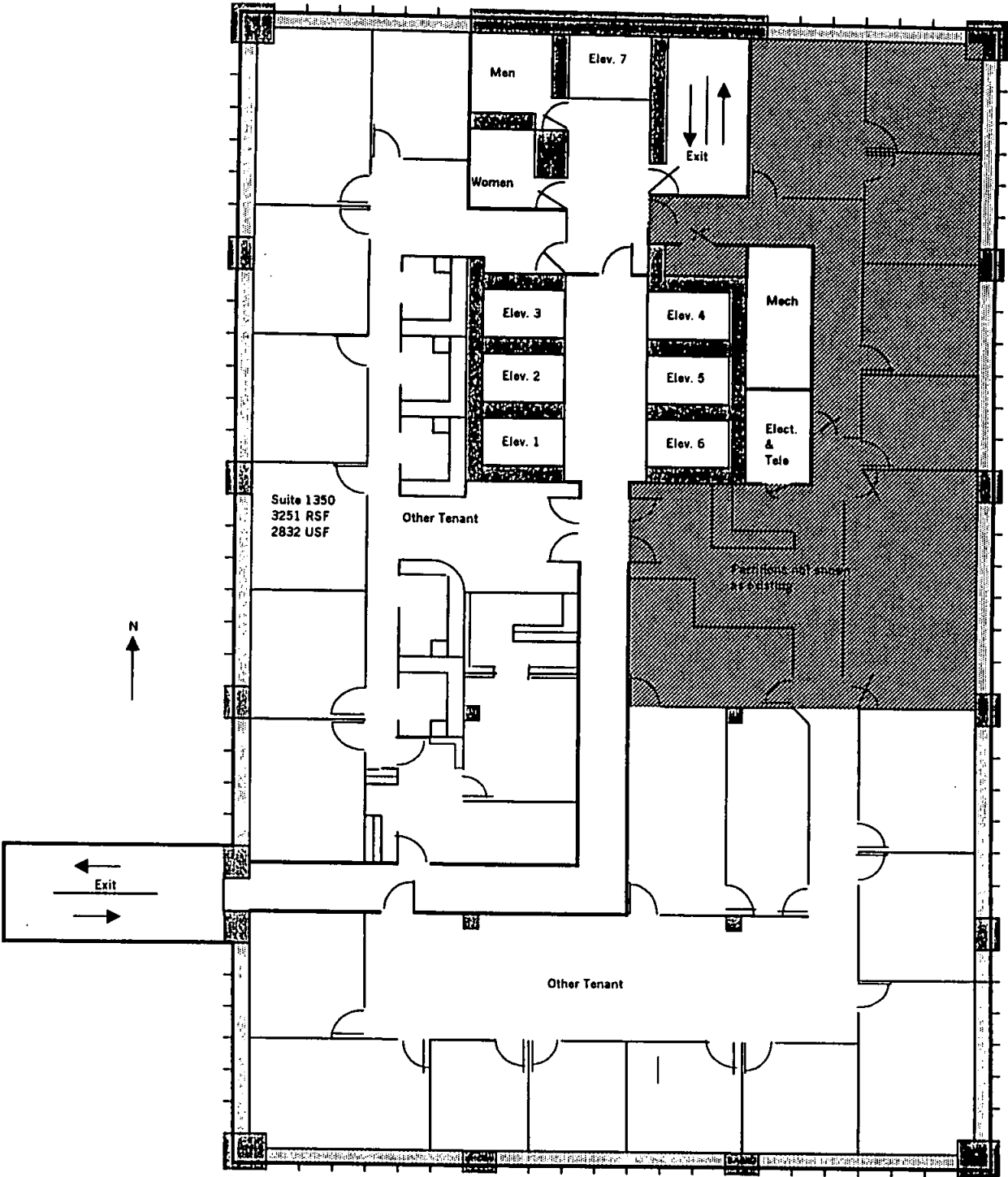

Name: Debra J. Bevier
Title: Deputy City Attorney

JAN 30 2001

 18919

EXHIBIT "A"

OUTLINE OF THE EXPANSION SPACE



13th Floor East Tower

Multi Tenant
7779 USF
8929 RSF
1.1478707 R/U

NOT TO SCALE
FOR ILLUSTRATION ONLY

Executive Complex

Revised 9-27-96

SECOND AMENDMENT TO LEASE
(Executive Complex)

THIS SECOND AMENDMENT TO LEASE ("**Second Amendment**") is made and entered into as of the 26th day of May, 2000, by and between EXECUTIVE ONE ASSOCIATES, an Illinois limited partnership ("**Landlord**") and THE CITY OF SAN DIEGO, a California municipal corporation ("**Tenant**").

R E C I T A L S:

A. Landlord and Tenant entered into that certain Office Lease dated as of January 28, 1999 (the "**Original Lease**"), as amended by that certain First Amendment to Lease dated May 26th, 2000 by and between Landlord and Tenant ("**First Amendment**"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain office space located in that certain building located and addressed at 1010 Second Avenue, San Diego, California (the "**Building**"). The Original Lease, as amended by the First Amendment, is hereinafter referred to as the "**Lease**."

B. By this Second Amendment, Landlord and Tenant desire to expand the Existing Premises and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

A G R E E M E N T:

1. **The Existing Premises.** Landlord and Tenant hereby agree that pursuant to the Lease, Landlord currently leases to Tenant and Tenant currently leases from Landlord that certain office space in the Building, which office space is stipulated by Landlord and Tenant to contain 113,257 rentable square feet and is located on the third (3rd) floor of the Building (commonly known as Suite 300), the fourth (4th) floor of the Building (commonly known as Suite 400), the fifth (5th) floor of the west tower of the Building (commonly known as Suite 555), the fifth (5th) floor of the east tower of the Building (commonly known as Suite 500), the sixth (6th) floor of the west tower of the Building (commonly known as Suite 666), the eighth (8th) floor of the east tower of the Building (commonly known as Suite 800), the ninth (9th) floor of the Building (commonly known as Suite 900), the eleventh (11th) floor of the Building (commonly known as Suite 1100), the twelfth (12th) floor of the Building (commonly known as Suite 1200), and, pursuant to the First Amendment, the fourteenth (14th) floor of the east tower of the Building (commonly known as Suite 1400), all as outlined on Exhibit "A" to the Lease (and, with respect to Suite 1400, Exhibit "A" to the First Amendment), together with (i) a portion of the fifteenth (15th) floor of the Building (commonly known as Suite 1520) and a portion of the fifteenth (15th) floor of the Building (commonly known as Suite 1530) (collectively, the "**Existing Premises**").

2. **Expansion of the Existing Premises.** That certain space located on the nineteenth (19th) floor of the east tower of the Building and commonly known as Suite 1900, as outlined on the floor plan attached hereto as Exhibit "A", and made a part hereof, may be referred to herein as the "**Expansion Space**". Landlord and Tenant hereby stipulate that the Expansion Space contains 8,929 rentable square feet. Effective as of the date ("**Expansion Commencement Date**") that is the earlier of (a) the date Tenant commences business operations in the Expansion Space, and (b) the date of "Substantial Completion" of the "Improvements" (as those terms are defined in Exhibit "B" attached hereto and incorporated herein by this reference) in the Expansion Space, Tenant shall lease from Landlord and Landlord shall lease to Tenant the

DOCUMENT NO. 00-18823

FILED JUL 17 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

Initials: _____

Expansion Space. Accordingly, effective upon the Expansion Commencement Date, the Existing Premises shall be increased to include the Expansion Space. Landlord and Tenant hereby agree that such addition of the Expansion Space to the Existing Premises shall, effective as of the Expansion Commencement Date, increase the number of rentable square feet leased by Tenant in the Building to a total of 122,186 rentable square feet. The Expansion Commencement Date is anticipated to be ~~October 1, 2000~~ ^{NOVEMBER 1, 2000} ^{02m}. Effective as of the Expansion Commencement Date, all references to the "Premises" shall mean and refer to the Existing Premises as expanded by the Expansion Space.

3. Term and Base Monthly Rent. The Term for Tenant's lease of the Expansion Space ("**Expansion Space Term**") shall commence on the Expansion Commencement Date and shall expire co-terminously with Tenant's lease of the Existing Premises. During the Expansion Space Term, Tenant shall pay, in accordance with the provisions of this Section 3, the same Base Monthly Rent for the Expansion Space (on a per rentable square foot basis as provided in Section 8 of the Basic Lease Provisions of the Lease) as is then payable by Tenant for the Existing Premises on a per rentable square foot basis (and subject to increases in such Base Monthly Rent as provided in Section 8 of the Basic Lease Provisions of the Lease); provided, however, that Section 3.1.2 of the Lease shall not apply to Tenant's Base Monthly Rent obligations for the Expansion Space. Accordingly, effective as of the Expansion Commencement Date, Section 8 of the Basic Lease Provisions of the Lease will be deemed modified as follows (on account of the addition of the Expansion Space to the Existing Premises):

<u>Period During Lease Term</u>	<u>Annual Base Rent</u>	<u>Base Monthly Rent</u>	<u>Base Monthly Rent Rate per Rentable Square Foot</u>
Expansion Commencement Date through March 31, 2001	\$1,964,750.88	\$163,729.24	\$1.34
April 1, 2001 through March 31, 2002	\$2,067,387.12	\$172,282.26	\$1.41
April 1, 2002 through March 31, 2003	2,096,711.76	\$174,725.98	\$1.43
April 1, 2003 through March 31, 2004	\$2,126,036.40	\$177,169.70	\$1.45
April 1, 2004 through March 31, 2005	\$2,155,361.04	\$179,613.42	\$1.47
April 1, 2005 through March 31, 2006	\$2,184,685.68	\$182,057.14	\$1.49
April 1, 2006 through March 31, 2007	\$2,214,010.32	\$184,500.86	\$1.51
April 1, 2007 through March 31, 2008	\$2,243,334.96	\$186,944.58	\$1.53
April 1, 2008 through March 31, 2009	\$2,272,659.60	\$189,388.30	\$1.55
April 1, 2009 through March 31, 2010	\$2,301,984.24	\$191,832.02	\$1.57
April 1, 2010 through March 31, 2011	\$2,331,308.88	\$194,275.74	\$1.59
April 1, 2011 through March 31, 2012	\$2,360,633.52	\$196,719.46	\$1.61

Initials: _____

<u>Period During Lease Term</u>	<u>Annual Base Rent</u>	<u>Base Monthly Rent</u>	<u>Base Monthly Rent Rate per Rentable Square Foot</u>
April 1, 2012 through March 31, 2013	\$2,389,958.16	\$199,163.18	\$1.63
April 1, 2013 through March 31, 2014	\$2,419,282.80	\$201,606.90	\$1.65

4. Tenant's Percentage Share, Base Year and Parking.

4.1. Tenant's Percentage Share. Notwithstanding anything to the contrary in the Lease, during the Expansion Space Term, Tenant's Percentage Share of Operating Expenses for the Expansion Space only shall be 2.25%. Accordingly, effective as of the Expansion Commencement Date, Tenant's Percentage Share of Operating Expenses as set forth in Section 12 of the Basic Lease Provisions of the Lease shall be deemed revised to be 37.67%. For purposes of this Second Amendment, the term rentable square feet shall be deemed to mean square feet of "Rentable Area".

4.2. Base Year. The Base Year for the Premises (including the Expansion Space) shall remain the calendar year 2003.

4.3. Parking. In no event will Tenant be entitled to additional parking spaces on account of the addition of the Expansion Space to the Existing Premises. Accordingly, the last sentence of Section 26.1 of the Lease shall not apply to the expansion of the Existing Premises as provided in this Second Amendment.

5. Tenant Improvements. The Improvements in the Expansion Space shall be constructed in accordance with the Tenant Work Letter attached hereto as Exhibit "B".

6. Condition Precedent. Landlord and Tenant acknowledge and agree that the effectiveness of this Second Amendment is conditioned upon the approval of the same by the San Diego City Council. If such approval has not been obtained on or before June 19, 2000, then ^{on June 20, 2000} ~~then~~ ^{SAW} Tenant shall provide Landlord with written notice (the "**Amendment Termination Notice**") thereof on or before June 19, 2000. Upon receipt of the Amendment Termination Notice, this Second Amendment shall be of no further force or effect and the Lease shall continue in full force and effect on the terms and conditions set forth therein (without reference to this Second Amendment); provided, however, that the failure of Tenant to provide Landlord with such Amendment Termination Notice on or before May 31, 2000 shall waive Tenant's right to provide Landlord with such Amendment Termination Notice and such approval shall be deemed to have been obtained and the Lease (as modified by this Second Amendment) shall remain in full force and effect. In the event this Second Amendment is terminated pursuant to this Section 6, then Tenant's right of first offer, as set forth in Section 2.4.1 of the Lease (with respect to the Expansion Space described herein only) shall be deemed null and void and of no further force and effect.

7. Notice of Lease Term Dates. Landlord may deliver to Tenant a commencement letter in a form substantially similar to that attached hereto as Exhibit "C" and made a part hereof at any time after the Expansion Commencement Date. Tenant agrees to execute and return to Landlord said commencement letter within five (5) days after Tenant's receipt thereof.

8. Brokers. Except for Irving Hughes ("**Tenant's Broker**") and A.W. Arendsee Real Estate, Inc. ("**Landlord's Broker**"), each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this Second Amendment. Each party further agrees to defend, indemnify and hold harmless the other party from and against any claim for commission or finder's fee by any entity (other than Landlord's Broker and Tenant's Broker) who claims or alleges that they were retained or engaged by the first party or at the request of such party in connection with this Second Amendment.

9. Defaults. Tenant hereby represents and warrants to Landlord that, as of the date of this Second Amendment, Tenant is in full compliance with all terms, covenants and conditions of the Lease and that there are no breaches or defaults under the Lease by Landlord or Tenant,

Initials: _____

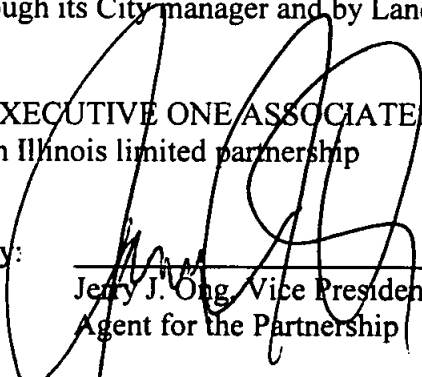
and that Tenant knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Landlord or Tenant.

10. No Further Modification. Except as set forth in this Second Amendment, all of the terms and provisions of the Lease shall apply with respect to the Expansion Space and shall remain unmodified and in full force and effect. Effective as of the Expansion Commencement Date, all references to the "Lease" shall refer to the Lease as amended by this Second Amendment.

IN WITNESS WHEREOF, this Second Amendment has been executed as of the day and year first above written by the City, acting through its City manager and by Landlord acting through its lawfully authorized officers.

"LANDLORD"

EXECUTIVE ONE ASSOCIATES,
an Illinois limited partnership

By: 

Jerry J. Ong, Vice President
Agent for the Partnership

"TENANT"

THE CITY OF SAN DIEGO,
a California municipal corporation

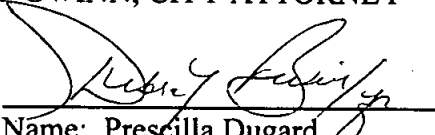
By: Real Estate Assets Department

By: 

Name: Jane E. Vickers
Its: Deputy Director

APPROVED AS TO FORM AND LEGALITY
THIS 4th DAY OF August, 2000.

GASEY GWINN, CITY ATTORNEY

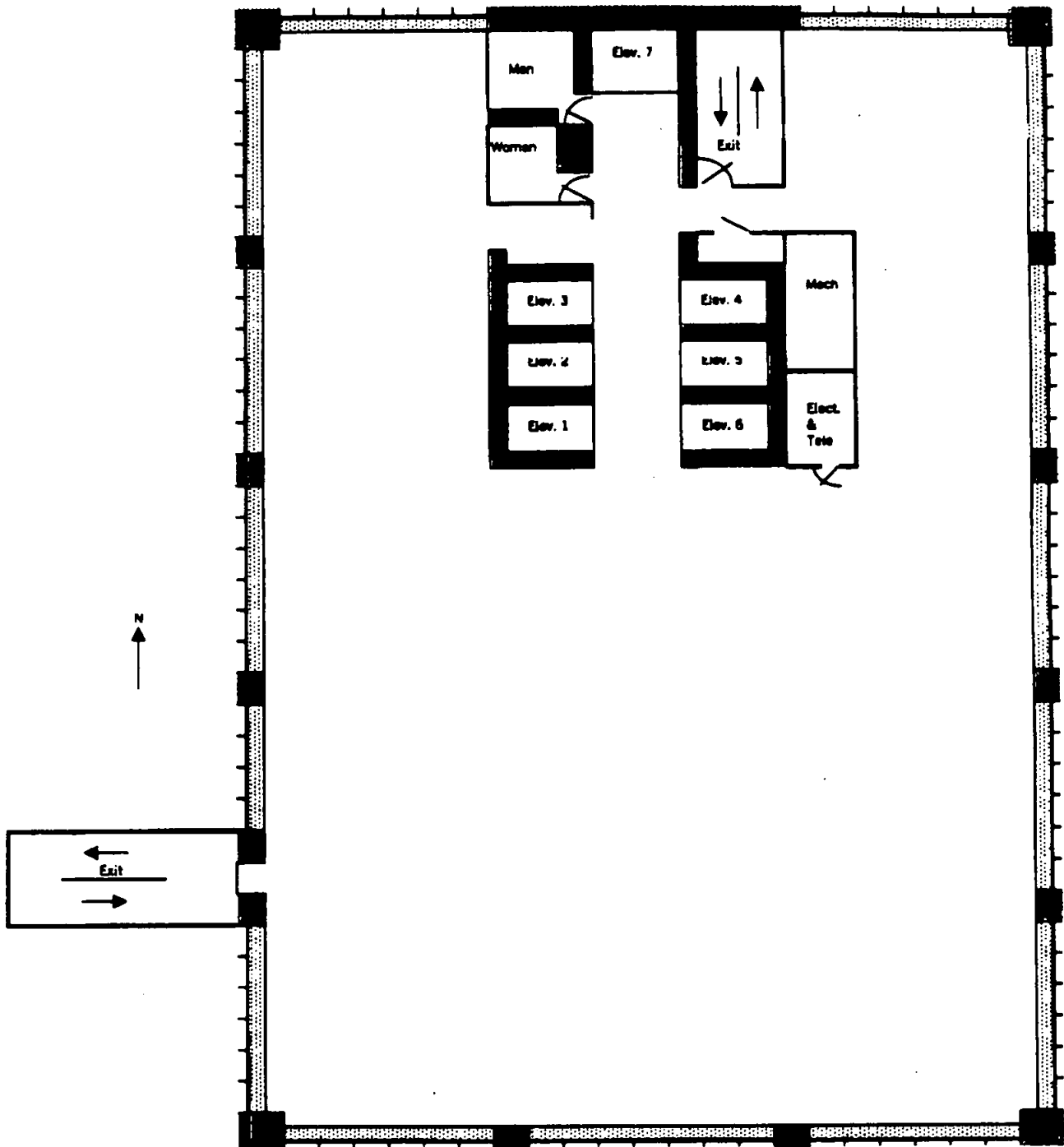
By: 

Name: Prescilla Dugard
Title: Deputy City Attorney

00-18823

EXHIBIT "A"

OUTLINE OF THE EXPANSION SPACE



19th Floor East Tower

Single Tenant

8929 RSF

NOT TO SCALE
FOR ILLUSTRATION ONLY

Executive Complex

Revised 10-7-96

EXHIBIT "B"

TENANT WORK LETTER

This Tenant Work Letter shall set forth the terms and conditions relating to the design and construction of the tenant improvements in the Expansion Space. This Tenant Work Letter is essentially organized chronologically and addresses the issues of the design and construction of the tenant improvements in the Expansion Space, in sequence, as such issues will arise.

