

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE ("**Second Amendment**") is dated as of February 6, 2015 ("**Amendment Date**"), and is made and entered into by and between HINES 525 B STREET LP, a Delaware 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 June 18, 2013 (the "**Original Lease**"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain office space in that certain building located and addressed at 525 B Street, San Diego, California (the "**Building**"). The Original Lease was subsequently amended by that certain First Amendment to Lease also dated as of June 18, 2013 by and between Landlord and Tenant (the "**First Amendment**"). The Original Lease, as amended by the First Amendment, may be referred to herein as the "**Lease**."

B. By this Second Amendment, Landlord and Tenant desire to expand the Existing Premises (as defined in Section 1 below), extend the Lease Term 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 Original 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 a total of approximately 90,778 rentable square feet of space in the Building consisting of the following: (i) the entire third (3rd) floor of the Building containing approximately 19,425 rentable square feet; (ii) the entire fourth (4th) floor of the Building containing approximately 19,383 rentable square feet; (iii) the entire fifth (5th) floor of the Building containing approximately 19,409 rentable square feet; (iv) the entire sixth (6th) floor of the Building containing approximately 19,388 rentable square feet; (v) Suites 730, 750 and 760 on the seventh (7th) floor of the Building containing approximately 12,696 rentable square feet; and (vi) that certain ground floor space with an address of 1110 Sixth Avenue, San Diego, California containing approximately 477 rentable square feet, as all such spaces are more particularly described on Exhibit A-1 to the Original Lease (collectively, the "**Existing Premises**").

2. Tenant Improvement Allowance as to Existing Premises. Pursuant to Section 2.5 of Exhibit B of the Original Lease, Tenant exercised the Allowance Option to increase the Tenant Improvement Allowance for the Existing Premises by Five Hundred Sixty-Nine Thousand Six Hundred Eighty-Nine and 00/100 Dollars (\$569,689.00). Based upon such increase in the Tenant Improvement Allowance for the Existing Premises, the total Tenant Improvement Allowance for the Existing Premises was One Million Five Hundred Seventy-Seven Thousand Four Hundred Sixty-Nine and 00/100 Dollars (\$1,577,469.00).

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SAN DIEGO, CALIFORNIA

3. Monthly Base Rent Increase as to the Existing Premises. Pursuant to Section 2.5 of Exhibit B of the Original Lease, if Tenant exercised the Allowance Option, monthly Base Rent payable by Tenant for the Existing Premises during the initial Lease Term was to be increased by \$0.0175 per rentable square foot of the Premises per month for each One Dollar (\$1.00) per rentable square foot increase in the Tenant Improvement Allowance. Based upon the Tenant Improvement Allowance increase for the Existing Premises of Five Hundred Sixty-Nine Thousand Six Hundred Eighty-Nine and 00/100 Dollars (\$569,689.00) set forth in Section 2 above, the monthly Base Rent for the Existing Premises shall increase by Nine Thousand Nine Hundred Sixty-Nine and 56/100 Dollars (\$9,969.56) per month from September 18, 2013 through June 30, 2019. Based upon such increase in the monthly Base Rent, the Base Rent schedule for the Existing Premises set forth in Section 4.1 of the Summary of the Original Lease shall be restated in its entirety as follows:

<u>Period of Lease Term</u>	<u>Monthly Installment of Base Rent</u>
9/18/13 – 9/30/14	\$123,442.06
10/1/14 – 9/30/15	\$128,888.74
10/1/15 – 9/30/16	\$134,335.42
10/1/16 – 9/30/17	\$139,782.10
10/1/17 – 9/30/18	\$145,228.78
10/1/18 – 6/30/19	\$150,675.46

4. Expansion of the Existing Premises. That certain space located on the entire twelfth (12th) floor of the Building consisting of approximately 19,684 rentable square feet known as Suite 1200, 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 for purposes of the Lease (as amended), the Expansion Space shall be deemed to contain 19,684 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 upon which the Expansion Space is Ready for Occupancy, 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 110,462 rentable square feet. The Expansion Commencement Date is anticipated to occur on or about July 1, 2015. Effective as of the Expansion Commencement Date, all references in the Lease or this Second Amendment to the "Premises" shall mean and refer to the Existing Premises as expanded by the Expansion Space.