SECTION 1

LANDLORD'S INITIAL CONSTRUCTION IN THE EXPANSION SPACE

Landlord, using Building-standard materials and in Landlord's Building-standard manner, has constructed or shall construct, at its sole cost and expense, the base, shell and core of the Expansion Space (the "**Base, Shell and Core**") consisting of the following: (i) smooth concrete floor, (ii) drywall (fire taped) around surfaces of existing core walls, around surfaces of columns and underneath window sills (except for those areas beneath the windows containing the HVAC induction units (which areas shall be enclosed in Landlord's Building-standard manner)), (iii) primary HVAC (as that term is defined in Section 5.3 of the Lease) system, including the main distribution loop, (iv) primary electrical system which will service the floor of the Building on which the Expansion Space is located, (v) life-safety system as reasonably determined to be required by Landlord (provided, however, that Tenant acknowledges and agrees that the cost to relocate any existing sprinkler heads and/or existing sprinkler distribution systems or other existing life-safety systems shall be at Tenant's sole cost and expense), and (vi) Building standard window coverings. The Base, Shell and Core shall be delivered to Tenant in its "then as-is" condition. The improvements to be initially installed in the Expansion Space shall be designed and constructed pursuant to this Tenant Work Letter. Except for the Base, Shell and Core, any costs of initial design and construction of any improvements in the Expansion Space (including any demolition costs (to the extent not incurred solely to construct the Base, Shell and Core)) shall be deemed to be an "Improvement Allowance Item", as that term is defined in Section 2.2 of this Tenant Work Letter. Without limiting the generality of the foregoing, Tenant acknowledges and agrees that all costs incurred by Landlord in connection with compliance of the Expansion Space (including the Improvements (as defined below)) with Code (as defined below) and with other governmental laws, ordinances and regulations including, but not limited to, the Americans With Disabilities Act, shall be at Tenant's sole cost and expense and shall be deemed to constitute an Improvement Allowance Item (as defined below), the cost of which shall be deducted from the Improvement Allowance or paid by Tenant as an Over-Allowance Amount pursuant to Section 4.3 below.

SECTION 2

IMPROVEMENTS

2.1 Improvement Allowance. Tenant shall be entitled to a one-time improvement allowance (the "**Improvement Allowance**") in the amount of Two Hundred Twenty-Three Thousand Two Hundred Twenty-Five Dollars (\$223,225.00) (based upon Twenty-Five Dollars (\$25.00) per rentable square foot of the Expansion Space) for the costs relating to the initial design and construction of Tenant's improvements which are permanently affixed to the Expansion Space (the "**Improvements**"). In no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount which exceeds the Improvement Allowance. In the event that, after Substantial Completion of the Tenant Improvements, there is an unused portion of the Improvement Allowance (the "**Remaining Allowance**"), then Tenant may elect to receive such Remaining Allowance in the form of either (i) a credit against the Base Monthly Rent, or (ii) a check made payable to Tenant as of the Expansion Commencement Date; provided, however, that as a condition precedent to Tenant's receipt of such Remaining Allowance (if any), such election must be made, if at all, no later than ten (10) days after the date Landlord notifies Tenant of the existence of any such Remaining Allowance (if any).

2.2 Disbursement of the Improvement Allowance. Except as otherwise set forth in this Tenant Work Letter, the Improvement Allowance shall be disbursed by Landlord (each of

which disbursements shall be made pursuant to Landlord's disbursement process) for costs related to the design and construction of the Improvements (including any required demolition) and for the following items and costs (collectively, the "**Improvement Allowance Items**"): (i) payment of the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Tenant Work Letter, and payment of the fees incurred by, and the cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the "Construction Drawings," as that term is defined in Section 3.1 of this Tenant Work Letter; (ii) the cost of permits; (iii) the cost of any changes in the Base, Shell and Core required by the Construction Drawings; (iv) the cost of any changes to the Construction Drawings or Improvements required by applicable building codes (the "**Code**"); and (v) the "Landlord Supervision Fee", as that term is defined in Section 4.3.2 of this Tenant Work Letter. However, in no event shall more than Three and 00/100 Dollars (\$3.00) per rentable square foot of the Improvement Allowance be used for the items described in (i) and (ii) above; any additional amount incurred as a result of (i) and (ii) above shall be deemed to constitute an Over-Allowance Amount (as defined below).

2.3 Standard Improvement Package. Landlord has established specifications (the "**Specifications**") for the Building standard components to be used in the construction of the Improvements in the Expansion Space (collectively, the "**Standard Improvement Package**"), which Specifications are available upon request. The quality of Improvements shall be equal to or of greater quality than the quality of the Specifications, provided that Landlord may, at Landlord's option, require the Improvements to comply with certain Specifications.

SECTION 3

CONSTRUCTION DRAWINGS

3.1 Selection of Architect/Construction Drawings. Landlord shall retain an architect/space planner designated by Landlord (the "**Architect**") to prepare the "Construction Drawings," as that term is defined in this Section 3.1. Landlord shall also retain the engineering consultants designated by Landlord (the "**Engineers**") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC and lifesafety work of the Improvements. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "**Construction Drawings**." All Construction Drawings shall comply with the drawing format and specifications as reasonably determined by Landlord. Notwithstanding that any Construction Drawings are reviewed by Landlord or prepared by its designated space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings.

3.2 Final Space Plan. Within three (3) days of the full execution and delivery of the First Amendment by Landlord and Tenant, Tenant shall meet with Landlord's Architect and provide Landlord's Architect with information regarding the preliminary layout and designation of all proposed offices, rooms and other partitioning, and their intended use, and equipment to be contained therein (the "**Information**"). Landlord and Architect shall, based on such Information (subject to changes reasonably required by Landlord) prepare the final space plan for the Improvements in the Expansion Space (collectively, the "**Final Space Plan**"), which Final Space Plan shall include a detailed layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein, and shall deliver the Final Space Plan to Tenant for Tenant's approval. Tenant shall approve or reasonably disapprove the Final Space Plan or any revisions thereto within three (3) business days after Landlord delivers the Final Space Plan or such revisions to Tenant; provided, however, that Tenant may only disapprove the Final Space Plan to the extent the same is not (subject to changes reasonably required by Landlord) in substantial conformance with the Information provided by Tenant to Architect ("**Space Plan Design Problem**"). Tenant's failure to reasonably disapprove the Final Space Plan or any revisions thereto by written notice to Landlord (which notice shall specify in detail the reasonable reasons for Tenant's disapproval pertaining to any Space Plan Design Problem) within said three (3) business day period shall be deemed to constitute Tenant's approval of the Final Space Plan or such revisions.

3.3 Final Working Drawings. Based on the Final Space Plan, Landlord, the Architect and the Engineers shall complete the architectural and engineering drawings for the Expansion Space, and the final architectural working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits (collectively, the "**Final Working Drawings**") and shall submit the same to Tenant for Tenant's approval. Tenant shall approve or reasonably disapprove the Final Working Drawings or any revisions thereto within three (3) business days after Landlord delivers the Final Working Drawings or any revisions thereto to Tenant; provided, however, that Tenant may only disapprove the Final Working Drawings to the extent the same are not (subject to changes reasonably required by Landlord) in substantial conformance with the Final Space Plan ("**Working Drawing Design Problem**"). Tenant's failure to reasonably disapprove the Final Working Drawings or any revisions thereto by written notice to Landlord (which notice shall specify in detail the reasonable reasons for Tenant's disapproval pertaining to any Working Drawing Design Problem) within said three (3) business day period shall be deemed to constitute Tenant's approval of the Final Working Drawings or such revisions.

3.4 Permits. The Final Working Drawings shall be approved or deemed approved by Tenant (the "**Approved Working Drawings**") prior to the commencement of the construction of the Improvements. Landlord shall cause the Architect to submit the Approved Working Drawings to the appropriate municipal authorities for all applicable building permits necessary to allow "Contractor," as that term is defined in Section 4.1, below, to commence and fully complete the construction of the Improvements (the "**Permits**"). No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord, which consent shall not be unreasonably withheld.

3.5 Time Deadlines. Tenant shall use its best, good faith efforts and all due diligence to cooperate with the Architect, the Engineers, and Landlord to complete all phases of the Construction Drawings and the permitting process and to receive the permits, and with Contractor for approval of the "Cost Proposal," as that term is defined in Section 4.2 of this Tenant Work Letter, as soon as possible after the execution of the First Amendment, and, in that regard, shall meet with Landlord on a scheduled basis to be determined by Landlord, to discuss Tenant's progress in connection with the same.

SECTION 4

CONSTRUCTION OF THE IMPROVEMENTS

4.1 Contractor. The contractor which shall construct the Improvements shall be a contractor designated by Landlord. The contractor selected may be referred to herein as the "**Contractor**".

4.2 Cost Proposal. After the Approved Working Drawings are approved by Landlord and Tenant, Landlord shall provide Tenant with a cost proposal in accordance with the Approved Working Drawings, which cost proposal shall include, as nearly as possible, the cost of all Improvement Allowance Items to be incurred by Tenant in connection with the construction of the Improvements (the "**Cost Proposal**"). Tenant shall approve and deliver the Cost Proposal to Landlord within three (3) business days of the receipt of the same, and upon receipt of the same by Landlord, Landlord shall be released by Tenant to purchase the items set forth in the Cost Proposal and to commence the construction relating to such items. The date by which Tenant must approve and deliver the Cost Proposal to Landlord shall be known hereafter as the "**Cost Proposal Delivery Date**".

4.3 Over-Allowance Amount and Construction of Improvements by Contractor under the Supervision of Landlord.

4.3.1 Over-Allowance Amount. Tenant shall, within thirty (30) days after Substantial Completion of the Improvements, pay to Landlord an amount (the "**Over-Allowance Amount**") equal to the difference between (i) any and all costs incurred by Landlord in the design and construction of the Improvements (including the Improvement Allowance Items) and (ii) the amount of the Improvement Allowance used for Improvement Allowance Items. Without limiting the generality of the foregoing, Tenant acknowledges and agrees that in the event any revisions, changes, or substitutions shall be made to the Construction Drawings or the Improvements, any additional costs which arise in connection with such revisions, changes or

substitutions or any other additional costs shall be paid by Tenant to Landlord within thirty (30) days following Substantial Completion of the Improvements as an addition to the Over-Allowance Amount.

4.3.2 Landlord's Retention of Contractor. Landlord shall independently retain Contractor, on behalf of Tenant, to construct the Improvements in accordance with the Approved Working Drawings and the Cost Proposal and Landlord shall supervise the construction by Contractor, and Tenant shall pay a construction supervision and management fee (the "**Landlord Supervision Fee**") to Landlord in an amount equal to the product of (i) two and one-half percent (2.5%) and (ii) an amount equal to the Improvement Allowance.

SECTION 5

COMPLETION OF THE IMPROVEMENTS

5.1 Substantial Completion. For purposes of this Lease, "**Substantial Completion**" of the Improvements in the Expansion Space shall occur upon the completion of construction of the Improvements in the Expansion Space pursuant to the Approved Working Drawings, with the exception of any punch list items and any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant.

5.2 Delay of the Substantial Completion of the Expansion Space. Except as provided in this Section 5, Tenant's obligation to pay rent for the Expansion Space shall occur as set forth in the First Amendment. However, if there shall be a delay or there are delays in the Substantial Completion of the Improvements in the Expansion Space as a result of the following (collectively, "**Tenant Delays**"):

5.2.1 Tenant's failure to comply with any of its obligations hereunder and/or timely approve any matter requiring Tenant's approval;

5.2.2 A breach by Tenant of the terms of this Tenant Work Letter or the Lease (as modified by this Second Amendment);

5.2.3 Tenant's request for changes in the Final Space Plan or the Final Working Drawings;

5.2.4 Tenant's requirement for materials, components, finishes or improvements which are not available in a commercially reasonable time given the anticipated date of Substantial Completion of the Improvements in the Expansion Space, or which are different from, or not included in, the Standard Improvement Package;

5.2.5 Changes to the Base, Shell and Core required by the Approved Working Drawings; or

5.2.6 Any other acts or omissions of Tenant, or its agents, or employees;

then, notwithstanding anything to the contrary set forth in the First Amendment or this Tenant Work Letter and regardless of the actual date of the Substantial Completion of Improvements in the Expansion Space, the date of Substantial Completion thereof shall be deemed to be the date that Substantial Completion would have occurred if no Tenant Delay or Delays, as set forth above, had occurred.

SECTION 6

MISCELLANEOUS

6.1 Tenant's Representative. Tenant has designated Diana Monaco as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

6.2 Landlord's Representative. Prior to commencement of construction of Improvements, Landlord shall designate a representative with respect to the matters set forth in

this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

6.3 Time of the Essence in This Tenant Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days.

EXHIBIT "C"

To be executed upon
completion of tenant improvements
and Commencement Date of
occupying the premises.
DLM

NOTICE OF LEASE TERM DATES

TO: City of San Diego
Real Estate Asset Department
1200 Third Avenue, Suite 1700
San Diego, California 92101
Attention: D. Lozano-Monaco

DATE: _____, 2000

RE: Second Amendment dated _____, 2000, between EXECUTIVE ONE ASSOCIATES, an Illinois limited partnership ("**Landlord**") and THE CITY OF SAN DIEGO, a California municipal corporation ("**Tenant**"), concerning Suite 1900 (the "**Expansion Space**"), located at 1010 Second Avenue, San Diego, California.

Dear Ms. Lozano-Monaco:

In accordance with the Second Amendment, Landlord wishes to advise and/or confirm the following:

1. That the Tenant is in possession of the Expansion Space and acknowledges that under the provisions of the Second Amendment, the Expansion Space Term commenced as of _____, 2000 and shall expire on _____.

2. That in accordance with the Second Amendment, Base Monthly Rent for the Expansion Space Term commenced to accrue on _____, 2000.

3. The exact number of rentable square feet within the Expansion Space is _____ square feet.

4. Tenant's Percentage Share, as adjusted based upon the number of rentable square feet within the Expansion Space, is _____%.

AGREED AND ACCEPTED:

TENANT:

THE CITY OF SAN DIEGO,
a California municipal corporation

By: Real Estate Assets Department

By: _____
Name: Jane E. Vickers
Its: Deputy Director

APPROVED AS TO FORM AND LEGALITY
THIS _____ DAY OF _____, 2000.

GASEY GWINN, CITY ATTORNEY

By: _____
Name: Prescilla Dugard
Title: Deputy City Attorney

REQUEST FOR COUNCIL ACTION

CITY OF SAN DIEGO

1. CERTIFICATE NUMBER: READ#28

21000004

TO:

CITY ATTORNEY

2. FROM: (Originating Department)

REAL ESTATE ASSETS DEPARTMENT

3. DATE

May 8, 2000

4. SUBJECT:

Office Space Lease Amendment - Executive Complex Building

5. FOR INFORMATION CONTACT: (NAME & MAIL STA.)

GOODMAN/Monaco 51A

6. TELEPHONE NO.

66720/66081

7. CHECK HERE IF BOX 1472A, "DOCKET SUPPORTING INFORMATION," HAS BEEN COMPLETED ON PAGE 2: ☒

8.

COMPLETE FOR ACCOUNTING PURPOSES

FUND	100			
DEPT.	601			
ORGANIZATION	2500			
OBJECT	4682			
JOB ORDER	060143			
C.I.P. NO.				
AMOUNT	\$109,558.83			

9. ADDITIONAL INFORMATION / ESTIMATED COST:)

Cost: \$109,558.83

Job: 922624

cc: Dept. Docket Clerk
SLW

Thomas Guide Map Page: 1289-B3

10.

ROUTING AND APPROVALS

ROUTE (1)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (2)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
X	Department Director	<i>[Signature]</i>	5/1/00	X	CITY MANAGER LOVELAND	<i>[Signature]</i>	5-22-00
	EOCP/Memo 5-3-96			X	AUDITOR	<i>[Signature]</i>	5-23-00
X	Financial Mgmt.	<i>[Signature]</i>	5-22-00	X	CITY ATTORNEY	<i>[Signature]</i>	5/23/00
X	Public Works Transp. D. Cruz Gonzalez	<i>[Signature]</i>	5/19/00	X	ORIGINATING DEPARTMENT	<i>[Signature]</i>	5-23-00
X	Eng. Capital Projects Frank Belock, Jr.	<i>[Signature]</i>	5/19/00		MGR. DOCKET COORD. _____ COUNCIL REP. _____		
X	EAS	<i>[Signature]</i>	5/16/00		RULES COMMITTEE		
					☐ CONSENT ☐ ADOPTION		
					☐ Refer to _____ ☐ Date _____		

11. PREPARATION OF:

☐ RESOLUTION(S)

☒ ORDINANCES(S)

☐ AGREEMENT(S)

☐ DEED(S)

1. Authorize the City Manager to execute a lease amendment between the City and Executive One Associates for various divisions in the Engineering & Capital Projects Department who will be occupying approximately 8,929 square feet on the 14th floor, October 1, 2000, in the Executive Complex Building. Lease term is coterminous with the Master Lease that ends March 31, 2014.

2. Authorize an expenditure of \$109,558.83 from the General Fund 100 for rent from FY2001 Budget, contingent upon the approval of the FY 2001 Budget by the Mayor and the City Council

11a. MANAGER'S RECOMMENDATION:

Introduce the ordinance.

DOCKET SUPPORTING INFORMATION

CITY OF SAN DIEGO

DATE

May 8, 2000

SUBJECT

Office Space Lease Amendment - Executive Complex Building

BACKGROUND:

The Engineering & Capital Projects Department (ECP), currently sharing space on the 5th, 8th, 11th and 12th floors of the Executive Complex Building, have expanded beyond current capacity to meet the needs of the public and new programs. The other City departments sharing space on these floors will expand into the space vacated by ECP. Recently, additional square footage became available on the 14th floor of the Executive Complex Building. The above mentioned department is proposing to share and lease the additional space under the following basic terms:

TERM - Approximately 15 years. The space will be available for occupancy October 1, 2000.

RENT - \$1.34 per square foot or \$11,964.86 per month. Rent will increase to \$1.41 per square foot effective April 1, 2001. Rate is below market for the downtown area.

USE - General office usage.

SIZE - 8,929 square feet.

TENANT IMPROVEMENTS - Landlord will install the tenant improvements at Landlord's sole cost and expense. The cost of the improvements is estimated at \$223,225.00.

FISCAL IMPACT: \$109,558.83 will be paid from the General Fund 100, Citywide Office Space Job No. 060143, for FY 2001.

BYLINE: (DEPUTY CITY MGR/DEPT. HEAD/Author Initials)

LOVELAND:Griffith:DLM

Job: 922624

SIGNATURES:

FL

WTC
ORIGINATING DEPT. HEAD

5/19

CITY MANAGER:

(FOR MANAGERIAL DEPARTMENTS ONLY)

FIRST AMENDMENT TO LEASE
(Executive Complex)

THIS FIRST AMENDMENT TO LEASE ("First Amendment") is made and entered into as of the 31st day of May, 2000, by and between EXECUTIVE ONE ASSOCIATES, an Illinois limited partnership ("Landlord") and THE CITY OF SAN DIEGO, a California municipal corporation ("Tenant").

R E C I T A L S:

A. Landlord and Tenant entered into that certain Office Lease dated as of January 28, 1999 (the "**Lease**"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain office space located in that certain building located and addressed at 1010 Second Avenue, San Diego, California (the "**Building**").

B. By this First Amendment, Landlord and Tenant desire to expand the Existing Premises and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

A G R E E M E N T:

1. The Existing Premises. Landlord and Tenant hereby agree that pursuant to the Lease, Landlord currently leases to Tenant and Tenant currently leases from Landlord that certain office space in the Building, which office space is stipulated by Landlord and Tenant to contain 104,328 rentable square feet and is located on the third (3rd) floor of the Building (commonly known as Suite 300), the fourth (4th) floor of the Building (commonly known as Suite 400), the fifth (5th) floor of the west tower of the Building (commonly known as Suite 555), the fifth (5th) floor of the east tower of the Building (commonly known as Suite 500), the sixth (6th) floor of the west tower of the Building (commonly known as Suite 666), the eighth (8th) floor of the east tower of the Building (commonly known as Suite 800), the ninth (9th) floor of the Building (commonly known as Suite 900), the eleventh (11th) floor of the Building (commonly known as Suite 1100), and the twelfth (12th) floor of the Building (commonly known as Suite 1200), all as outlined on Exhibit "A" to the Lease, together with (i) a portion of the fifteenth (15th) floor of the Building (commonly known as Suite 1520) and a portion of the fifteenth (15th) floor of the Building (commonly known as Suite 1530) (collectively, the "**Existing Premises**"). Landlord and Tenant acknowledge and agree that this First Amendment will also memorialize a prior agreement between Landlord and Tenant whereby Suites 1520 and 1530 were substituted for Suites 600 and 1600 originally comprising the Existing Premises as described in the Lease. Accordingly, Landlord and Tenant acknowledge and agree that in Section 5 of the Basic Lease Provisions, the phrases "1,565 rentable square feet of space commonly known as Suite 600 and located on the sixth (6th) floor of the east tower of the Building" and "2,026 rentable (1,733 usable) square feet of space commonly known as Suite 1600 and located on the sixteenth (16th) floor of the Building" are hereby deemed deleted and replaced with the following phrases, respectively: "1,565 rentable square feet of space commonly known as Suite 1530 and located on the fifteenth (15th) floor of the Building" and "2,026 rentable square feet of space commonly known as Suite 1520 and located on the fifteenth (15th) floor of the Building."

2. Expansion of the Existing Premises. That certain space located on the fourteenth (14th) floor of the east tower of the Building and commonly known as Suite 1400, as outlined on the floor plan attached hereto as Exhibit "A", and made a part hereof, may be referred to herein

DOCUMENT NO. 00-18820

FILED JUN 19 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

Initials: _____

as the "Expansion Space". Landlord and Tenant hereby stipulate that the Expansion Space contains 8,929 rentable square feet. Effective as of the date ("Expansion Commencement Date") that is the earlier of (a) the date Tenant commences business operations in the Expansion Space, and (b) the date of "Substantial Completion" of the "Improvements" (as those terms are defined in Exhibit "B" attached hereto and incorporated herein by this reference) in the Expansion Space, Tenant shall lease from Landlord and Landlord shall lease to Tenant the Expansion Space. Accordingly, effective upon the Expansion Commencement Date, the Existing Premises shall be increased to include the Expansion Space. Landlord and Tenant hereby agree that such addition of the Expansion Space to the Existing Premises shall, effective as of the Expansion Commencement Date, increase the number of rentable square feet leased by Tenant in the Building to a total of 113,257 rentable square feet. The Expansion Commencement Date is anticipated to be October 1, 2000. Effective as of the Expansion Commencement Date, all references to the "Premises" shall mean and refer to the Existing Premises as expanded by the Expansion Space.

3. Term and Base Monthly Rent. The Term for Tenant's lease of the Expansion Space ("Expansion Space Term") shall commence on the Expansion Commencement Date and shall expire co-terminously with Tenant's lease of the Existing Premises. During the Expansion Space Term, Tenant shall pay, in accordance with the provisions of this Section 3, the same Base Monthly Rent for the Expansion Space (on a per rentable square foot basis as provided in Section 8 of the Basic Lease Provisions of the Lease) as is then payable by Tenant for the Existing Premises on a per rentable square foot basis (and subject to increases in such Base Monthly Rent as provided in Section 8 of the Basic Lease Provisions of the Lease); provided, however, that Section 3.1.2 of the Lease shall not apply to Tenant's Base Monthly Rent obligations for the Expansion Space. Accordingly, effective as of the Expansion Commencement Date, Section 8 of the Basic Lease Provisions of the Lease will be deemed modified as follows (on account of the addition of the Expansion Space to the Existing Premises):

<u>Period During Lease Term</u>	<u>Annual Base Rent</u>	<u>Base Monthly Rent</u>	<u>Base Monthly Rent Rate per Rentable Square Foot</u>
Expansion Commencement Date through March 31, 2001	\$1,821,172.56	\$151,764.38	\$1.34
April 1, 2001 through March 31, 2002	\$1,916,308.44	\$159,692.37	\$1.41
April 1, 2002 through March 31, 2003	\$1,943,490.12	\$161,957.51	\$1.43
April 1, 2003 through March 31, 2004	\$1,970,671.80	\$164,222.65	\$1.45 FY04
April 1, 2004 through March 31, 2005	\$1,997,853.48	\$166,487.79	\$1.47 FY04
April 1, 2005 through March 31, 2006	\$2,025,035.16	\$168,752.93	\$1.49
April 1, 2006 through March 31, 2007	\$2,052,216.84	\$171,018.07	\$1.51
April 1, 2007 through March 31, 2008	\$2,079,398.52	\$173,283.21	\$1.53
April 1, 2008 through March 31, 2009	\$2,106,580.20	\$175,548.35	\$1.55
April 1, 2009 through March 31, 2010	\$2,133,761.88	\$177,813.49	\$1.57

<u>Period During Lease Term</u>	<u>Annual Base Rent</u>	<u>Base Monthly Rent</u>	<u>Base Monthly Rent Rate per Rentable Square Foot</u>
April 1, 2010 through March 31, 2011	\$2,160,943.56	\$180,078.63	\$1.59
April 1, 2011 through March 31, 2012	\$2,188,125.24	\$182,343.77	\$1.61
April 1, 2012 through March 31, 2013	\$2,215,306.92	\$184,608.91	\$1.63
April 1, 2013 through March 31, 2014	\$2,242,488.60	\$186,874.05	\$1.65

4. Tenant's Percentage Share, Base Year and Parking.

4.1. Tenant's Percentage Share. Notwithstanding anything to the contrary in the Lease, during the Expansion Space Term, Tenant's Percentage Share of Operating Expenses for the Expansion Space only shall be 2.25%. Accordingly, effective as of the Expansion Commencement Date, Tenant's Percentage Share of Operating Expenses as set forth in Section 12 of the Basic Lease Provisions of the Lease shall be deemed revised to be 35.42%. For purposes of this First Amendment, the term rentable square feet shall be deemed to mean square feet of "Rentable Area".

4.2. Base Year. The Base Year for the Premises (including the Expansion Space) shall remain the calendar year 2003.

4.3. Parking. In no event will Tenant be entitled to additional parking spaces on account of the addition of the Expansion Space to the Existing Premises. Accordingly, the last sentence of Section 26.1 of the Lease shall not apply to the expansion of the Existing Premises as provided in this First Amendment.

5. Tenant Improvements. The Improvements in the Expansion Space shall be constructed in accordance with the Tenant Work Letter attached hereto as Exhibit "B".

6. Condition Precedent. Landlord and Tenant acknowledge and agree that the effectiveness of this First Amendment is conditioned upon the approval of the same by the San Diego City Council. If such approval has not been obtained on or before May 31, 2000, then Tenant shall provide Landlord with written notice (the "**Amendment Termination Notice**") thereof on or before May 31, 2000. Upon receipt of the Amendment Termination Notice, this First Amendment shall be of no further force or effect and the Lease shall continue in full force and effect on the terms and conditions set forth therein (without reference to this First Amendment); provided, however, that the failure of Tenant to provide Landlord with such Amendment Termination Notice on or before May 31, 2000 shall waive Tenant's right to provide Landlord with such Amendment Termination Notice and such approval shall be deemed to have been obtained and the Lease (as modified by this First Amendment) shall remain in full force and effect. In the event this First Amendment is terminated pursuant to this Section 6, then Tenant's right of first offer, as set forth in Section 2.4.1 of the Lease (with respect to the Expansion Space described herein only) shall be deemed null and void and of no further force and effect.

7. Notice of Lease Term Dates. Landlord may deliver to Tenant a commencement letter in a form substantially similar to that attached hereto as Exhibit "C" and made a part hereof at any time after the Expansion Commencement Date. Tenant agrees to execute and return to Landlord said commencement letter within five (5) days after Tenant's receipt thereof.

8. Brokers. Except for Irving Hughes ("**Tenant's Broker**") and A.W. Arendsee Real Estate, Inc. ("**Landlord's Broker**"), each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this First Amendment. Each party further agrees to defend, indemnify and hold harmless the other party from and against any claim for commission or finder's fee by any entity (other than Landlord's

Initials: _____

Broker and Tenant's Broker) who claims or alleges that they were retained or engaged by the first party or at the request of such party in connection with this First Amendment.

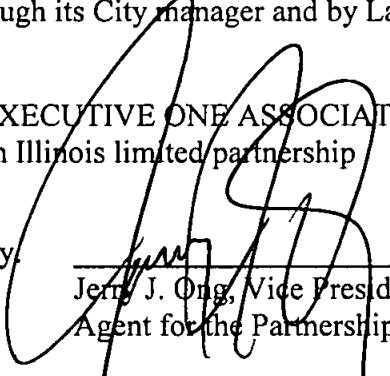
9. Defaults. Tenant hereby represents and warrants to Landlord that, as of the date of this First Amendment, Tenant is in full compliance with all terms, covenants and conditions of the Lease and that there are no breaches or defaults under the Lease by Landlord or Tenant, and that Tenant knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Landlord or Tenant.

10. No Further Modification. Except as set forth in this First Amendment, all of the terms and provisions of the Lease shall apply with respect to the Expansion Space and shall remain unmodified and in full force and effect. Effective as of the Expansion Commencement Date, all references to the "Lease" shall refer to the Lease as amended by this First Amendment.

IN WITNESS WHEREOF, this First Amendment has been executed as of the day and year first above written by the City, acting through its City manager and by Landlord acting through its lawfully authorized officers.

"LANDLORD"

EXECUTIVE ONE ASSOCIATES,
an Illinois limited partnership

By: 

Jerry J. Ong, Vice President
Agent for the Partnership

"TENANT"

THE CITY OF SAN DIEGO,
a California municipal corporation

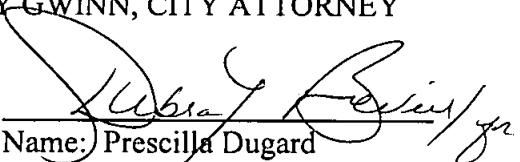
By: Real Estate Assets Department

By: 

Name: Jane E. Vickers
Its: Deputy Director

APPROVED AS TO FORM AND LEGALITY
THIS 29th DAY OF June, 2000.

GASEY GWINN, CITY ATTORNEY

By: 

Name: Prescilla Dugard
Title: Deputy City Attorney

0-18820

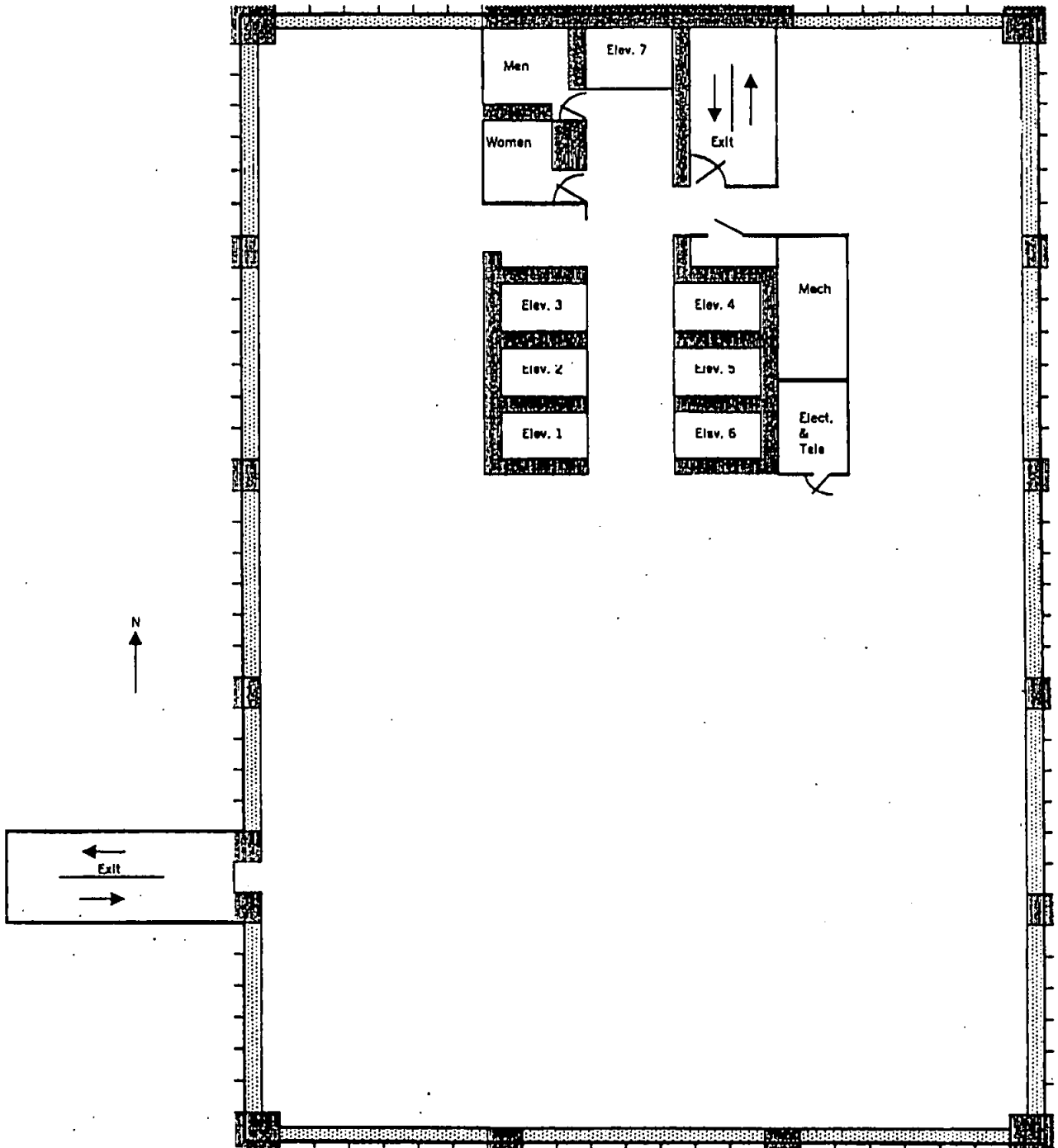
EXHIBIT "A"

OUTLINE OF THE EXPANSION SPACE

MAY-17-00 12:18 FROM:

ID: 6195150020

PAGE 2/2



14th Floor East Tower

Single Tenant

8929 RSF

NOT TO SCALE
FOR ILLUSTRATION ONLY

Executive Complex

Revised 10-7-96

MAY 17 '00 13:36

6195150020

PAGE.02

EXHIBIT "B"

TENANT WORK LETTER

This Tenant Work Letter shall set forth the terms and conditions relating to the design and construction of the tenant improvements in the Expansion Space. This Tenant Work Letter is essentially organized chronologically and addresses the issues of the design and construction of the tenant improvements in the Expansion Space, in sequence, as such issues will arise.

SECTION 1

LANDLORD'S INITIAL CONSTRUCTION IN THE EXPANSION SPACE

Landlord, using Building-standard materials and in Landlord's Building-standard manner, has constructed or shall construct, at its sole cost and expense, the base, shell and core of the Expansion Space (the "**Base, Shell and Core**") consisting of the following: (i) smooth concrete floor, (ii) drywall (fire taped) around surfaces of existing core walls, around surfaces of columns and underneath window sills (except for those areas beneath the windows containing the HVAC induction units (which areas shall be enclosed in Landlord's Building-standard manner)), (iii) primary HVAC (as that term is defined in Section 5.3 of the Lease) system, including the main distribution loop, (iv) primary electrical system which will service the floor of the Building on which the Expansion Space is located, (v) life-safety system as reasonably determined to be required by Landlord (provided, however, that Tenant acknowledges and agrees that the cost to relocate any existing sprinkler heads and/or existing sprinkler distribution systems or other existing life-safety systems shall be at Tenant's sole cost and expense), and (vi) Building standard window coverings. The Base, Shell and Core shall be delivered to Tenant in its "then as-is" condition. The improvements to be initially installed in the Expansion Space shall be designed and constructed pursuant to this Tenant Work Letter. Except for the Base, Shell and Core, any costs of initial design and construction of any improvements in the Expansion Space (including any demolition costs (to the extent not incurred solely to construct the Base, Shell and Core)) shall be deemed to be an "Improvement Allowance Item", as that term is defined in Section 2.2 of this Tenant Work Letter. Without limiting the generality of the foregoing, Tenant acknowledges and agrees that all costs incurred by Landlord in connection with compliance of the Expansion Space (including the Improvements (as defined below)) with Code (as defined below) and with other governmental laws, ordinances and regulations including, but not limited to, the Americans With Disabilities Act, shall be at Tenant's sole cost and expense and shall be deemed to constitute an Improvement Allowance Item (as defined below), the cost of which shall be deducted from the Improvement Allowance or paid by Tenant as an Over-Allowance Amount pursuant to Section 4.3 below.

SECTION 2

IMPROVEMENTS

2.1 Improvement Allowance. Tenant shall be entitled to a one-time improvement allowance (the "**Improvement Allowance**") in the amount of Two Hundred Twenty-Three Thousand Two Hundred Twenty-Five Dollars (\$223,225.00) (based upon Twenty-Five Dollars (\$25.00) per rentable square foot of the Expansion Space) for the costs relating to the initial design and construction of Tenant's improvements which are permanently affixed to the Expansion Space (the "**Improvements**"). In no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount which exceeds the Improvement Allowance. In the event that, after Substantial Completion of the Tenant Improvements, there is an unused portion of the Improvement Allowance (the "**Remaining Allowance**"), then Tenant may elect to receive such Remaining Allowance in the form of either (i) a credit against the Base Monthly Rent, or (ii) a check made payable to Tenant as of the Expansion Commencement Date; provided, however, that as a condition precedent to Tenant's receipt of such Remaining Allowance (if any), such election must be made, if at all, no later than ten (10) days after the date Landlord notifies Tenant of the existence of any such Remaining Allowance (if any).

2.2 Disbursement of the Improvement Allowance. Except as otherwise set forth in this Tenant Work Letter, the Improvement Allowance shall be disbursed by Landlord (each of

which disbursements shall be made pursuant to Landlord's disbursement process) for costs related to the design and construction of the Improvements (including any required demolition) and for the following items and costs (collectively, the "**Improvement Allowance Items**"): (i) payment of the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Tenant Work Letter, and payment of the fees incurred by, and the cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the "Construction Drawings," as that term is defined in Section 3.1 of this Tenant Work Letter; (ii) the cost of permits; (iii) the cost of any changes in the Base, Shell and Core required by the Construction Drawings; (iv) the cost of any changes to the Construction Drawings or Improvements required by applicable building codes (the "**Code**"); and (v) the "Landlord Supervision Fee", as that term is defined in Section 4.3.2 of this Tenant Work Letter. However, in no event shall more than Three and 00/100 Dollars (\$3.00) per rentable square foot of the Improvement Allowance be used for the items described in (i) and (ii) above; any additional amount incurred as a result of (i) and (ii) above shall be deemed to constitute an Over-Allowance Amount (as defined below).