5. Extended Lease Term. The Lease Expiration Date shall be extended such that the Lease as to the Existing Premises and the Expansion Space shall expire on June 30, 2020 ("New Expiration Date"). The period from the Expansion Commencement Date through the New Expiration Date specified above, shall be referred to herein as the "Revised Term." The Termination Option set forth in Section 1 of the First Amendment shall not be applicable to the Expansion Space.

6. Monthly Base Rent. During the Revised Term, Tenant shall pay in accordance with the provisions of this Section 6 and subject to abatement as set forth in Section 7 below, monthly Base Rent for the Expansion Space as follows:

<u>Period</u>	<u>Monthly Base Rent Rate Per Rentable Square Foot</u>	<u>Monthly Installment of Base Rent</u>
Expansion Commencement Date – 12 th full calendar month of Revised Term	\$1.70	\$33,462.80
Months 13 – 24 of Revised Term	\$1.75	\$34,447.00
Months 25 – 36 of Revised Term	\$1.80	\$35,431.20
Months 37 – 48 of Revised Term	\$1.86	\$36,612.24
Months 49 – 60 of Revised Term	\$1.91	\$37,596.44
Month 61 of Revised Term – New Expiration Date, if applicable	\$1.97	\$38,777.48

Tenant shall pay Base Rent for the Existing Premises as set forth in Section 2 above through June 30, 2019. For the period from July 1, 2019 through June 30, 2020, the monthly Base Rent for the Existing Premises shall be \$146,152.58 (based upon \$1.61 per rentable square foot of the Existing Premises per month with the Existing Premises containing 90,778 rentable square feet).

7. Base Rent Abatement as to the Expansion Space. Notwithstanding anything to the contrary contained in the Lease or in this Second Amendment, and provided that Tenant faithfully performs all of the terms and conditions of the Lease, as amended by this Second Amendment, Landlord hereby agrees to abate Tenant's obligation to pay monthly Base Rent for the Expansion Space only for the first five (5) full calendar months of the Revised Term ("Expansion Space Abatement Period"). During such abatement period, Tenant shall still be responsible for the payment of all of its other monetary obligations under the Lease, as amended by this Second Amendment, including, without limitation, the payment of monthly Base Rent for the Existing Premises during such period. In the event of a default by Tenant under the terms of the Lease, as amended by this Second Amendment, that results in early termination pursuant to the provisions of Article 19 of the Original Lease, then as a part of the recovery set forth in Article 19 of the Original Lease, Landlord shall be entitled to the recovery of the monthly Base Rent that was abated under the provisions of this Section 7.

8. Tenant's Share and Base Year. Effective as of the Expansion Commencement Date and continuing throughout the Revised Term, (i) Tenant's Share of any increase in Operating Expenses and Tax Expenses for the Expansion Space shall be 4.38% (based on 19,684 rentable square feet in the Expansion Space and 449,180 rentable square feet in the Building) and (ii) the Base Year for the Expansion Space shall be the calendar year 2015. The Base Year for the Existing Premises shall remain the calendar year 2014. Notwithstanding anything to the contrary in the Lease (as amended), Tenant shall not be responsible for the payment of Tenant's Share of any increase in Operating Expenses and Tax Expenses for the Expansion Space only for the first twelve (12) months of the Revised Term. For purposes of clarification, during the Revised Term, the provisions in Section 4.2.4.1 of the Original Lease shall continue to be applicable as to both the Existing Premises and the Expansion Space.