2.3 Standard Improvement Package. Landlord has established specifications (the "**Specifications**") for the Building standard components to be used in the construction of the Improvements in the Expansion Space (collectively, the "**Standard Improvement Package**"), which Specifications are available upon request. The quality of Improvements shall be equal to or of greater quality than the quality of the Specifications, provided that Landlord may, at Landlord's option, require the Improvements to comply with certain Specifications.

SECTION 3

CONSTRUCTION DRAWINGS

3.1 Selection of Architect/Construction Drawings. Landlord shall retain an architect/space planner designated by Landlord (the "**Architect**") to prepare the "Construction Drawings," as that term is defined in this Section 3.1. Landlord shall also retain the engineering consultants designated by Landlord (the "**Engineers**") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC and lifesafety work of the Improvements. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "**Construction Drawings**." All Construction Drawings shall comply with the drawing format and specifications as reasonably determined by Landlord. Notwithstanding that any Construction Drawings are reviewed by Landlord or prepared by its designated space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings.

3.2 Final Space Plan. Within three (3) days of the full execution and delivery of the First Amendment by Landlord and Tenant, Tenant shall meet with Landlord's Architect and provide Landlord's Architect with information regarding the preliminary layout and designation of all proposed offices, rooms and other partitioning, and their intended use, and equipment to be contained therein (the "**Information**"). Landlord and Architect shall, based on such Information (subject to changes reasonably required by Landlord) prepare the final space plan for the Improvements in the Expansion Space (collectively, the "**Final Space Plan**"), which Final Space Plan shall include a detailed layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein, and shall deliver the Final Space Plan to Tenant for Tenant's approval. Tenant shall approve or reasonably disapprove the Final Space Plan or any revisions thereto within three (3) business days after Landlord delivers the Final Space Plan or such revisions to Tenant; provided, however, that Tenant may only disapprove the Final Space Plan to the extent the same is not (subject to changes reasonably required by Landlord) in substantial conformance with the Information provided by Tenant to Architect ("**Space Plan Design Problem**"). Tenant's failure to reasonably disapprove the Final Space Plan or any revisions thereto by written notice to Landlord (which notice shall specify in detail the reasonable reasons for Tenant's disapproval pertaining to any Space Plan Design Problem) within said three (3) business day period shall be deemed to constitute Tenant's approval of the Final Space Plan or such revisions.

3.3 Final Working Drawings. Based on the Final Space Plan, Landlord, the Architect and the Engineers shall complete the architectural and engineering drawings for the Expansion Space, and the final architectural working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits (collectively, the "**Final Working Drawings**") and shall submit the same to Tenant for Tenant's approval. Tenant shall approve or reasonably disapprove the Final Working Drawings or any revisions thereto within three (3) business days after Landlord delivers the Final Working Drawings or any revisions thereto to Tenant; provided, however, that Tenant may only disapprove the Final Working Drawings to the extent the same are not (subject to changes reasonably required by Landlord) in substantial conformance with the Final Space Plan ("**Working Drawing Design Problem**"). Tenant's failure to reasonably disapprove the Final Working Drawings or any revisions thereto by written notice to Landlord (which notice shall specify in detail the reasonable reasons for Tenant's disapproval pertaining to any Working Drawing Design Problem) within said three (3) business day period shall be deemed to constitute Tenant's approval of the Final Working Drawings or such revisions.

3.4 Permits. The Final Working Drawings shall be approved or deemed approved by Tenant (the "**Approved Working Drawings**") prior to the commencement of the construction of the Improvements. Landlord shall cause the Architect to submit the Approved Working Drawings to the appropriate municipal authorities for all applicable building permits necessary to allow "Contractor," as that term is defined in Section 4.1, below, to commence and fully complete the construction of the Improvements (the "**Permits**"). No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord, which consent shall not be unreasonably withheld.

3.5 Time Deadlines. Tenant shall use its best, good faith efforts and all due diligence to cooperate with the Architect, the Engineers, and Landlord to complete all phases of the Construction Drawings and the permitting process and to receive the permits, and with Contractor for approval of the "Cost Proposal," as that term is defined in Section 4.2 of this Tenant Work Letter, as soon as possible after the execution of the First Amendment, and, in that regard, shall meet with Landlord on a scheduled basis to be determined by Landlord, to discuss Tenant's progress in connection with the same.

SECTION 4

CONSTRUCTION OF THE IMPROVEMENTS

4.1 Contractor. The contractor which shall construct the Improvements shall be a contractor designated by Landlord. The contractor selected may be referred to herein as the "**Contractor**".

4.2 Cost Proposal. After the Approved Working Drawings are approved by Landlord and Tenant, Landlord shall provide Tenant with a cost proposal in accordance with the Approved Working Drawings, which cost proposal shall include, as nearly as possible, the cost of all Improvement Allowance Items to be incurred by Tenant in connection with the construction of the Improvements (the "**Cost Proposal**"). Tenant shall approve and deliver the Cost Proposal to Landlord within three (3) business days of the receipt of the same, and upon receipt of the same by Landlord, Landlord shall be released by Tenant to purchase the items set forth in the Cost Proposal and to commence the construction relating to such items. The date by which Tenant must approve and deliver the Cost Proposal to Landlord shall be known hereafter as the "**Cost Proposal Delivery Date**".

4.3 Over-Allowance Amount and Construction of Improvements by Contractor under the Supervision of Landlord.

4.3.1 Over-Allowance Amount. Tenant shall, within thirty (30) days after Substantial Completion of the Improvements, pay to Landlord an amount (the "**Over-Allowance Amount**") equal to the difference between (i) any and all costs incurred by Landlord in the design and construction of the Improvements (including the Improvement Allowance Items) and (ii) the amount of the Improvement Allowance used for Improvement Allowance Items. Without limiting the generality of the foregoing, Tenant acknowledges and agrees that in the event any revisions, changes, or substitutions shall be made to the Construction Drawings or the Improvements, any additional costs which arise in connection with such revisions, changes or

substitutions or any other additional costs shall be paid by Tenant to Landlord within thirty (30) days following Substantial Completion of the Improvements as an addition to the Over-Allowance Amount.

4.3.2 Landlord's Retention of Contractor. Landlord shall independently retain Contractor, on behalf of Tenant, to construct the Improvements in accordance with the Approved Working Drawings and the Cost Proposal and Landlord shall supervise the construction by Contractor, and Tenant shall pay a construction supervision and management fee (the "**Landlord Supervision Fee**") to Landlord in an amount equal to the product of (i) two and one-half percent (2.5%) and (ii) an amount equal to the Improvement Allowance.

SECTION 5

COMPLETION OF THE IMPROVEMENTS

5.1 Substantial Completion. For purposes of this Lease, "**Substantial Completion**" of the Improvements in the Expansion Space shall occur upon the completion of construction of the Improvements in the Expansion Space pursuant to the Approved Working Drawings, with the exception of any punch list items and any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant.

5.2 Delay of the Substantial Completion of the Expansion Space. Except as provided in this Section 5, Tenant's obligation to pay rent for the Expansion Space shall occur as set forth in the First Amendment. However, if there shall be a delay or there are delays in the Substantial Completion of the Improvements in the Expansion Space as a result of the following (collectively, "**Tenant Delays**"):

5.2.1 Tenant's failure to comply with any of its obligations hereunder and/or timely approve any matter requiring Tenant's approval;

5.2.2 A breach by Tenant of the terms of this Tenant Work Letter or the Lease (as modified by this First Amendment);

5.2.3 Tenant's request for changes in the Final Space Plan or the Final Working Drawings;

5.2.4 Tenant's requirement for materials, components, finishes or improvements which are not available in a commercially reasonable time given the anticipated date of Substantial Completion of the Improvements in the Expansion Space, or which are different from, or not included in, the Standard Improvement Package;

5.2.5 Changes to the Base, Shell and Core required by the Approved Working Drawings; or

5.2.6 Any other acts or omissions of Tenant, or its agents, or employees;

then, notwithstanding anything to the contrary set forth in the First Amendment or this Tenant Work Letter and regardless of the actual date of the Substantial Completion of Improvements in the Expansion Space, the date of Substantial Completion thereof shall be deemed to be the date that Substantial Completion would have occurred if no Tenant Delay or Delays, as set forth above, had occurred.

SECTION 6

MISCELLANEOUS

6.1 Tenant's Representative. Tenant has designated Diana Monaco as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

6.2 Landlord's Representative. Prior to commencement of construction of Improvements, Landlord shall designate a representative with respect to the matters set forth in

this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

6.3 Time of the Essence in This Tenant Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days.

EXHIBIT "C"

NOTICE OF LEASE TERM DATES

TO: City of San Diego
Real Estate Asset Department
1200 Third Avenue, Suite 1700
San Diego, California 92101
Attention: D. Lozano-Monaco

DATE: _____, 2000

RE: First Amendment dated _____, 2000, between EXECUTIVE ONE ASSOCIATES, an Illinois limited partnership ("**Landlord**") and THE CITY OF SAN DIEGO, a California municipal corporation ("**Tenant**"), concerning Suite 1400 (the "**Expansion Space**"), located at 1010 Second Avenue, San Diego, California.

Dear Ms. Lozano-Monaco:

In accordance with the First Amendment, Landlord wishes to advise and/or confirm the following:

1. That the Tenant is in possession of the Expansion Space and acknowledges that under the provisions of the First Amendment, the Expansion Space Term commenced as of _____, 2000 and shall expire on _____.

2. That in accordance with the First Amendment, Base Monthly Rent for the Expansion Space Term commenced to accrue on _____, 2000.

3. The exact number of rentable square feet within the Expansion Space is _____ square feet.

4. Tenant's Percentage Share, as adjusted based upon the number of rentable square feet within the Expansion Space, is _____%.

AGREED AND ACCEPTED:

TENANT:

THE CITY OF SAN DIEGO,
a California municipal corporation

By: Real Estate Assets Department

By: _____
Name: Jane E. Vickers
Its: Deputy Director

APPROVED AS TO FORM AND LEGALITY
THIS _____ DAY OF _____, 2000.

GASEY GWINN, CITY ATTORNEY

By: _____
Name: Prescilla Dugard
Title: Deputy City Attorney

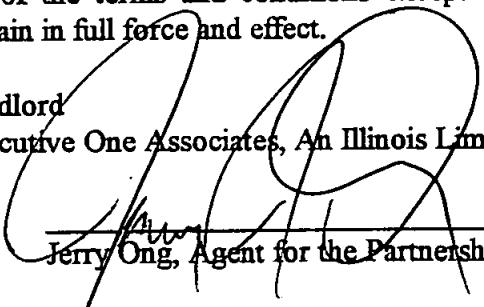
Lease Addendum
City of San Diego

This Addendum dated February 26, 1996 shall amend the Lease Agreement dated October 21, 1991 as further amended by Agreements dated January 31, 1992, November 19, 1992, and Letter Agreement dated August 2, 1994 by and between Executive One Associates (an Illinois Limited Partnership) hereafter referred to as "Landlord", and the City of San Diego, hereinafter referred to as "Tenant". Wherein the Tenant wishes to exercise its contraction right under Paragraph 13 of the Letter Agreement dated August 2, 1994, Landlord and Tenant agree that the Lease and subsequent Amendments shall be modified as follows:

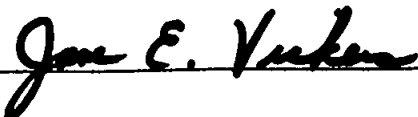
1. The effective date of this Amendment shall be April 1, 1996.
2. The total adjusted rentable square feet shall be reduced by 12,880 square feet to a total adjusted rentable area of 115,920 square feet, as outlined in the attached Exhibit B.
3. On or before March 31, 1996, the Tenant will vacate all of the space known as 7 West consisting of 8,424 adjusted rentable square feet and a portion of 8 West consisting of 4,456 adjusted rentable square feet. Space to be vacated is shown on the attached Exhibit A.
4. The total base monthly rental shall be adjusted to be \$155,072 based upon the information and calculations as indicated in Exhibit B.
5. Tenants initial percentage share of operating expenses as indicated in Paragraph 10 of the Letter Agreement dated August 2, 1994 shall be modified from 43.13% to 37.305%.

All of the terms and conditions except as expressly modified by this Addendum shall remain in full force and effect.

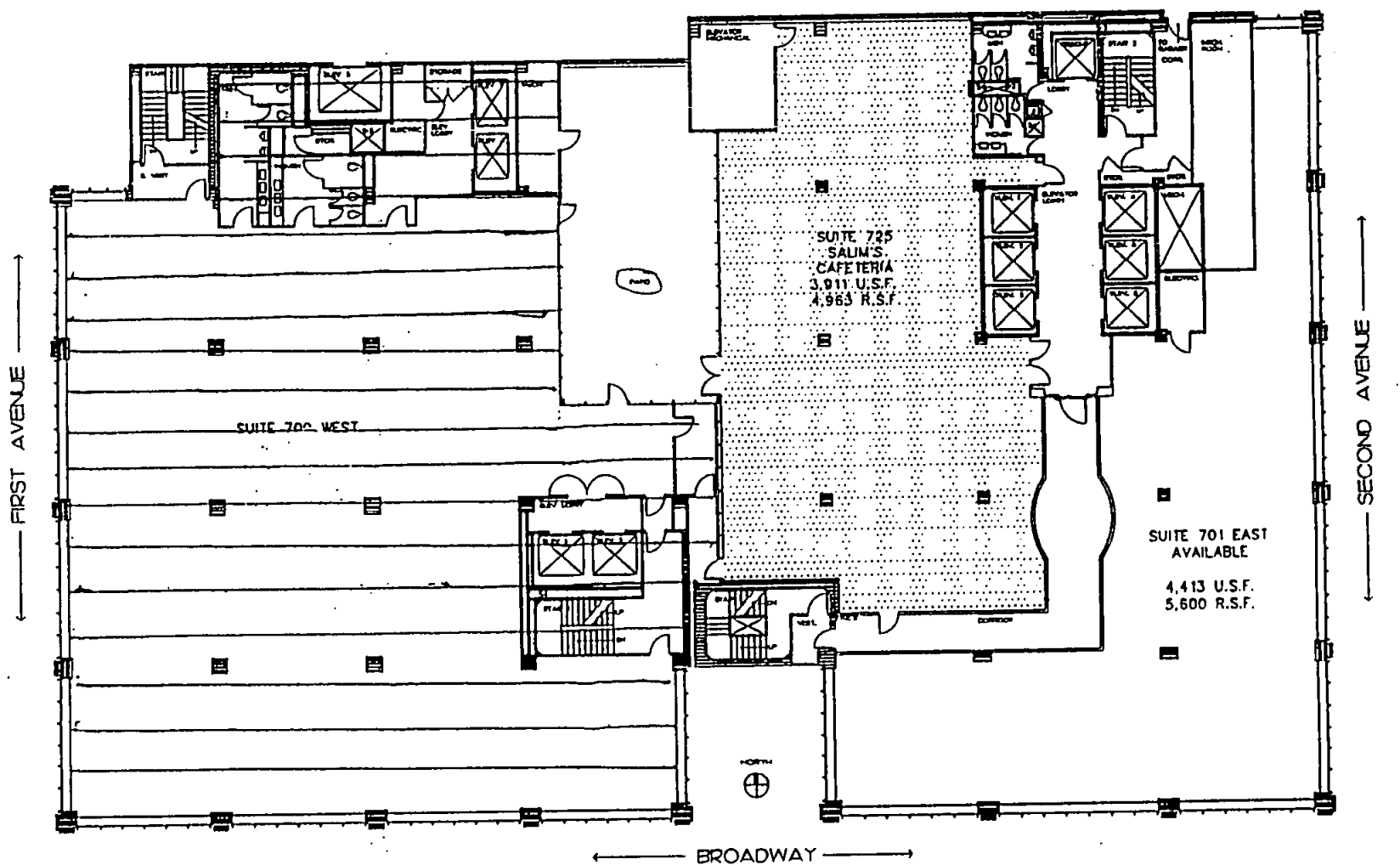
Landlord
Executive One Associates, An Illinois Limited Partnership

By: 
Jerry Ong, Agent for the Partnership

Tenant, City of San Diego:

By: 

Approved: 
JOHN W. WITT, CITY ATTORNEY
By: 
CHIEF DEPUTY



THE EXECUTIVE COMPLEX

FLOOR 7

P M REALTY GROUP
1010 2 ND AVE, ST 2250
SAN DIEGO, CA 92101
16191-239-1500

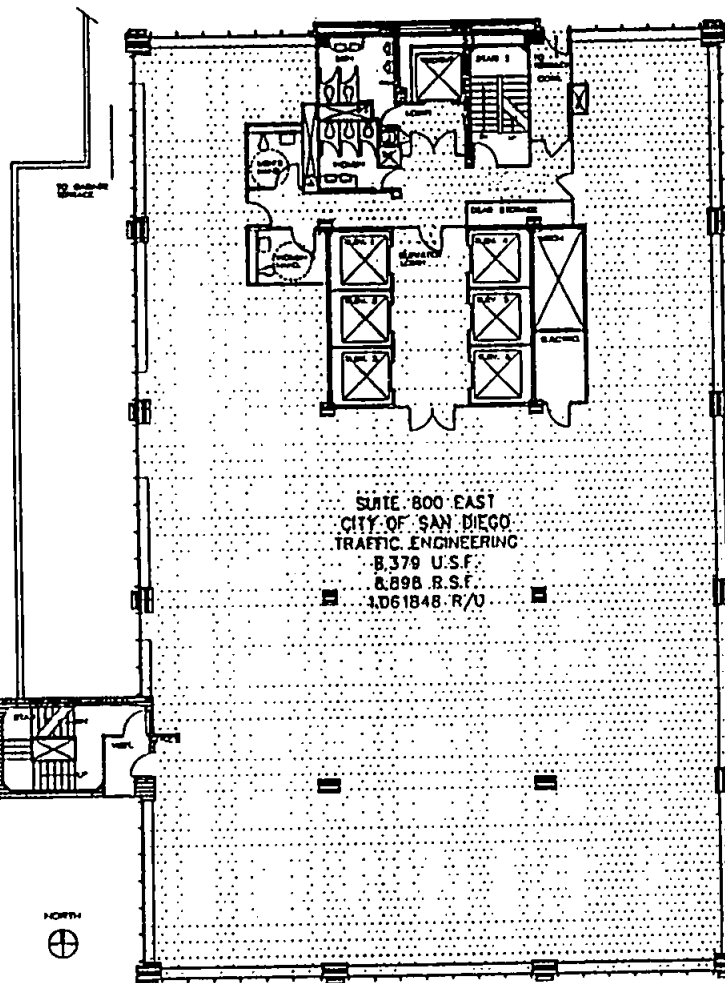
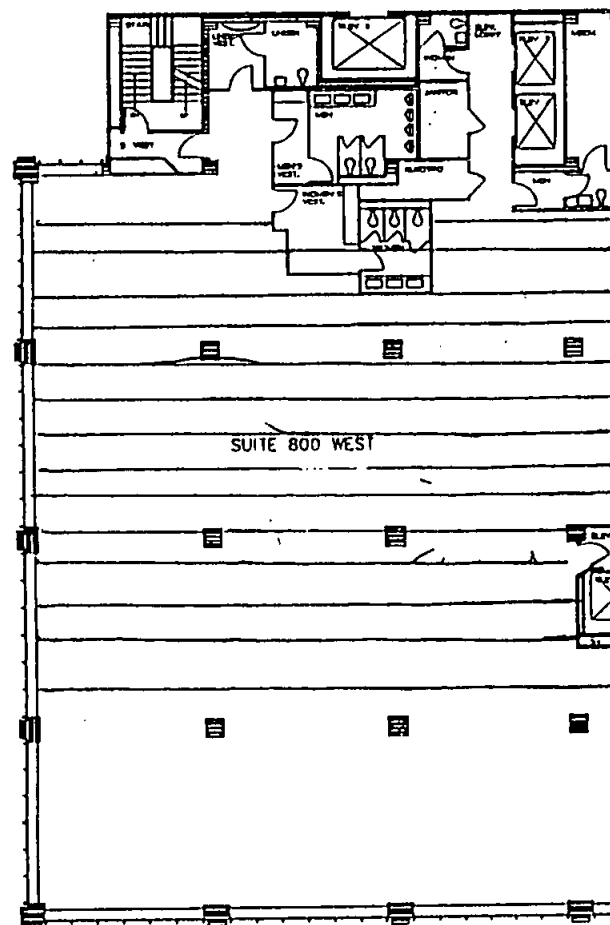
WEST-SINGLE TENANT



EAST-MULTI TENANT
8,324 U.S.F.
10,583 R.S.F.
1.268818 R/U

TOTAL-SINGLE TENANT

DESIGN GROUP, INC.
PLST DATE 12-20-1991



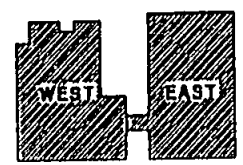
SUITE 800 EAST
CITY OF SAN DIEGO
TRAFFIC ENGINEERING
8,379 U.S.F.
8,898 R.S.F.
1,061,848 R/U

THE EXECUTIVE COMPLEX

FLOOR 8

P M REALTY GROUP
1010 2 ND AVE, ST 2250
SAN DIEGO, CA 92101
1819-239-1500

WEST-SINGLE TENANT



EAST-SINGLE TENANT
8,379 U.S.F.
8,898 R.S.F.
1,061,848 R/U

TOTAL-SINGLE TENANT

DESIGN GROUP, INC.
PLOT DATE 02-20-1991

LEASE ADDENDUM 2/26/96
EXHIBIT "B"
EXECUTIVE COMPLEX

FLOOR	RENTABLE AREA SQ.FT.	USEABLE AREA SQ.FT.	1.08 X USEABLE AREA SQ.FT.	ADJUSTED RENTABLE AREA	BASE MONTHLY RENT
3-E&W	20,880	17,560	18,965	18,965	\$25,034
4-E&W	20,801	16,935	18,290	18,290	\$24,143
5-W	10,309	8,737	9,436	9,436	\$12,455
5-E	10,438	9,239	9,978	9,978	\$13,171
6-W	10,315	8,856	9,564	9,564	\$12,624
6-E	10,455	9,308	10,053	10,053	\$13,270
8-W	5,360	n/a	n/a	3,104	\$4,097
8-E	8,849	7,757	8,378	8,378	\$11,059
9-E	8,867	7,895	8,527	8,527	\$11,256
11-E	8,888	8,153	8,805	8,805	\$11,623
12-E	8,892	8,143	8,794	8,794	\$11,608
16-E	2,026	1,733	0	2,026	\$2,674
	126,080			115,920	\$153,014
PARKING ADJUSTMENT					\$2,058
TOTALS	126,080	0	0	115,920	\$155,072

August 2, 1994

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Dave Seyfarth
Management Assistant to the City Manager
City of San Diego
Suite 1600
1010 Second Avenue
San Diego, California 92101

Re: Executive Complex
Tenant: City of San Diego

Gentlemen:

This letter memorializes the agreements reached at the mediation on May 25 and May 26, 1994, as modified by subsequent agreement of the parties, which clarifies the October 21, 1991, lease as modified by agreements dated January 31, 1992, and November 19, 1992 (the "Lease"), the Lease Addendum ("Addendum"), and the Tenant Improvement Agreement ("TIA"). Capitalized terms not otherwise defined herein shall have the same meaning as in the Lease, Addendum and TIA.

1. Commencement Date. A dispute has arisen as to the Commencement Date as such term is used in paragraph 5 of the Addendum. In resolution of such dispute, the parties agree that the Commencement Date shall be April 1, 1994. The last day of the Lease Term shall be March 31, 2004.
2. Premises. A dispute has arisen as to the proper description of the Premises. In resolution of such dispute, the parties agree that all descriptions of the Premises set forth in the Lease, the Addendum and the TIA are replaced by the description of the Premises attached hereto as Exhibit A and incorporated herein by reference.

Mr. Dave Seyfarth
July 18, 1994
Page 2

3. Premises Area. A dispute has arisen regarding the application of the second sentence of paragraph 4 of the November 19, 1992, letter agreement. In resolution of such dispute, the parties agree that the lease by the City of the Premises described in Exhibit A hereto satisfies the City's obligations under such sentence.
4. Base Monthly Rent. A dispute has arisen as to the proper manner in which Base Monthly Rent is calculated under the Lease. In resolution of such dispute, the parties agree that (i) for those portions of the Premises where Tenant and at least one other tenant occupy the same floor of the Building, Base Monthly Rent for that portion of the Premises is calculated at the rate of one and 35/100 dollars (\$1.35) per square foot of Rentable Area, and (ii) for those portions of the Premises where Tenant is the sole occupant of the entire floor, Base Monthly Rent for that portion of the Premises is calculated at the rate of one and 35/100 dollars (\$1.35) per square foot of "Adjusted Rentable Area." The Adjusted Rentable Area shall be equal to the lesser of Rentable Area or Usable Area x 1.08. The parties further agree that the initial Base Monthly Rent for each portion of the Premises shall be as set forth on Exhibit B attached hereto and incorporated herein by reference. If the Usable Area or Rentable Area of the Premises increases or decreases during the Term of the Lease, the Base Monthly Rent shall be adjusted in accordance with this paragraph 4 and paragraph 8 below and otherwise in accordance with the Lease.
5. Base Year. The parties confirm that the Base Year shall be calendar year 1992, as provided in Article 3.2.1.1 of the Lease.
6. Base Monthly Rent Commencement Date. A dispute has arisen as to when Tenant's obligation to pay Base Monthly Rent occurred for various floors which Tenant has occupied or intends to occupy under paragraph 5 of the Addendum and section 7 of the TIA. In resolution of such dispute, the parties agree that Tenant's obligation to pay Base Monthly Rent commenced for each of the floors as follows:

3E&W	May 1, 1994
4E&W	May 1, 1994

Mr. Dave Seyfarth
July 18, 1994
Page 3

5E	April 15, 1994
6W	30 days from the date of Landlord's Substantial Completion of the Tenant Improvements
8E	March 20, 1994
9E	March 20, 1994

The parties further agree that the Base Monthly Rent commencement date for 6W described above shall be extended by one (1) day for each day after the date that the unused portion of the Tenant Improvement Allowance relative to 6W is due (as determined in accordance with paragraph 11 below) but is not paid to Tenant.

- 10-9-94 7. Base Monthly Rent Commencement Date for Space Tenant Does Not Intend to Occupy. A dispute has arisen as to when Tenant's obligation to pay Base Monthly Rent occurred under paragraph 5 of the Addendum and section 7 of the TIA for floors 7W and 8W, which Tenant has advised Landlord that it presently does not intend to occupy. In resolution of such dispute, the parties agree that Tenant's obligation to pay Base Monthly Rent for 7W and 8W will commence on September 1, 1994. Notwithstanding the foregoing, the Base Monthly Rent commencement date for 7W and 8W shall be extended by one (1) day for each day after the later of (i) 60 days after the City Council approves this Agreement or (ii) 40 days after both the City Council and Landlord's Lender approves this Agreement, that the full T.I. Payment and any interest accrued thereon as described in paragraph 11 below is not paid in full to Tenant. Furthermore, any installments of Base Monthly Rent for 7W and 8W which become payable before Landlord has paid the T.I. Payment to Tenant shall accrue in accordance with this letter agreement and the Lease, but the time of payment thereof shall be postponed to the first day of the month following the month in which Landlord pays the full T.I. Payment and any interest accrued thereon to Tenant.

8. BOMA Measurements. A dispute has arisen on how "Usable Area" is calculated under the "BOMA Standard" on single-tenant floors as provided in Article 1.17 of the Lease. In resolution of such dispute, the parties agree that, for the purposes of the Lease, the Addendum and the TIA, the BOMA Standard definition of Usable

Area shall exclude elevator lobbies and rated corridors. The parties agree that the remeasurements, which are set forth on Exhibit B, accurately reflect the measurement of the Premises leased by Tenant as of the date of this letter.

9. Retroactivity of BOMA Measurements. A dispute has arisen regarding whether Tenant is entitled to receive a refund for overpayment of Base Monthly Rent based upon remeasurement of the Premises pursuant to section 2.1 of the Lease. In resolution of such dispute, the parties agree that the remeasurements, which are set forth on Exhibit B, shall be effective April 1, 1994, and that if Tenant is entitled to a refund for overpayment of Base Monthly Rent for the period commencing April 1, 1994, such refund shall be paid by a credit against the first installment of rent payable after satisfaction of the conditions precedent hereto set forth in paragraph 16. Tenant shall not be entitled to a refund for overpayment of Base Monthly Rent for the period before April 1, 1994, based upon such remeasurements.
10. Operating Expenses. A dispute has arisen regarding the computation of Tenant's Initial Percentage Share of Operating Expenses. In resolution of that dispute, the parties have agreed that such Share shall equal 43.13%. If the Usable Area or Rentable Area of the Premises increases or decreases during the Term of the Lease, Tenant's Percentage Share shall be the percentage equivalent of the average of the following two fractions: Fraction 1 shall have as a numerator the Rentable Area of the Premises and as a denominator the Rentable Area of the Building; and Fraction 2 shall have as a numerator the Adjusted Rentable Area of the Premises and as a denominator the Rentable Area of the Building. Tenant's obligation to pay Operating Expenses shall commence on January 1, 1995.
11. Tenant Improvement Allowance. A dispute has arisen as to the timing and amount of the Tenant Improvement Allowance to be paid by Landlord to Tenant and whether Landlord is obligated to pay a Tenant Improvement Allowance under section 10.3 of the TIA for floors 7W and 8W, which Tenant presently does not intend to occupy. In resolution of such dispute, the parties agree that the total Tenant Improvement Allowance under

Mr. Dave Seyfarth
July 18, 1994
Page 5

the TIA is as set forth on Exhibit C attached hereto and incorporated herein by reference. The parties further agree that Tenant has no obligation to occupy any portion of the Premises as a condition of receiving the Tenant Improvement Allowance associated therewith. On or before the later of (i) 10 days after Landlord's Lender and the City Council have approved this Agreement or (ii) 30 days after the City Council has approved this Agreement, Landlord shall pay to Tenant in cash (collectively, "T.I. Payment"), (i) the entire Tenant Improvement Allowance relative to 7W and 8W, and (ii) the portion of the Tenant Improvement Allowance which Tenant is entitled to have credited under section 10.3 of the TIA, as described on Exhibit C attached hereto and incorporated herein by reference, excluding any Tenant Improvement Allowance for 5W, 6E and 6W. Notwithstanding that the T.I. Payment may not have become payable, for the period commencing August 1, 1994, until the date the T.I. Payment is paid in full, Landlord shall pay interest to Tenant at the rate of seven percent (7%) per annum on the T.I. Payment. The parties agree that any unused portion of the Tenant Improvement Allowance for 5W, 6E and 6W which Tenant is entitled to have credited under section 10.3 of the TIA shall be paid by Landlord to Tenant in cash 60 days following Landlord's Substantial Completion of the Tenant Improvements for such space.

12. Later Construction of Floors 7W and 8W. A dispute has arisen as to issues regarding construction and the Tenant Improvement Allowance in connection with a future decision by Tenant to occupy 7W and 8W. In resolution of such dispute, the parties agree that if Tenant instructs Landlord to construct Tenant Improvements in 7W or 8W, as a condition precedent to Landlord's obligation to commence such construction, Tenant shall return to Landlord the full Tenant Improvement Allowance previously paid by Landlord to Tenant, if any, which is attributable to the portion of the Premises in which the construction will be undertaken. The parties further agree that if Tenant instructs Landlord to construct Tenant Improvements in 7W or 8W, Landlord shall have five months from the date Landlord receives from Tenant both the refund of the Tenant Improvement Allowance and the Tenant-approved architectural working drawings in which to Substantially Complete construction of the Tenant

Improvements in 7W or 8W. Tenant shall receive a credit equal to one day of Base Monthly Rent owing for 7W or 8W, as applicable, for each day that Substantial Completion is delayed beyond the five-month period. No such rent credit shall be given for delays attributable to Tenant change orders or Tenant Delays. The parties agree that any unused portion of the Tenant Improvement Allowance for 7W or 8W which Tenant is entitled to have credited under section 10.3 of the TIA shall be paid by Landlord to Tenant in cash 60 days following Landlord's Substantial Completion of the Tenant Improvements for such space.

13. Contraction Rights. The parties confirm that the first Contraction Date may be any date on or after April 1, 1996. For purposes of paragraph 2.6 of the Addendum, floors 7W and 8W are occupied by Tenant as of September 1, 1994. The parties agree that the second sentence of paragraph 4 of the November 19, 1992, letter agreement shall have no impact upon Tenant's right to exercise its Contraction Rights pursuant to paragraph 2.6 of the Addendum.
14. Termination Rights. The parties confirm that the first termination date for all or any portion of the Premises may be any date specified by Tenant in its Cancellation Notice described in paragraph 2.7 of the Addendum which is on or after April 1, 2001. The parties agree that the second sentence of paragraph 4 of the November 19, 1992, letter agreement shall have no impact upon Tenant's right to exercise its Cancellation Right pursuant to paragraph 2.7 of the Addendum.
15. Parking. The parties confirm that Tenant has notified Landlord of its intent to lease seventy-four (74) parking spaces. Accordingly, the parties agree that the Base Monthly Rent relative to seventy-four thousand (74,000) square feet of Rentable Area of the Premises is calculated at the rate of \$1.35 per square foot, while the Base Monthly Rent for the balance of the Premises is calculated at the rate of \$1.32 per square foot. If the Premises expand or contract during the term of the Lease, then the Base Monthly Rent shall be adjusted to take account of the number of parking spaces Tenant has the right to lease under paragraph 12 of the Addendum from time to time.

16. Conditions Precedent. The effectiveness of this document shall be subject to and conditioned upon (i) written approval of this letter agreement by Landlord's lender, Comptoir des Entrepreneurs ("Lender"), (ii) delivery to Tenant of a Non-Disturbance Agreement executed by Lender as required by the Lease, and (iii) approval of this letter agreement by the City of San Diego City Council. Each of the foregoing conditions shall be deemed satisfied upon delivery of written evidence thereof to both parties. If such conditions are not satisfied within 30 days from the date of this letter, then either party may terminate this letter agreement by written notice to the other at any time before such conditions are satisfied and thereupon this agreement shall be of no force or effect.
17. General Conditions. Except as expressly provided herein, the Lease, Addendum and TIA shall remain in full force and effect. This letter agreement contains the entire agreement between the parties relative to all matters expressly addressed herein, and, with respect to all such matters, supersedes all prior agreements and negotiations regarding the Premises, whether written or oral, including, without limitation, all oral and written communications, offers or counteroffers made by the parties or their respective agents, brokers, attorneys or representatives. In the event of an inconsistency between the express terms of this letter agreement and the Lease, Addendum and/or TIA, the terms of this letter agreement shall control. No addition, amendment or modification of any term or provision of this letter agreement shall be effective unless set forth in writing and signed by both Landlord and Tenant. This letter agreement was drafted jointly by the parties.

This agreement shall be construed and governed by the laws of the State of California. Time is of the essence for the performance of each and every term, condition, obligation and provision hereof.

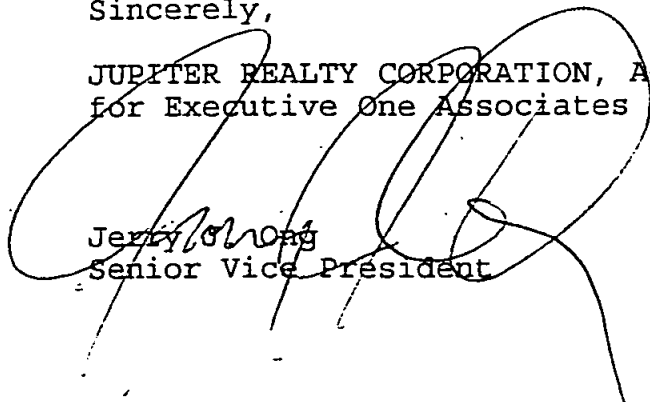
[signatures on following page(s)]

Mr. Dave Seyfarth
July 18, 1994
Page 8

[signatures from prior pages]

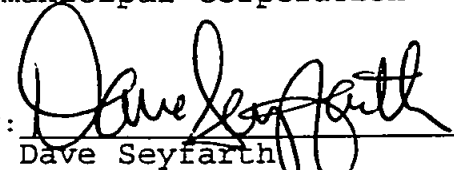
Sincerely,

JUPITER REALTY CORPORATION, Agent
for Executive One Associates


Jerry G. Ong
Senior Vice President

AGREED AND ACCEPTED:

THE CITY OF SAN DIEGO,
a municipal corporation

By: 
Dave Seyfarth
Management Assistant to the
City Manager

APPROVED AS TO FORM AND LEGALITY:

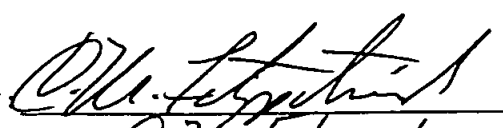
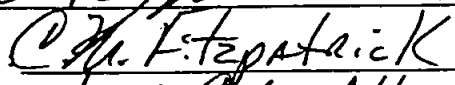
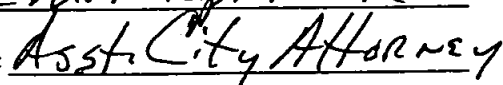
By: 
Name: 
Title: 

EXHIBIT "A"

EXECUTIVE COMPLEX

DESCRIPTION OF PREMISES

<u>FLOOR</u>	<u>RENTABLE AREA SQUARE FEET</u>
3-E & W	20,880
4-E & W	20,801
5-W	10,309
5-E	10,438
6-W	10,315
6-E	10,455
7-W	9,069
8-W	9,094
8-E	8,849
9-E	8,867
11-E	8,888
12-E	8,892
16-E (Suite 1600)	2,026
TOTAL:	138,883

EXHIBIT "B"

EXECUTIVE COMPLEX

INITIAL BASE MONTHLY RENT

<u>FLOOR</u>	<u>RENTABLE AREA SQ. FT.</u>	<u>USEABLE AREA SQ. FT.</u>	<u>1.08 X USEABLE AREA SQ. FT.</u>	<u>ADJUSTED RENTABLE AREA</u>	^{1.32} <u>BASE MONTHLY RENT (1)</u>
3-E & W	20,880	17,560	18,965	18,965	\$25,034
4-E & W	20,801	16,935	18,290	18,290	24,143
5-W	10,309	8,737	9,436	9,436	12,455
5-E	10,438	9,239	9,978	9,978	13,171
out 6-W	10,315	8,856	9,564	9,564	12,624
6-E	10,455	9,308	10,053	10,053	13,270
out 7-W	9,069	7,800	8,424	8,424	11,120
8-W	9,094	7,000	7,560	7,560	9,979
8-E	8,849	7,757	8,378	8,378	11,059
9-E	8,867	7,895	8,527	8,527	11,256
11-E	8,888	8,153	8,805	8,805	11,623
12-E	8,892	8,143	8,794	8,794	11,608
16-E (Suite 1600)	2,026	1,733	N/A	2,026	2,674
SUBTOTAL:					<u>\$170,016</u>
Parking Adjustment: (1)					2,058 (1)
TOTALS:	<u>138,883</u>	<u>119,116</u>	<u>N/A</u>	<u>128,800</u>	<u>\$172,074</u>

(1) PARKING ADJUSTMENT

For computation of the Parking Adjustment only, the Base Monthly Rent for the Premises is calculated at the rate of \$1.32 per square foot times the Adjusted Rentable Area. Because the Tenant is leasing seventy-four (74) parking spaces as of the date herein, 74,000 square feet of Rentable Area must be converted to Adjustable Rentable Area as follows:

1. City leased 74 parking spaces x 1,000 sq. ft. per space = 74,000 Rentable sq. ft.
2. Adjusted Rentable Area = 92.7% of Rentable Area (128,800/138,883).
3. 74,000 Rentable sq. ft. x 92.7% = 68,598 Adjusted Rentable sq. ft.
4. 68,598 Adjusted Rentable sq. ft. x \$0.03 = \$2,058.