9. Controllable Operating Expenses as to the Expansion Space. Notwithstanding anything to the contrary contained in the Lease (as amended), as to the Expansion Space, the aggregate Controllable Operating Expenses (as that term is defined below) shall not increase more than five percent (5%) in any calendar year over the maximum amount of Controllable Operating Expenses for the

immediately preceding calendar year calculated on a cumulative and compounding basis, with no limit on the Controllable Operating Expenses during the Base Year (i.e., the actual Controllable Operating Expenses for the 2015 Base Year shall be the maximum amount for the Base Year for purposes of this provision). The term "**Controllable Operating Expenses**" shall mean property management staff and overhead, repair and maintenance costs (including elevator and HVAC service), trash removal costs, janitorial costs, interior plant maintenance and general and administrative costs; provided, however, to the extent that any increase in any of these costs is attributable to unionized labor costs, such costs shall not be considered to be Controllable Operating Expenses. By way of example only, and not as a limitation upon the foregoing, if Controllable Operating Expenses for the 2015 Base Year are \$3.00 per rentable square foot, the maximum Controllable Operating Expenses for the calendar year 2016 shall be \$3.15 per rentable square foot and the maximum Controllable Operating Expenses for the calendar year 2017 would be \$3.3075 per rentable square foot.

10. **Tenant Improvements.** Improvements in the Expansion Space shall be installed and constructed in accordance with the terms of the Tenant Work Letter attached hereto as **Exhibit "B"** and made a part hereof.

11. **Parking.** Effective as of the Expansion Commencement Date and continuing throughout the Revised Term (and the Option Terms, if applicable), Tenant shall have the right, but not the obligation, to rent from Landlord an additional twenty (20) unreserved parking passes for use in the Parking Facility ("**Additional Passes**"). On or before each June 1 (except as it relates to Tenant's first notice to Landlord, which shall be required no later than sixty (60) days following the Expansion Commencement Date) of the Revised Term (and the Option Terms, if applicable), Tenant shall, by written notice to Landlord ("**Additional Parking Notice**"), indicate the number of Additional Passes to which Tenant will rent for the next twelve (12) months, but not to exceed twenty (20) additional unreserved parking passes. If Tenant fails to timely deliver an Additional Parking Notice to Landlord, Tenant shall be deemed to have elected to rent for the next twelve (12) months the same number of Additional Passes as Tenant was renting during the previous twelve (12) months; provided, however, if Tenant fails to deliver an Additional Parking Notice to Landlord within sixty (60) days following the Expansion Commencement Date, Tenant shall be deemed to have elected not to rent any of the twenty (20) Additional Passes for the period commencing on the Expansion Commencement Date through May 31, 2016. Except as set forth in this Section 11, Tenant's rental and use of such Additional Passes shall be in accordance with, and subject to, all provisions of Article 28 of the Original Lease including, without limitation, payment of the monthly parking rate specified therein.

12. **Options to Extend.** If Tenant does not exercise the Termination Option set forth in Section 1 of the First Amendment, Tenant shall have the right to exercise the two (2) one year Options set forth in Section 2.2 of the Original Lease on a collective basis as to the Existing Premises and the Expansion Space (i.e. Tenant must exercise each Option as to both of such spaces or none of such spaces). Notwithstanding anything to the contrary in Section 2.2.2 of the Original Lease, if Tenant properly exercises the Options, the Base Year for the Premises for the first (1st) Option Term shall be the calendar year 2020 and the Base Year for the Premises for the second (2nd) Option Term shall be the calendar year 2021. If Tenant exercises the Termination Option set forth in Section 1 of the First Amendment as to the Existing Premises, Tenant shall have no right to exercise either Option as to the Expansion Space.

13. **Carpet Steam Cleaning.** Upon written request by Tenant, which request may not be made more frequently than once per twelve (12) month period, Landlord shall, within thirty (30) days after receiving such request, at Landlord's sole cost and expense and in Landlord's Building-standard manner, steam clean the carpet in the Existing Premises and the Expansion Space. Landlord will not be responsible for moving any of Tenant's furniture or equipment in connection with the performance of

such carpet cleaning, and Tenant shall be solely responsible for such furniture and equipment. Tenant hereby acknowledges that Landlord may be performing such steam cleaning during the Revised Term and the Option Terms (if applicable), and Landlord's performance of such work shall not be deemed a constructive eviction of Tenant, nor shall Tenant be entitled to any abatement of Rent in connection therewith.

14. Hazardous Materials. The "Tenant Indemnity" as to Hazardous Materials set forth in Section 5.3.1 of the Original Lease shall also be applicable to the Expansion Space. The "Landlord Indemnity" as to Hazardous Materials set forth in Section 5.3.3 of the Original Lease shall also be applicable to the Expansion Space.

15. Storage Space. In addition to the Existing Premises, Tenant currently leases from Landlord certain Storage Space as more particularly set forth in Section 1.5 of the Original Lease. Notwithstanding anything to the contrary in Section 1.5.1 of the Original Lease, during the Revised Term and the Option Terms (if applicable), the Monthly Storage Rent shall be fixed at \$3,405.35 per month.

16. Certified Access Specialist. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Existing Premises and the Expansion Space have not undergone inspection by a Certified Access Specialist (CASp).

17. Notice of Revised 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.

18. Broker. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent entitled to a commission in connection with the negotiation of this Second Amendment, excepting only Cushman & Wakefield of San Diego, Inc. on behalf of Landlord (the "Broker"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Second Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Broker, occurring by, through, or under the indemnifying party in connection with this Second Amendment.

19. Signing Authority. Each individual executing this Second Amendment on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in the State of California and that Tenant has full right and authority to execute and deliver this Second Amendment and that each person signing on behalf of Tenant is authorized to do so.

20. Counterparts. This Second Amendment may be executed in counterparts, each of which shall be deemed an original, but such counterparts, when taken together, shall constitute one agreement. This Second Amendment may be executed by a party's signature transmitted by facsimile or PDF email, and copies of this Second Amendment executed and delivered by means of facsimile signatures or PDF email shall have the same force and effect as copies hereof executed and delivered with original signatures. All parties hereto may rely upon facsimile or email signatures as if such signatures were originals.

21. 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, 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.

22. 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.

"LANDLORD"

HINES 525 B STREET LP,
a Delaware limited partnership

By: Hines 525 B Street GP LLC,
a Delaware limited liability company
its General Partner

DP EH AT

By: [Signature]
Name: A. Blake Williams
Title: Authorized Agent

"TENANT"

THE CITY OF SAN DIEGO
a California municipal corporation

By: [Signature]
Print Name: Cybele Thompson
Title: Director, Real Estate Assets

By: [Signature] **BTD**
Print Name: _____
Title: _____

Approved as to form

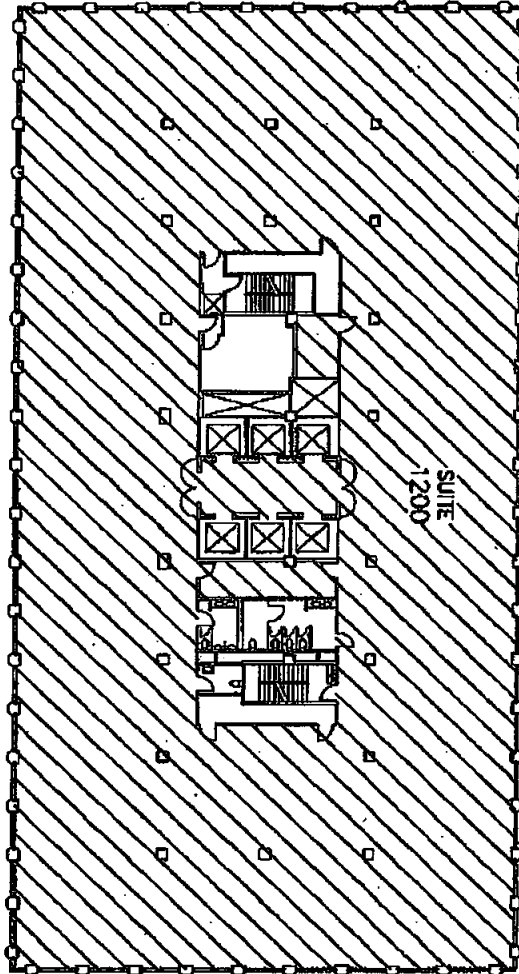
this 7th day of July, 2015

JAN I. GOLDSMITH, City Attorney

By: [Signature]
Debra J. Bevier,
Deputy City Attorney

EXHIBIT "A"