EXHIBIT "C"**EXECUTIVE COMPLEX****TENANT IMPROVEMENT ALLOWANCE**

FLOOR	USEABLE AREA SQ. FT.	MODIFIED RENTABLE AREA SQ. FT.	TENANT IMPROVEMENT ALLOWANCE \$25. PER M.R.A.	TENANT IMPROVEMENTS CURRENT CONSTRUCTION COSTS	T.I. PAYMENT
3-E & W	17,560	19,238	\$480,950	\$272,879.70	\$208,070.30
4-E & W	16,935	19,159	478,975	279,725.70	199,249.30
5-W	8,737	9,221	230,925	-0-	-
5-E	9,239	9,880	247,000	115,449.30	131,550.70
6-W	8,856	9,143	228,575	-0-	-
6-E	9,308	9,900	247,500	-0-	-
7-W	7,800	8,296	207,400	-0-	207,400.00
8-W	7,000	8,035	200,875	-0-	200,875.00
8-E	7,757	8,379	209,475	98,751.58	110,723.42
9-E	7,895	8,405	210,125	94,819.59	115,305.41
11-E	8,153	N/A	N/A	N/A	N/A
12-E	8,143	N/A	N/A	N/A	N/A
16-E (Suite 1600)	1,733	1,733	43,325	-0-	43,325.00
TOTALS:	119,116	111,389	\$2,784,725	\$861,625.87	\$1,216,499.13

SCHEDULE 2

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release ("Agreement") is made as of November 20, 1992, between Executive One Associates, an Illinois limited partnership ("Executive One"), and Donovan/Irving Group, Inc., a California corporation ("Donovan"), who agree as follows:

1. Recitals. This Agreement is executed by the parties in connection with the following facts and circumstances:

a. Pursuant to that certain Office Lease dated October 21, 1991 between Executive One, as landlord, and the City of San Diego, a municipal corporation (the "City"), as tenant, as modified by that certain letter of agreement dated January 31, 1992 (as modified, the "Lease"), the City agreed to lease certain premises located at 1010 Second Avenue, San Diego, California (the "Premises").

b. Item 13 of the "Basic Lease Provisions" on page i of the Lease lists Donovan as the City's broker and provides that brokerage commissions are payable by Executive One. Pursuant to Section 34.10 of the Lease and pursuant to that certain Commission Agreement between Executive One and Donovan dated August 27, 1991 (the "Commission Agreement"), Executive One has agreed to pay Donovan a commission under certain circumstances for services in connection with securing the Lease.

c. Subsequent to execution of the Lease by the parties and approval of the Lease by Executive One's lender, Dollar Dry Dock Bank ("Lender"), Lender was taken over by the Federal Deposit Insurance Corporation. Since the financing is essential to fulfillment of the obligations under the Lease, Executive One and the City have agreed that Executive One shall have until February 4, 1993 (or any extension thereof as may be subsequently agreed upon between City and Executive One), in which to secure the necessary financing to enable to parties to proceed with the Lease. The Agreement between Executive One and City is set forth in the letter of agreement dated November 19, 1992, a copy of which is attached hereto as Exhibit "A" (the "Letter Agreement").

d. Executive One and Donovan desire by this Agreement to completely settle all disputes which they may have, and to release any and all claims which they may have against each other, including claims arising out of or in connection with the Lease and the Commission Agreement. It is intended that this Agreement shall operate as a complete settlement and release of all disputes and claims between the parties.

2. Cash Payment. Concurrently with the execution hereof, Executive One shall make a single cash payment to Donovan in the amount of Seventy Five Thousand Dollars (\$75,000). This payment will be made in the ordinary course of the business affairs of Executive One.

3. Mutual General Release.

a. Subject to the provisions of paragraph 3.e. below, Donovan, on behalf of itself and its past and present partners, officers, directors, shareholders, employees, affiliated companies and entities, agents, representatives, successors, assigns, and attorneys (collectively, "Affiliated Parties"), hereby releases and discharges Executive One and its past and present Affiliated Parties from any and all actions, causes of actions, claims, demands, damages, compensation, costs, loss of services, expenses, losses, attorneys' fees, and fees or claims for legal services rendered, whether or not accrued, contingent, liquidated or unliquidated, foreseen or unforeseen, matured or unmatured, or known or unknown (collectively, "Claims"), which Donovan may have against Executive One arising out of, concerning, resulting from, or relating to any and all events, facts, items, or matters occurring or existing on or prior to the date hereof, which shall include without limitation any and all matters involving or relating to the Commission Agreement, the Lease, or the negotiations and actions of the parties in connection therewith.

b. Subject to the provisions of paragraph 3.e. below, Executive One, on behalf of itself and its past and present Affiliated Parties, hereby releases and discharges Donovan and its past and present Affiliated Parties from any and all Claims which Executive One may have against Donovan arising out of, concerning, resulting from, or relating to any and all events, facts, items, or matters occurring or existing on or prior to the date hereof, which shall include without limitation any and all matters involving or relating to the Commission Agreement, the Lease, or the negotiations and actions of the parties in connection therewith.

c. The parties acknowledge that each may subsequently learn of facts or circumstances bearing on the rights and Claims released in this Agreement. Nonetheless, Donovan and Executive One desire under the circumstances set forth in this Agreement to achieve a complete mutual release of all known and unknown rights and Claims. This mutual release is intended to unconditionally settle all Claims between the parties; each of the parties hereby waives the provisions of section 1542 of the California Civil Code, which Civil Code section reads as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

d. The parties expressly waive and release any right or benefit which they have or may have under section 1542 of the Civil Code of the State of California, and any similar statute, code, law, or regulation of any State of the United States, or the United States, to the fullest extent that they may waive all such rights and benefits pertaining to

the matters released herein. The parties acknowledge that they are aware that they may hereafter discover Claims presently unknown or unsuspected, or facts in addition to or different from those which they now know or believe to be true with respect to the matters released herein. Nevertheless, it is the intention of the parties through this Agreement to fully, finally, and forever settle and release all such matters, and all Claims relative thereto, which do now exist, may exist, or heretofore have existed. In furtherance of such intention, the releases herein given shall be and remain in effect notwithstanding the discovery or existence of any such additional or different claims or facts relative thereto by either party. In entering into this Agreement, the parties have not relied upon any statement, representation, or promise, except as expressly stated in this Agreement.

e. Notwithstanding the provisions of paragraphs 3.a. and 3.b. above, if Executive One acquires financing by February 4, 1993 (or any extension thereof as may be agreed to in writing by Executive One and City) according to the provisions of the Letter Agreement, allowing Executive One and the City to resume their respective obligations under the Lease, then (i) Executive One shall pay Donovan commissions as provided by the Commission Agreement, (ii) the Commission Agreement shall remain in full force and effect, and (iii) the releases contained in this paragraph 3 shall be of no further force or effect. In such event, the payment of \$75,000.00 made hereunder shall be credited toward the payment of the commission amount then payable pursuant to the Commission Agreement. Donovan acknowledges that these events may not occur, and that Executive One is not obligated in any way to cause these events to occur. Executive One, or its successors or assigns, warrants that under the circumstances described in this paragraph Donovan will be entitled to a commission in connection with the Lease. The commission amount and the timing of its payment shall be as addressed in the Commission Agreement. Executive One hereby acknowledges and agrees that Donovan is an intended third party beneficiary of said lease transaction. If Executive One fails to pay any amounts (commission and accrued interest, if applicable) to Donovan on or before the dates due under the Commission Agreement, Donovan may send written notice to Executive One notifying Executive One of such failure. If Executive One fails to pay the amount due within ten (10) days after Executive One's receipt of said notice, then the City shall be entitled to offset said amounts owed to Donovan from Executive One against the next rental obligations which may become due under the Lease. Any amounts so offset from the City's rental obligations hereunder shall then no longer be owed by Executive One to Donovan under the Commission Agreement, but shall immediately become due and payable by the City to Donovan. Executive One hereby agrees to immediately notify the City of its unmet obligation and instruct the City to immediately implement the aforementioned rent offset commission payment program.

4. Representations and Warranties. Each of the parties represents and warrants to the other that the individuals signing this Agreement on behalf

of such party have been duly authorized by appropriate corporate or entity action to execute this Agreement, and that the signatures of the parties below are binding on Executive One and Donovan and create an enforceable contract between the parties.

5. Miscellaneous.

a. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with in this Agreement. In addition, each party has had the opportunity to consult with experienced and knowledgeable legal counsel. Accordingly, any rule of law (including California Civil Code section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties and this Agreement.

b. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof and fully supersedes any and all prior agreements between the parties hereto respecting the subject matter hereof. In addition, no amendment or modifications to this Agreement shall be valid unless set forth in writing and signed by each of the parties hereto.

c. In the event of any dispute arising out of this Agreement, or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses incurred in any action, arbitration, mediation, or litigation, including without limitation court costs and reasonable attorneys' fees and disbursements. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such judgment.

d. Any provisions of this Agreement which may be prohibited by law or otherwise held invalid shall be ineffective only to the extent of such prohibition or invalidity and shall not invalidate or otherwise render ineffective the remaining provisions of this Agreement.

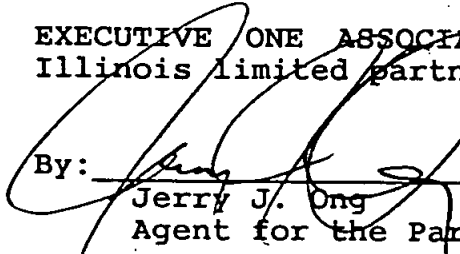
e. This Agreement is being executed and delivered and is intended to be performed in the State of California and shall be governed by and construed in accordance with the laws of the State of California. Proper venue for any action shall be in San Diego County, California.

f. The headings of the paragraphs herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

g. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

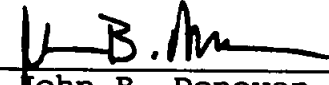
h. Exhibit "A" attached hereto is incorporated herein by this reference.

EXECUTIVE ONE ASSOCIATES, an
Illinois limited partnership

By: 

Jerry J. Ong
Agent for the Partnership

DONOVAN/IRVING GROUP, INC., a
California corporation

By: 

John B. Donovan
President

EXECUTIVE ONE ASSOCIATES
C/O PM REALTY GROUP
1010 SECOND AVENUE
SUITE 1600
SAN DIEGO, CA 92101

January 31, 1992

City Manager, Property Director
The City of San Diego
City Administration Building
202 "C" Street, MS 9B
San Diego, CA 92101-4155

RE: EXERCISE OF EXPANSION OPTION

Gentlemen and Ladies:

Pursuant to Section 2.4 of that certain Office Lease (the "Lease") made between Executive One Associates, an Illinois limited partnership ("Landlord"), and the City of San Diego, a municipal corporation ("Tenant"), Tenant has the unilateral option to lease additional space in the Building (as defined in the Lease) (the "Expansion Option"). Pursuant to Section 2.4 of the Lease, the Expansion Option could only be exercised following the Commencement Date (as defined in the Lease) of the Lease, which Commencement Date has not yet occurred.

This letter shall serve as notice to Tenant that Landlord hereby waives the requirement that the Commencement Date occur before the Expansion Option may be exercised.

This letter shall also serve as Landlord's acceptance of Tenant's exercise of the Expansion Option. In accordance with the Expansion Option, Schedule 1 of the Addendum to Lease is hereby deleted in its entirety and replaced by Schedule 1 attached hereto and incorporated herein by this reference.

Pursuant to the revised Schedule 1 attached hereto, the initial Premises (as defined in the Lease) to be occupied by Tenant in the building will consist of approximately 149,347 rentable square feet. Any and all references to the total square footage of the Premises set forth in the Lease, including, without limitation, the reference set forth in Paragraph 3 of the Addendum to Lease, shall be deemed to refer to the revised total square footage of the Premises (i.e., 149,347 rentable square feet).

In addition, Item 12 of the Basic Lease Provisions, set forth on Page i of the Lease, is hereby deleted in its entirety and replaced by the following in order to clarify the intentions of the parties:

"12. TENANT'S INITIAL PERCENTAGE SHARE OF OPERATING EXPENSES:

1401 ← 45.11%
Approximately 48.12% based upon the Rentable Area of the Premises which is 149,347 square feet and the Rentable Area of the Building which is 310,346 feet."



In that both parties to this Letter Agreement agree that it would be mutually beneficial if Tenant could have Floors Seven and Eight (7 and 8) of the Annex (West Tower) Building in lieu of Floors Seventeen and Eighteen of the main (East Tower) Building, Landlord reserves the right to substitute Floor(s) Seven and/or Eight (7 and/or 8) of the Annex Building for Floor(s) Seventeen and/or Eighteen (17 and/or 18) of the main Building, so long as Tenant is guaranteed at least two (2)* of the four (4) floors referenced in this paragraph. So as to not slow down the actual delivery of space to Tenant, Landlord agrees to have Interspace Design and Development, Inc. continue planning all four floors referenced in this paragraph and agrees, if electing to substitute floor(s), to only substitute such floor(s) prior to commencement of construction as scheduled by Tenant, and agreed to by Landlord.

It is agreed by both parties to this Letter Agreement that the Tenant shall take Suite 1600 in "as is" condition and that there will be no allocation of tenant improvement monies or a relocation allowance paid for this one Suite.

*contiguous

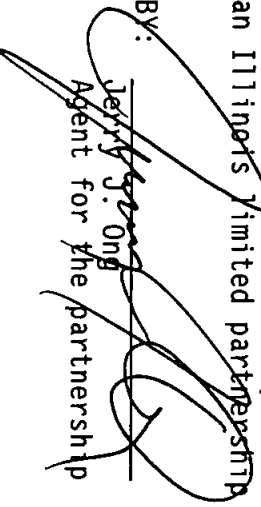
Finally, the fourth sentence of Section 26.1 of the Lease is hereby deleted in its entirety and replaced by the following in order to clarify the intentions of the parties:

"Such charge shall be at the then prevailing parking rates for parking in the Building's parking facilities; provided, however, that (1) during the one-year period commencing with the date of the City's Fire Department takes up occupancy in the Building, Landlord will make available to Tenant out of Tenant's parking allowance set forth in the Basic Lease Provisions up to eighty (80) parking spaces for use by the City's Fire Department at parking rates consistent with the parking rates charged from time to time by the City of San Diego at its parking facility in the City Community Concourse, and (2) after the expiration of such one-year period, Landlord shall continue to make available to Tenant up to sixty (60) parking spaces for use by the City's Fire Department at parking rates consistent with the parking rates charged from time to time by the City of San Diego at its parking facility in the City Community Concourse."

If this letter agreement accurately reflects Tenant's understanding and acceptance of these terms, please execute where indicated below.

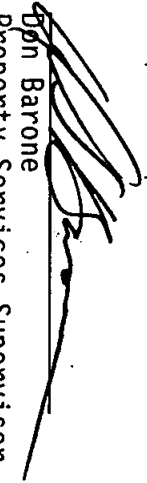
Sincerely yours,

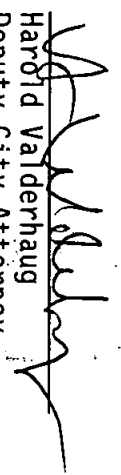
EXECUTIVE ONE ASSOCIATES,
an Illinois limited partnership

BY: 
Jeffrey J. Ong
Agent for the partnership

AGREED AND ACCEPTED:

THE CITY OF SAN DIEGO,
a municipal corporation

BY: 
John Barone
Property Services Supervisor

BY: 
Harold Valderhaug
Deputy City Attorney

SCHEDULE 1

The space available in the Building to the Tenant includes the following locations and square footage:

<u>FLOOR/SUITE</u>	<u>RENTABLE SQUARE FEET</u>
3rd	22,154
4th	20,930
5th	20,948
6th	20,913
8th	8,912
9th	8,912
10th	8,912
11th	8,912
12th	8,912
1600	2,018
17th	8,912
18th	<u>8,912</u>
TOTAL:	149,347

Executive Complex

ADDENDUM TO LEASE

This Addendum to Lease ("Addendum") is made to the Lease dated as of OCTOBER 21, 1991 ("Lease"), by and between **Executive One Associates**, an Illinois limited partnership ("Landlord") and **The City of San Diego**, a Municipal corporation ("Tenant").

Landlord and Tenant hereby agree that notwithstanding anything contained in the Lease to the contrary, the provisions set forth below shall be deemed to be a part of the Lease and shall supersede, to the extent appropriate, any contrary provision in the Lease. All references in the Lease and in this Addendum to "Lease" shall be construed to mean the Lease as amended and supplemented by this Addendum. All capitalized terms used in this Addendum unless specifically defined in this Addendum shall have the same meaning as the terms used in the Lease.

IN GENERAL

1 Non-Disturbance Agreement. Landlord agrees that, within thirty (30) days from the date of execution of the Lease, it will provide Tenant with non-disturbance agreements in favor of Tenant from any ground lessors, mortgage holders or lien holders then in existence. Landlord also agrees to provide Tenant with non-disturbance agreements in favor of Tenant from any ground lessors, mortgage holders or lien holders of Landlord who later come into existence at any time during the term of the Lease in consideration of, and as a condition precedent to, Tenant's agreement to be bound by the subordination provisions of the Lease. All such agreements shall provide, at a minimum, that as long as Tenant is not in default of the provisions of this Lease, this Lease shall remain in effect, notwithstanding a judicial foreclosure or sale in lieu of foreclosure. If Landlord fails to obtain any non-disturbance agreement in favor of Tenant from any ground lessors, Mortgagees or lienholder in existence as of the delivery and execution of this Lease within the thirty (30) day period set forth above, then Landlord shall indemnify and hold Tenant harmless from any damages (including without limitation attorneys' fees) which Tenant may suffer as a result of Landlord's failure to obtain any such non-disturbance agreement or, Tenant may, at Tenant's sole option, elect to terminate this Lease upon written notice to Landlord within thirty (30) days after the expiration of the thirty (30) day period set forth above. A copy of the Non-Disturbance Agreement is attached to the Lease as Exhibit H.

2 Operating Expense Exclusions. Notwithstanding anything to the contrary in the definition of Operating Expenses in the Lease, Operating Expenses shall not include the items listed below as "Excluded Items", except to the extent specifically permitted below. In the event of a conflict between the provisions of this Addendum and those of the Lease, this Addendum shall control.