OUTLINE OF EXPANSION SPACE



This Exhibit "A" is provided for informational purposes only and is intended to be only an approximation of the layout of the Expansion Space and shall not be deemed to constitute any representation by Landlord as to the exact layout or configuration of the Expansion Space.

EXHIBIT "A"

-1-

EXHIBIT "B"

525 B STREET

TENANT WORK LETTER

This Tenant Work Letter shall set forth the terms and conditions relating to the construction of 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 Tenant Work Letter" shall mean the relevant portions of Sections 1 through 5 of this Tenant Work Letter.

SECTION 1

DELIVERY OF THE EXPANSION SPACE AND BASE BUILDING

1.1 **Base Building as Constructed by Landlord.** Landlord shall deliver the Expansion Space and "Base Building," as that term is defined in Section 8.2 of the Original Lease, to Tenant, and Tenant shall accept the Expansion Space and Base Building from Landlord in their presently existing, "as-is" condition (except as provided in Sections 1.2 and 1.4 below).

1.2 **Landlord's Work.** As of the Expansion Commencement Date, Landlord shall, at Landlord's sole cost and expense and not as a cost deducted from the Tenant Improvement Allowance or included in Operating Expenses, (a) cause any existing HVAC (in sufficient quantity and design based upon the Final Space Plan attached hereto as **Schedule 1**), mechanical, electrical (including lights and light fixtures), blinds, doors, door hardware, elevator, fire sprinkler, fire life safety and plumbing systems/fixtures serving the Expansion Space to be in good working order and condition and with such systems having been recently operated and regularly serviced, (b) cause the Expansion Space, the restrooms and kitchen on the 12th floor of the Building only and the Common Areas of the Building (including the Parking Facility) to meet all applicable laws, codes and conditions in effect as of the Expansion Commencement Date including Title 24 subject to Section 1.4 below (taking into account any permitted grandfathering) including seismic, fire sprinkler, life safety, structural support of existing MEP items and ceiling, exit lighting within the Common Areas of the Building and egress lighting at all doors leaving the Building, environmental laws (including, without limitation, those areas containing no mold or asbestos in violation of currently applicable laws) and the Americans with Disabilities Act requirements (including path or travel to and from the Building and the Parking Facility) and (c) at Landlord's option, either remove any existing communication cabling above the ceiling grid of the Expansion Space or properly hang any such existing communication cabling (collectively, "**Landlord's Work**"). As Tenant's sole remedy for a violation of the previous sentence, whether discovered before or after the Expansion Commencement Date, Landlord shall, at Landlord's sole cost and expense and not as a cost deducted from the Tenant Improvement Allowance or included in Operating Expenses, promptly correct such matter after written notice thereof from Tenant. Upon the expiration or earlier termination of the Lease (as amended), Tenant shall not be required to remove any cabling in the Expansion Space unless installed by or on behalf of Tenant.

1.3 **Landlord's Provision of Existing Items.** Upon written request from Tenant, Landlord shall provide the Contractor with doors, doorframes and hardware to the extent such items are available from existing recycled stock within the Building, at no charge to Tenant and not deducted from the Tenant Improvement Allowance. Such items shall be made available in their "as-is" condition, and

Landlord makes no representations or warranties with respect to such items. Without limitation on the foregoing, Landlord makes no representation or warranty with respect to the useful life of such items, the number of such items that will be available from recycled stock, or the compliance of such items with any applicable codes and legal requirements.

1.4 Legal Compliance Triggered by the Improvements. Notwithstanding anything to the contrary in the Lease (as amended), any and all costs associated with (a) the Americans with Disabilities Act and life safety compliance in the Expansion Space and/or the Building triggered as a result of building permits being issued for the Improvements in the Expansion Space and (b) Title 24 compliance in the Expansion Space triggered as a result of the Improvements as depicted on the Final Space Plan attached hereto as Schedule 1, shall be undertaken at Landlord's sole cost and expense and not as a cost deducted from the Tenant Improvement Allowance or included in Operating Expenses. However, if the scope of the Improvements changes (excluding changes cosmetic in nature such as paint and carpet) from what is depicted on the Final Space Plan attached hereto as Schedule 1 due to changes requested by Tenant and such changes trigger any new Title 24 compliance work in the Expansion Space, such new Title 24 compliance work shall be at Tenant's sole cost and expense (subject to the use of any available Tenant Improvement Allowance).

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 set forth in Section 2.5 below for the costs relating to the design, permitting and construction of Tenant's improvements which are permanently affixed to the Expansion Space (the "**Improvements**") and for the other Tenant Improvement Allowance Items described in Section 2.2 below. 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.

2.2 Disbursement of the Tenant Improvement Allowance.

2.2.1 Tenant Improvement Allowance Items. 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) only for the following items and costs (collectively the "**Tenant Improvement Allowance Items**"):

2.2.1.1 Payment of the fees of the "**Architect**" and the "**Engineers**," as those terms are defined in Section 3.1 of this Tenant Work Letter (including, without limitation, any space planning, test fit planning and/or pricing planning services provided prior to the date of this Second Amendment), 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;

2.2.1.2 The payment of plan check, permit and license fees relating to construction of the Improvements;

2.2.1.3 The cost of construction of the Improvements, including, without limitation, testing and inspection costs, trash removal costs, and contractors' fees and general conditions;

2.2.1.4 The cost of any changes in the Base Building when such changes are required by the Construction Drawings, such cost to include all architectural and/or engineering fees and expenses incurred in connection therewith;

2.2.1.5 The cost of any changes to the Construction Drawings or Improvements required by all applicable building codes (the "Code");

2.2.1.6 The cost of the "Coordination Fee," as that term is defined in Section 4.2 of this Tenant Work Letter;

2.2.1.7 Sales and use taxes; and

2.2.1.8 Moving expenses, furniture, fixtures, equipment, wiring, network cabling, security systems, audio-visual systems, signage and telecommunications systems.

2.2.2 Other Terms. All Improvements shall be deemed Landlord's property under the terms of the Lease (as amended).

2.3 Standard Tenant Improvement Package. Landlord has established specifications (the "Building Standard Tenant Improvements") for the Building standard components to be used in the construction of the Improvements in the Expansion Space, which Building Standard Tenant Improvements are set forth on Schedule 1 to Exhibit B of the Original Lease. The quality of the Improvements shall be equal to or of greater quality than the quality of the Building Standard Tenant Improvements, provided that Landlord may, at Landlord's option, prior to final approval of the Final Working Drawings, require the Improvements to comply with certain Building Standard Tenant Improvements.

2.4 Removal of Above Standard Tenant Improvements. "Above Standard Tenant Improvements" shall mean any internal staircase (subject to the limitations below), and any Improvements which are not usual and customary for general office use. Concurrently with Landlord's approval of the Final Working Drawings, Landlord shall immediately notify Tenant in writing, that upon the expiration or earlier termination of the Term of the Lease (as amended), Tenant shall, at its sole cost and expense, remove any such Above-Standard Tenant Improvements so reasonably designated by Landlord, and Tenant shall replace such non-standard Improvements with Building Standard Tenant Improvements; provided, however, notwithstanding anything to the contrary in this Section 2.4, Landlord agrees that Tenant shall not be required to remove any of the Improvements depicted on the Final Space Plan attached hereto as Schedule 1. Any such work of Tenant shall be performed promptly and shall be completed by Tenant on or before the end of the Term of the Lease (as amended), and if Tenant fails to timely remove and/or replace any Above Standard Tenant Improvements, Landlord (or Landlord's property manager) may do so and Tenant shall reimburse Landlord (or Landlord's property manager) for the actual and reasonable cost of such removal and/or replacement. The immediately preceding sentence shall survive the expiration or earlier termination of the Lease (as amended).