Excluded Items. The following "Excluded Items" shall be excluded from Operating Expenses:

(1) Ground Lease Rent. Any ground lease rental;

(2) Costs of Capital Repairs. Costs of capital repairs, improvements and equipment except for those (a) acquired to reduce Operating Expenses (amortized at an annual rate reasonably calculated to equal the amount of Operating Expenses to be saved in each calendar year throughout the Term (as determined at the time Landlord elected to proceed with the capital improvement or acquisition of the capital equipment to reduce Operating Expenses), together with interest at the actual interest rate incurred by Landlord, or (b) costs of capital tools not in

excess of Ten Thousand Dollars (\$10,000.00) in any twelve (12) month period;

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

(4) Costs of Repairs Covered by Insurance. Costs incurred by Landlord for the repair of damage to the Building, to the extent that Landlord is reimbursed by insurance proceeds;

(5) Tenant Decorating Costs. Costs, including permit, license and inspection costs, incurred with respect to the installation of tenant or other occupant improvements made for tenants or other occupants in the Building or Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Building or Project;

(6) Marketing Costs. Marketing costs including leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Building or Project;

(7) Capital Alterations. Costs incurred by Landlord for alterations which are considered capital improvements and replacements under generally accepted accounting principles, consistently applied, except as may be permitted in (2) and (3) above;

(8) Capital Costs Generally. Costs of a capital nature, including, without limitation, capital improvements, capital repairs, capital equipment and capital tools, all as determined in accordance with generally accepted accounting principles, consistently applied, except as may be permitted in (2) and (3) above;

(9) Exclusive Services to Tenants. Expenses in connection with services or other benefits which are not offered to Tenant or for which Tenant is charged directly, but which are provided to another tenant or occupant of the Building or Project the cost of which is included as an Operating Expense;

(10) Costs of Lease Violations. Costs incurred by Landlord due to the violation by Landlord or any tenant of the terms and conditions of any lease of space in the Building or Project;

(11) Profit on Related Party Transactions. Overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in the Building or Project, to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis;

(12) Loan Costs. Interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt instrument encumbering the Building or the Project;

(13) Landlord's Overhead. Landlord's general corporate overhead and general and administrative expenses;

(14) Compensation Paid to Employees of Concessionaires. Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord or in the parking

garage of the Building or Project or wherever Tenant is granted its parking privileges and/or all fees paid to any parking facility operator (on or off site); provided, however, if Landlord provides such parking free of charge to Tenant, these expenses may be included as Operating Expenses;

(15) Leasing Building System Equipment. Except for making repairs or keeping permanent systems in operation while repairs are being made, rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature, except equipment not affixed to the Building which is used in providing janitorial or similar services;

(16) Advertising Expenses. Advertising and promotional expenditures, and costs of signs in or on the Building or Project identifying the owner of the Building or other tenants' signs;

(17) Direct Contract Electricity. Electric power costs for which any tenant directly contracts with the local public service company;

(18) Costs of Certain Business Operations. Services provided, taxes attributable to, and costs incurred in connection with the operation of the retail, restaurant, and garage operations in the Building or Project, and any replacement garages or parking facilities and any shuttle services;

(19) Costs to Comply with Pre-Existing Building Codes. Costs incurred in connection with upgrading the Building to comply with handicap, life, fire and safety codes in effect prior to the Commencement Date;

(20) Normally Excluded Expenses. Any other expenses which, in accordance with generally accepted accounting principles, consistently applied, would not normally be treated as Operating Expenses by landlords of comparable first-class office Buildings in the immediate market area of the Building;

(21) Tax Penalties. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments and/or file any Property Taxes, income tax or informational returns when due;

(22) Payment of Assessments and Premiums in Installments. All assessments and premiums which are not specifically charged to Tenant because of what Tenant has done, which can be paid by Landlord in installments, shall be paid by Landlord in the maximum number of installments permitted by law and not included as Operating Expenses except in the year in which the assessment or premium installment is actually paid; provided, however, that if the prevailing practice in other comparable office buildings in the immediate market area of the Building is to pay such assessments or premiums on an earlier basis, and Landlord pays on such basis, such assessments or premiums shall be included in Operating Expenses as paid by Landlord; in no event, however, shall Landlord include any accrued interest (resulting from such assessments or premiums) in its computation of Operating Expenses;

(23) Intentionally omitted;

(24) Cost Savings Limit on Cost of Capital Improvements. Costs for capital improvements to reduce Operating Expenses in excess of the amount reasonably anticipated to constitute cost savings;

(25) Intentionally omitted;

(26) No Double Dipping. Costs for which Landlord has been compensated by a management fee;

(27) Cost Due to Negligence in Construction. Costs arising from the negligence or fault of Landlord or its agents, or any vendors, contractors, or providers of materials or services selected, hired or engaged by Landlord or its agents including, without limitation, the selection of building materials;

(28) Costs of Abating Hazardous Materials. Notwithstanding any contrary provision of this Lease, including, without limitation, any provision relating to, capital expenditures, costs arising from the presence of Hazardous Materials in or about the Building or Project including, without limitation, hazardous substances in the ground water or soil, not placed in the Premises or Building by Tenant;

(29) Costs Due to Negligence of Others. Costs arising from Landlord's or another tenant's negligence or intentional acts;

(30) Landlord Contributions. Costs arising from Landlord's charitable or political contributions;

(31) Earthquake Insurance. Costs arising from earthquake insurance;

(32) Latent Defects. Costs arising from latent defects in the base, shell, or core of the Building or improvements installed by Landlord or repair thereof;

(33) Artwork. Costs for sculpture, paintings or other objects of art;

(34) Litigation Costs. Costs (including in connection therewith all attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes in connection with potential or actual claims litigation or arbitrations pertaining to the Landlord and/or the Building and/or the Project, except that Landlord may include as an Operating Expense such costs incurred in connection with any litigation against any taxing authority in connection with Property Tax assessments if, and only if, Landlord reasonably believes that such action is in the best interest of the tenants of the Building and if such litigation actually results in the reduction of Operating Expenses payable by Tenant; and

(35) Landlord's Business Expenses. Costs associated with the operation of the business of the partnership or entity which constitute Landlord as the same as distinguished from the costs of operation of the Building, including partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Building, costs of any disputes between Landlord and its employees (if any) not engaged in Building operation, disputes of Landlord with Building management, or outside fees paid in connection with disputes with other tenants.

(36) Tenant Improvement Taxes. Taxes and assessments attributable to the tenant improvements of tenants other than Tenant or the property of tenants other than Tenant if such taxes or assessments are separately paid or separately billed or if such taxes or assessments relate to, or are attributable to, improvements that are above or over the Building's building standard improvements as may be adjusted from time to time.

Landlord further agrees that since one of the purposes of Operating Expenses and the gross up provision is to allow the Landlord to require the Tenant to pay for the expenses attributable to its Premises, Landlord agrees that (i) Landlord will not collect or be entitled to collect Operating Expenses from all of its tenants in an amount which is in excess of 100% of the Operating Expenses actually paid by Landlord in connection with

operation of the Building and (ii) Landlord shall make no profit from Landlord's collection of Operating Expenses.

BASIC LEASE PROVISIONS

3 Premises. The following is deemed added to Section 5 of the Basic Lease Provisions:

The initial Premises to be occupied by Tenant shall be located on the floors and in the square footage as designated on Schedule 1 attached to this Addendum and incorporated herein by this reference. Landlord acknowledges that the actual amount of space to be occupied by Tenant may be less than the 120,220 square feet of Rentable Area depending upon space planning, staggered occupancy and expansion options; provided however, Tenant shall have instructed Landlord to commence construction of Tenant Improvements in all such space on or before December 31, 1992.

Landlord and Tenant acknowledge that Tenant will be moving departments in and out of the Building through December 31, 1992, to accommodate space planning and the construction of Tenant Improvements for Tenant. Landlord acknowledges and agrees that Rent for the portions of the space to be vacated by Tenant shall be abated until such space is re-occupied by Tenant (if such space is to be re-occupied by Tenant) and the rent commencement date for such space has occurred. Notwithstanding the foregoing, Tenant shall at all times during the period between the execution of this Lease and December 31, 1992, occupy and pay Rent on a minimum of 50,000 square feet of Rentable Area, except that Tenant shall have the right to contract the amount of space and Rent thereon to 17,800 square feet of Rentable Area for a period not to exceed four (4) months.

4 Term. The following provision is deemed added to Section 6 of the Basic Lease Provisions:

Renewal Option. Provided that at the time of exercise and at the commencement of each Renewal Term (hereinafter defined), there is no continuing and uncured default in existence under this Lease by Tenant, Tenant shall have the option to renew (the "Renewal Option") this Lease for two (2) additional terms of five (5) years each (each such additional term hereinafter referred to as a "Renewal Term"). To exercise the Renewal Option, Tenant must deliver written notice of exercise ("Exercise Notice") to Landlord no earlier than twelve (12) months and no later than six (6) months prior to (i) the date of expiration of the initial Term in the case of the first Renewal Option and (ii) the date of expiration of the first Renewal Term in the case of the second Renewal Option. During each Renewal Term, all of the terms and provisions of this Lease shall apply, except that, after the second Renewal Term, there shall be no further right of renewal. The Base Monthly Rent payable during each Renewal Term shall be determined in accordance with the following provisions.

Base Monthly Rent shall be payable during the Renewal Term in accordance with Section 3.1 of this Lease, except that the amount of Base Monthly Rent payable for each month of the Renewal Term shall be equal to one-twelfth (1/12) of that amount determined by multiplying the Rentable Area of the Premises by eight-five percent (85%) of the "Market Rental Rate" for the Premises at the time Tenant delivers Exercise Notice. The "Market Rental Rate" shall mean the fully serviced effective rental rate, on a rentable square foot per year basis, that will yield to Landlord (and then being obtained by landlords of similar and comparable first-class office buildings located in downtown San Diego, over the term in question) the net number of dollars that such landlord would earn if such landlord was to put the premises in question in its then existing condition (or comparable space in comparable office buildings) on the market for lease to a new tenant or tenants, assuming a new tenant or tenants with attributes (including but not limited to financial condition) similar to Tenant. It is agreed by Tenant that in determining the Market Rental Rate, (a) the rental rates per rentable square foot then being obtained by

Landlord for comparable space in the Building, with appropriate adjustments for floor location, may be considered, and (b) all typical concessions and expenses shall be considered, including but not limited to, refurbishment allowances, tenant improvements and rental abatements, but shall specifically give Landlord credit for, existing building standard infrastructure improvements currently in place.

Landlord and Tenant shall have sixty (60) days after Landlord's receipt of Tenant's Exercise Notice (the "Negotiating Period") within which to negotiate a Market Rental Rate for the then applicable Renewal Term acceptable to both Landlord and Tenant.

If no agreement can be reached as to the Market Rental Rate within the Negotiating Period, then, within seven (7) days after the Negotiating Period expires, Tenant and Landlord shall mutually appoint a certified M.A.I. appraiser qualified and knowledgeable in the leasing of high-rise office space in downtown San Diego and who is on Tenant's list of approved appraisers. Concurrently with the appointment of the appraiser, Tenant shall submit to the appraiser a written determination of the then Market Rental Rate as determined by Tenant using the criteria set forth above ("Tenant's Determination") and Landlord shall submit to the appraiser a written determination of the then Market Rental Rate as determined by Landlord using the criteria set forth above ("Landlord's Determination"). If Landlord and Tenant are unable to agree on an appraiser, either of the parties to this Lease, after giving five (5) days prior written notice to the other party, may apply to the then presiding judge of the San Diego Superior Court for the selection of an appraiser who meets the foregoing qualifications, which selection shall be made within three (3) days. The appraiser shall, within ten (10) days of his appointment, review the Landlord's Determination and Tenant's Determination of the Market Rental Rate and such other information as he shall deem necessary and shall determine which of the two is closer to the actual Market Rental Rate. The appraiser shall be instructed, in deciding whether the Landlord's Determination or the Tenant's Determination of the Market Rental Rate is closer to the actual Market Rental Rate, to use the criteria as to Market Rental Rate set forth above. The appraiser shall not establish his own Market Rental Rate, and must select either Landlord's or Tenant's Determination and shall immediately notify the parties of his selection. The Market Rental Rate determined by Landlord or Tenant and selected as the one closer to the actual Market Rental Rate by the appraiser shall be the Market Rental Rate used to determine the Base Monthly Rent payable for each month of the Renewal Term. Each of the parties shall bear one-half the cost of the appraiser.

If the Market Rental Rate shall not have been determined by the commencement of the Renewal Term, Tenant shall continue to pay the Base Monthly Rent payable as of the month immediately preceding such commencement until the Market Rental Rate is established at which time there shall be an adjustment between the parties so that the Base Monthly Rent established for the Renewal Term using the Market Rental Rate shall be retroactive to the commencement of the Renewal Term.

5 Commencement Date. The following provision is deemed added to Section 7 of the Basic Lease Provisions:

The Commencement Date shall occur upon the earlier of (i) thirty (30) days from the date of "Substantial Completion" (as defined in the Tenant Improvement Agreement) of the Tenant Improvements for the first block of new space to be occupied by Tenant or (ii) the date Tenant commences its business operations from such new Premises within the Building. Rent shall commence for the initial Premises and each additional Premises subsequently occupied by Tenant (hereinafter "Additional Space") only upon the earlier of thirty (30) days following the Substantial Completion of the Tenant Improvements for the applicable Premises by Landlord

in accordance with Tenant's plans and specifications or (ii) the date Tenant commences its business operations from such Premises. The expiration date of the Term shall not be extended for any Additional Space leased by Tenant following the Commencement Date.

6 Base Monthly Rent. The following is deemed added to Section 8 of the Basic Lease Provisions:

The Base Monthly Rent for all space occupied by Tenant in the Building (except for storage space) shall be at the rate of \$1.35 per square foot of Rentable Area. The Base Monthly Rent shall not be increased during the initial Term.

ARTICLE 2 - LEASE OF PREMISES

7 The following provisions are deemed added to Article 2 of the Lease as Sections 2.4, 2.5, 2.6 and 2.7 respectively:

2.4 Options to Expand. During each Lease Year, Tenant shall have the unilateral option ("Expansion Option") to lease additional space in the Building consisting of three percent (3%) (plus or minus 15%) of the Rentable Area of the Premises then occupied by Tenant in the Building. All such space ("Expansion Space") shall be at a location within the Building designated by Landlord. Landlord shall use its best efforts to provide such space contiguous to Tenant's existing space. The term for each block of Expansion Space shall commence upon the occupancy of such space by Tenant and shall end contemporaneously with the expiration of the Term (as the same may be extended). All terms and conditions of the Lease will apply to any Expansion Space except that the Base Monthly Rent payable for each block of Expansion Space shall be payable in accordance with Section 2.4.3 below.

2.4.1 Notice. At least six (6) months prior to the end of the then current Lease Year, Tenant shall provide Landlord with written notice ("Expansion Notice") of Tenant's election to exercise any Expansion Option provided for herein. The failure of Tenant to exercise an Expansion Option in any one Lease Year shall not preclude Tenant from exercising any subsequent Expansion Option(s) and Landlord may then lease such space on which Tenant has not exercised its Expansion Option to a third party.

2.4.2 Delivery and Improvement of Expansion Space. Landlord shall have twelve (12) months from receipt of any Expansion Notice to deliver the applicable Expansion Space to Tenant. All Expansion Space to be occupied by Tenant shall be sprinklered by Landlord at Landlord's sole cost and expense. The Tenant Improvement Allowance for all Expansion Space shall be a prorated portion (prorated on a straight line basis over the initial 10 year term of this Lease) of the Tenant Improvement Allowance for the initial Premises (\$25.00 per square foot of Modified Rentable Area for all floors which Tenant occupies in their entirety and \$25.00 per square foot of Usable Area on all partially occupied floors). For purposes of this Lease, the term "Modified Rentable Area" means all Usable Area plus the elevator lobbies, corridors and fire vestibules. Landlord will use reasonable diligence to make each block of Expansion Space available to Tenant as soon after Landlord's receipt of the Expansion Notice as possible.

2.4.3 Expansion Space Rent. The Base Monthly Rent for each block of Expansion Space shall be in the same amount as the then current Base Monthly Rent applicable to the initial Premises in the Building occupied by Tenant pursuant to this Lease. In addition to the Base Monthly Rent payable for each block of Expansion Space, Tenant shall also pay an additional amount equal to Tenant's Percentage Share of Operating Expenses applicable to such Expansion Space per square foot of Rentable Area (hereinafter "Expense Escalations") determined as if such

Expansion Space was occupied from the initial commencement of the Term. For purposes of illustration only, if Tenant occupies Expansion Space on the commencement of the fourth (4th) Lease Year, and at that time Tenant's percentage Share of Operating Expenses over and above the Base Year Operating Expenses is \$0.20 per square foot of Rentable Area, then in addition to the \$1.35 per square foot Base Monthly Rent for the Expansion Space, Tenant shall also pay \$0.20 per square foot of Rentable Area for the Expansion Space.

2.4.5 Documentation of Expansions. Upon the exercise of any Expansion Option by Tenant, Landlord and Tenant shall enter into a written agreement that the applicable space is a part of the Premises under this Lease and containing other appropriate provisions relating to the addition of such space to this Lease (including specifically any increase or adjustment of Rent and Tenant's Percentage Share of Operating Expenses).

2.5 First Right to Lease. Provided there is no continuing and uncured default by Tenant under this Lease, Tenant shall have a continuing first right to lease ("First Right To Lease") any additional space ("Additional Space") in the Building as it becomes available from time to time during the initial Term and any extension thereof. Such availability shall be determined by Landlord's review of existing lease termination dates and all subsequently negotiated interim leases and Landlord shall provide Tenant with at least six (6) months prior written notice of such availability. Tenant shall have thirty (30) calendar days from receipt of such notice within which to notify Landlord of its election to either (i) lease the Additional Space on the terms and conditions hereinafter set forth or (ii) decline to lease the Additional Space. The term for each block of Additional Space shall commence upon the occupancy of such space by Tenant and shall end contemporaneously with the expiration of the Term (as the same may be extended). All terms and conditions of the Lease will apply to any Additional Space except that the amount of Base Monthly Rent payable for each block of Additional Space shall be determined in accordance with Section 2.5.3 below. This First Right to Lease is subordinate to expansion rights, renewal rights and similar rights contained in leases with other tenants of the Building which were signed by Landlord and such tenant(s) prior to the date of this Lease.

2.5.2 Delivery and Improvement of Additional Space. If Tenant desires to lease the Additional Space, Landlord shall have twelve (12) months from receipt of such notice from Tenant to deliver the applicable Additional Space to Tenant. All Additional Space to be occupied by Tenant shall be sprinklered by Landlord at Landlord's sole cost and expense. The Tenant Improvement Allowance for all Additional Space shall be a prorated portion (prorated on a straight line basis) of the Tenant Improvement Allowance for the initial Premises (\$25.00 per square foot of Modified Rentable Area for floors which Tenant occupies in their entirety and \$25.00 per square foot of Usable Area on partially occupied floors). Landlord will use reasonable diligence to make each block of Additional Space available to Tenant as soon as possible after Landlord's receipt of the Tenant's notice of election to lease such space.

2.5.3 Additional Space Rent. The Base Monthly Rent for each block of Additional Space shall be in the same amount as the then current Base Monthly Rent applicable to the initial Premises in the Building occupied by Tenant pursuant to this Lease plus the Expense Escalations applicable to such Additional Space as if such Additional Space was occupied as of the commencement of the Term. The Base Monthly Rent for such Additional Space shall be subject to adjustment during any Renewal Term, as applicable.

2.5.4 Documentation. Upon the exercise of any First Right To Lease by Tenant, Landlord and Tenant shall enter into a written agreement that the applicable space is a part of the

Premises under this Lease and containing other appropriate provisions relating to the addition of such space to this Lease (including specifically any increase or adjustment of Rent and Tenant's Percentage Share of Operating Expenses).

2.6 Contraction Rights. Provided there is no continuing and uncured default by Tenant under this Lease, Tenant shall have a continuing right to reduce the amount of space then occupied by Tenant in the Building (hereinafter the "Contraction Rights"). If Tenant elects to exercise the Contraction Rights, Tenant shall provide Landlord with written notice thereof ("Contraction Notice") at least nine (9) months prior to the effective date of such contraction ("Contraction Date") specified in the Contraction Notice. The Contraction Date may be any date specified by Tenant after the expiration of the twenty-fourth (24th) month of the Term. If Tenant elects to exercise its Contraction Rights, the amount of reduction of space in any consecutive twelve (12) month period shall be limited to ten percent (10%) (on a non-cumulative basis) of the total Rentable Area then occupied by Tenant in the Building at the time of Tenant's Notice. Upon the exercise of any Contraction Rights by Tenant, Landlord and Tenant shall enter into a written agreement that the applicable space is no longer a part of the Premises under this Lease and containing other appropriate provisions relating to the reduction of such space to this Lease (including specifically any decrease or adjustment of Rent and Tenant's Percentage Share of Operating Expenses). No Penalty (defined below) shall be payable by Tenant in connection with the exercise of the Contraction Rights pursuant to this Section 2.6.

2.7 Right to Cancel the Lease. Provided there is no continuing and uncured default by Tenant under this Lease, Tenant shall have the continuing unilateral right to cancel this Lease for the entire Premises or any portion thereof for any reason whatsoever ("Cancellation Right") in accordance with the provisions of this Section 2.7 below.

1 yr
2.7.1 Notice/Effective Date. If Tenant elects to exercise the Cancellation Right with respect to the entire Premises or any portion thereof then occupied by Tenant, Tenant shall provide Landlord with written notice thereof ("Cancellation Notice") at least six (6) months prior to the effective date of such termination ("Termination Date") specified in the Cancellation Notice. The Termination Date for all or any portion of the Premises may be any date specified by Tenant after the expiration of the eighty-fourth (84th) month of the Term; provided however, if Tenant has exercised its Renewal Option(s) as provided herein, then the Termination Date shall be any date specified by Tenant after the expiration of the thirty-sixth (36th) month of the then applicable Renewal Term.

2.7.2 Termination Penalty.

2.7.2.1 There shall be no early termination penalty ("Penalty") for any portion of the Premises occupied by Tenant for five (5) years or more.

2.7.2.2 For any portion of the Premises subject to a Cancellation Notice which has been occupied for less than five (5) years, Tenant shall pay to Landlord a Penalty in an amount equal to (i) the unamortized portion of leasing commissions paid by Landlord applicable to the Premises in question plus (ii) the unamortized value of the Tenant Improvements made by Landlord to the Premises in question. The amortization shall be made on a five (5) year, straight line basis.

2.7.2.3 In the event Tenant utilizes the Refurbishment Allowance provided for in Paragraph 13 of this Addendum, and Tenant continues to occupy the Premises or portion thereof for which the Refurbishment Allowance was used for a period of two (2) years or more, then no Penalty shall be payable by Tenant upon cancellation of this Lease with respect to such Premises. For any portion of the Premises subject to a

Cancellation Notice for which Tenant has utilized the Refurbishment Allowance and has been occupied for less than two (2) years, Tenant shall pay to Landlord a Penalty in an amount equal to the unamortized value of the Refurbishment Allowance made by Landlord to the Premises in question. The amortization shall be made on a two (2) year, straight line basis.

2.7.2.4 Any Penalty required to be paid by Tenant hereunder shall be paid on the applicable Termination Date.

2.7.3 Documentation/Delivery of Premises. Upon the exercise of any Cancellation Right by Tenant, Landlord and Tenant shall enter into a written agreement that the applicable space is no longer a part of the Premises under this Lease and containing other appropriate provisions relating to the reduction of such space to this Lease (including specifically any decrease or adjustment of Rent and Tenant's Percentage Share of Operating Expenses). Such agreement shall provide that Landlord and Tenant shall be relieved of all obligations under this Lease with respect to the Premises or portion thereof (as applicable) except for those accruing prior to the Termination Date and that Tenant shall no longer have any rights (other than expansion option rights and first rights to lease) with respect to the premises relinquished. On the Termination Date, Tenant will deliver possession of the Premises to Landlord in accordance with the provisions of this Lease, as if the Termination Date were the expiration date of this Lease.

ARTICLE 3 - RENT

8 The following provision shall be deemed added to Section 3.2 of the Lease as Sections 3.2.1.6 and 3.2.1.7:

3.2.1.6 Limitation on Operating Expense Increases. Notwithstanding anything in this Lease to the contrary, during the Term (including any extensions thereof) (i) Operating Expenses shall not increase by an amount which is more than five percent (5%) per annum of the Operating Expenses for the immediately preceding calendar year, on a noncumulative basis; and (ii) Tenant shall not be obligated to pay Tenant's Percentage Share of Operating Expenses, if any, during the Base Year. In addition, during the Term (including any extensions thereof), for the purpose of calculating Tenant's Percentage Share of Operating Expenses, Property Taxes shall not increase by more than two percent (2%) per annum (on a noncumulative basis) over the Property Taxes for the immediately preceding calendar year. In the event the Building is sold or otherwise transferred during the initial Term of this Lease, Tenant shall be exempt from the payment of any increase in Property Taxes as a result of a "change in ownership" as that term is currently defined in California Revenue and Taxation Code Sections 60 through 68, and amendments thereto or any successor statutes or regulations.

3.2.1.7 Operating Expense Credit. If in any calendar year during the Term the amount of Operating Expenses decrease (as grossed up to 95% occupancy) from the immediately preceding calendar year, Tenant shall be entitled to a credit in the amount of Tenant's Percentage Share of such decrease, which credit shall be applied against the next installment(s) of Base Monthly Rent then due.

ARTICLE 4 - USE OF PREMISES

9 The following provision is deemed added to Section 4.2.1:

In addition to the Tenant Improvements to be constructed by Landlord pursuant to the Tenant Improvement Agreement attached to this Lease as Exhibit G, Landlord shall, at Landlord's sole cost and expense and prior to Tenant's occupancy, install in the Premises (and any expansions thereto which may from time to time occur pursuant to this Lease) fully operational fire sprinkler systems in accordance with the applicable Building Code

requirements. If Tenant remains on any floors it is currently occupying in the Building, Landlord agrees that all such work will occur within twelve (12) months of the Commencement Date and after Business Hours, so as to cause no inconvenience to Tenant.

10 The following provision is deemed added to Section 4.5:

Notwithstanding anything in this Section 4.5 to the contrary, for those floors which Tenant occupies in their entirety, Tenant shall have the right to place its name in the elevator lobby of such floor. In addition, for those floors upon which Tenant occupies only a portion of such floors, Tenant shall have the right to place its name on the entry doors to its premises. Tenant shall also have the right to place two (2) names per 1000 square feet of Rentable Area on the Building directory. Finally, Tenant shall have the right to approve any and all signs on the exterior of the Building which identify the Building, which consent shall not be unreasonably withheld, conditioned or delayed.

11 The following provision is deemed added to Section 4.6:

Landlord shall make available to Tenant for Tenant's inspection and copying at Landlord's office of the Building, all information reasonably requested by Tenant regarding the Hazardous Materials abatement program for the Building as well as the current Operations and Maintenance program for the Building. In addition, Landlord, at Landlord's expense, agrees to conduct an annual testing program to detect the presence of Hazardous Materials in the Building. If in connection with such testing it is determined that the presence of any Hazardous Materials exceeds the "safe" level as determined by the EPA, OSHA or other similar agency, then Landlord shall immediately notify Tenant of the same and Tenant may vacate the Premises and Rent shall abate as provided in Section 3.5 of this Lease. If Landlord thereafter fails to bring the level of contamination to a "safe" level within ninety (90) days from the date of Tenant's receipt of such notice, Tenant may, at Tenant's sole option, elect to either (i) require Landlord to take all actions necessary to bring the level of contamination back to a "safe" level, or (ii) terminate and cancel this Lease with respect to the portion(s) of the Premises which exceed the "safe" levels (unless the remaining portion of the Premises is no longer suitable for Tenant's use, in which case Tenant may terminate this Lease with respect to the entire Premises). No Penalty shall be payable in the event of the termination of this Lease pursuant to this Section 4.6.

12 The following provision is deemed added to Article 26:

Notwithstanding anything contained to the contrary in Article 26 of this Lease, during the Term of this Lease and any extension or renewals thereof, Tenant shall have the right to lease up to one (1) parking space per 1,000 square feet of Rentable Area in the Premises. Rent for each parking space shall be at the then prevailing parking rates charged by Landlord for its parking facilities in the Building; provided however, Landlord will make available to Tenant up to sixty (60) parking spaces for use by the City's Fire Department at a rate consistent with the prevailing parking rates charged by The City of San Diego at its parking facility in the City Community Concourse. Rent for each parking space shall be payable at the same time and in the same manner as Base Monthly Rent. On or before the Commencement Date for each block of space which Tenant occupies within the Building, Tenant shall advise Landlord in writing of the number of parking spaces Tenant elects to lease, if any. To the extent Tenant does not fully utilize its right to lease parking spaces in the Building, Base Monthly Rent on a per square foot per month basis shall be reduced for each 1,000 square feet of space for which Tenant did not elect to lease a parking space by three cents (\$.03) per month.

For purposes of illustration only, assume the Premises initially contains 10,000 square feet of Rentable Area at a monthly per square foot rental rate of \$1.35. In such case, Tenant would have the right to lease up to ten (10) parking spaces. If Tenant elects to lease only five (5) parking spaces then, in such case, Base Monthly Rent on a per square foot basis for the 5,000 square feet for which Tenant did not elect to lease a parking space would be reduced to \$1.32 per square foot.

Following the Commencement Date for each block of space, Landlord and Tenant shall execute an amendment to this Lease setting forth the number of parking spaces Tenant elects to lease and the corresponding reduction of Base Monthly Rent, if any.

Each time Tenant exercises its right to expand the Premises in accordance with this Lease, the foregoing right to lease parking spaces (and the corresponding reduction of Base Monthly Rent if Tenant does not fully utilize its right to lease parking spaces in the Building), shall apply.

ADDITIONAL PROVISIONS

13 The following provisions are deemed added to the Lease as Articles 35 through 40 inclusive:

ARTICLE 35 - OPTION TO PURCHASE BUILDING

Provided there is no continuing and uncured default by Tenant under this Lease, Tenant shall have the option to Purchase the Building ("Purchase Option") on the terms and conditions set forth herein. If at any time during the Term (including any extensions thereof) Landlord desires to sell the Building (or any interest therein) or receives a bona-fide offer for the purchase of the same from a third party, then before entering into an agreement to sell the Building, Landlord shall provide Tenant with written notice ("Notice of Sale") of its desire to sell the Building and the price, terms and conditions upon which Landlord is willing to sell the Building. If, within thirty (30) days after receipt of the Notice of Sale, Tenant gives Landlord written notice of its interest in purchasing the Building at the price and upon the terms and conditions contained in the Notice of Sale, Landlord and Tenant shall enter into a legally binding agreement to carry out the previously expressed intent promptly and in good faith. If Tenant fails to respond to the notice within said thirty (30) day period, there shall be a conclusive presumption that Tenant has elected not to exercise the Purchase Option and Landlord may sell the Building upon the same terms without any further obligation to Tenant. If, however, Landlord desires to sell the Building on terms more favorable than set forth in the Notice of Sale which would have the effect of creating a more favorable opportunity for any third party purchaser (i.e., a price reduction) or fails to sell the Building on such terms and conditions within one hundred and eighty (180) days of Tenant's receipt of the Notice of Sale (unless Landlord is then engaged in an active escrow or negotiations for the sale of the Building on such terms and conditions identified by Landlord in the Notice of Sale), then any further transaction shall be deemed a new determination by Landlord to sell the Building and the provisions of this Section shall again be applicable. Notwithstanding anything in this Article 35 to the contrary, this Article 35 shall not be applicable in the event the existing first Mortgagee (Dollar Dry Dock) becomes the owner of the Building through foreclosure or deed in lieu thereof.

ARTICLE 36 - RELOCATION ALLOWANCE

Upon Tenant's accepting possession of any block of space within the Building, and as a condition precedent to the occupancy of such space, Landlord shall provide Tenant with a relocation allowance ("Relocation Allowance") to assist Tenant in offsetting its expenses of relocating to such space including, but not limited to, moving consultants, moving costs, telecommunications

systems, data processing systems and other expenses. The Relocation Allowance shall be an amount equal to the Rentable Area of the space to be occupied by Tenant multiplied by Three and 00/100 Dollars (\$3.00).

If Tenant currently occupies space in the Building, Tenant shall not be entitled to a Relocation Allowance unless Tenant relocates departments within the Building. If such relocations occur, Tenant shall be entitled to the Relocation Allowance to be applied as provided above.

The Relocation Allowance shall be payable with respect to any block(s) of space leased by Tenant during the first three (3) years of the Term.

ARTICLE 37 - STORAGE SPACE

During the Term, and any extension and renewal hereof, Tenant shall have the right to lease up to twelve hundred (1200) usable square feet of storage space ("Storage Space") located in the parking garage of the Building for the Term including any extensions thereto. Rent for the Storage Space shall be at the rate of Seventy-Five Cents (\$.75) per usable square foot. If at any time during the Term of this Lease and any extension or renewals hereof, additional storage space becomes available in the Building, Tenant shall have the First Right to Negotiate for such space. Rent for such additional storage space shall be the prevailing rental rate for similar storage space in downtown San Diego office buildings.

ARTICLE 38 - REFURBISHMENT ALLOWANCE

On the first day of the sixth (6th) Lease Year, and on the first day of each Renewal Term, Landlord shall provide Tenant with a cash refurbishment allowance ("Refurbishment Allowance") to be used by Tenant for the purpose of repainting, recarpeting, refurbishing and other miscellaneous repairs to the Premises as Tenant, in its discretion, shall determine. The Refurbishment Allowance shall not exceed Five and 00/100 Dollars (\$5.00) per square foot of Modified Rentable Area within the Premises including any expansions thereto for floors which Tenant occupies in their entirety and Five and 00/100 Dollars (\$5.00) per square foot of Usable Area on all partially occupied floors.

In the event Tenant does not use the entire Refurbishment Allowance, Tenant shall have the option of receiving the unused portion of the Refurbishment Allowance in the form of cash and to thereafter purchase furniture or equipment (which furniture and equipment shall be and remain the property of Tenant) or to apply said unused portion to the next installment of Base Monthly Rent due under the Lease.

ARTICLE 39 - BUILDING CONFERENCE FACILITY

Landlord will furnish and make available to Tenant a conference facility in the lower level of the main lobby of the Building (i.e., the same floor as the deli and sundry shop) for use by all tenants of the Building on an "as available" basis, with the scheduling for such conference facility to be handled by the office of the Building. The conference facility shall be approximately 1539 square feet and shall have a large conference table capable of seating twenty (20) with additional chairs available. Tenant shall have the right, at no additional charge to Tenant, to use the conference facility subject, however, to such reasonable rules and regulations as Landlord may establish from time to time.

ARTICLE 40 - TRANSPORTATION DEMAND MANAGEMENT

Landlord agrees to comply with any lawful ordinance or regulation of the City of San Diego and/or the County of San Diego respecting transportation demand management programs in those

jurisdictions, related to the conduct of Tenant's business in the Premises and will provide Tenant with written notice of such compliance.

ARTICLE 41 - EXISTING LEASES

Landlord and Tenant acknowledge that Tenant is presently the Tenant under each of the existing leases ("Existing Leases") listed in Exhibit J attached hereto and made a part hereof. Each of the Existing Leases shall terminate and come to an end as of the day ("Termination Date") upon which this Lease is executed and delivered as if that day were the date set forth in each such Existing Lease for the termination thereof and Landlord and Tenant shall be relieved from any obligations thereunder except for those which have accrued as of the Termination Date. All of the space in the Building covered by the Existing Leases shall, as of the execution and delivery of this Lease, be governed by the terms and conditions of this Lease and the Base Monthly Rent with respect thereto shall be as specified in Section 8 of the Basic Lease Provisions (i.e., \$1.35 per square foot of Rentable Area therein) and shall be payable with respect to any such space for any period during which it is occupied by Tenant. Notwithstanding the foregoing, if the Ordinance (defined below) is not ultimately approved, this Article 41 shall not be applicable and the Existing Leases shall be deemed immediately revived on the terms and conditions set forth therein.

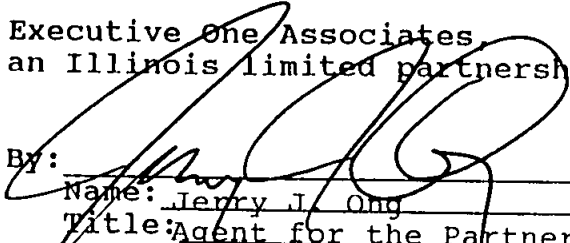
ARTICLE 42 - ADOPTION OF ORDINANCE/INDEMNITY

Landlord and Tenant specifically acknowledge that the effectiveness of this Lease is contingent upon the adoption of an ordinance ("Ordinance") approving this Lease by the City Council of Tenant and that such Ordinance will not become fully effective until approximately forty-five (45) days following the introduction of the Ordinance by the City Council. Tenant acknowledges that Landlord has given Tenant rent concessions (i.e., rent reductions) with respect to the Existing Leases and may be making expenditures for Tenant's space planning prior to the date the Ordinance becomes final. Accordingly, in the event the Ordinance does not become final by reason of referendum or otherwise, Tenant agrees to reimburse Landlord within thirty (30) days of written request by Landlord for (i) the full costs incurred by Landlord as a result of the rent concessions on the Existing Leases and (ii) expenditures made by Landlord for Tenant's space planning not to exceed the sum of Six Thousand Seven Hundred Dollars (\$6,700.00).

Except as and to the extent modified by this Addendum, all provisions of the Lease shall remain in full force and effect.

LANDLORD

Executive One Associates,
an Illinois limited partnership

By: 

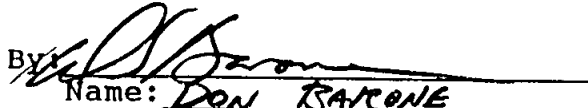
Name: Jerry J. Ong
Title: Agent for the Partnership

By: _____

Name: _____
Title: _____

TENANT

THE CITY OF SAN DIEGO,
a Municipal corporation

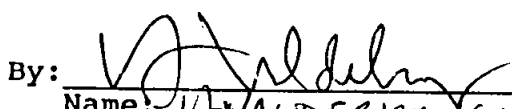
By: 

Name: DON RAYONE
Title: Property Services Supervisor
for CITY MANAGER

By: _____

Name: _____
Title: _____

Approved as to form and content

By: 

Name: W. ALDER
Title: City Attorney

Ryut

SCHEDULE 1

The space available in the Building to the Tenant includes the following locations and square footage:

<u>Floor</u>	<u>Rentable Square Feet</u>
3rd	22,154
4th	20,930
5th	11,663
6th	20,913
8th	8,912
9th	8,912
10th	8,912
11th	8,912
12th	<u>8,912</u>
Total:	<u>120,200</u>