2.5 Tenant Improvement Allowance. The Tenant Improvement Allowance for the Expansion Space shall be in the amount of Three Hundred Ninety-Three Thousand Six Hundred Eighty and No/100 Dollars (\$393,680.00). Tenant shall have the option ("ES Allowance Option"), exercisable by written notice to Landlord on or before the Expansion Commencement Date, to have Landlord increase the Tenant Improvement Allowance for the Expansion Space by up to an additional Two Hundred Ninety-Five Thousand Two Hundred Sixty and No/100 Dollars (\$295,260.00), based on Fifteen Dollars (\$15.00) per rentable square foot of the Expansion Space (the "Allowance Increase Amount") as designated by Tenant in such written notice. If Tenant exercises the ES Allowance Option, monthly Base Rent payable

by Tenant for the Expansion Space during the Revised Term shall be increased by \$0.0175 per rentable square foot of the Expansion Space per month for each One Dollar (\$1.00) per rentable square foot of increase in the Tenant Improvement Allowance, and the parties shall promptly execute an amendment to the Lease in order to document such increase in the Tenant Improvement Allowance and monthly Base Rent.

2.6 Failure to Perform Landlord Work or to Fund Allowance. If Landlord fails to timely complete the Landlord Work or to timely fund any payment of the Tenant Improvement Allowance, Tenant shall be entitled to deliver written notice ("**Improvement Failure Notice**") thereof to Landlord. If Landlord still fails to complete the Landlord Work within thirty (30) days after Landlord's receipt of the Improvement Failure Notice or to fulfill any such payment obligation within ten (10) business days after Landlord's receipt of the Improvement Failure Notice from Tenant and if Landlord fails to deliver written notice to Tenant within such thirty (30) day or ten (10) business day period (as applicable) explaining Landlord's reasons that the amounts described in the Improvement Failure Notice are not due and payable by Landlord ("**Refusal Notice**"), Tenant shall be entitled to perform such work or fund such amount(s) itself (as applicable) and to offset such amount(s) plus any actual lender's fees and costs incurred by Tenant in obtaining financing for such work, together with interest at the actual interest rate incurred by Tenant in financing such work (or, to the extent Tenant does not finance such work, with interest at the Interest Rate) from the date of payment by Tenant until the date of offset, against Tenant's first obligations to pay monthly Base Rent for the Expansion Space. However, Tenant shall not be entitled to any such offset if Tenant is in default under the Lease (after expiration of any applicable cure period) at the time that such offset would otherwise be applicable). If Landlord delivers a Refusal Notice, and if Landlord and Tenant are not able to agree on the work to be performed or the amounts to be so paid by Landlord, if any, within ten (10) business days after Tenant's receipt of a Refusal Notice, Landlord or Tenant may elect to have such dispute resolved by binding arbitration before a retired judge of the Superior Court of the State of California under the auspices of JAMS (or any successor to such organization) in San Diego County, California, according to the then rules of commercial arbitration of such organization. If Tenant prevails in any such arbitration, Tenant shall be entitled to offset the amount determined to be payable by Landlord in such proceeding together with interest at the actual interest rate incurred by Tenant in financing such work (or, to the extent Tenant does not finance such work, with interest at the Interest Rate) from the date of payment to the date of offset against Tenant's next obligations to pay monthly Base Rent.

SECTION 3

CONSTRUCTION DRAWINGS

3.1 Selection of Architect/Construction Drawings. Landlord and Tenant hereby approve, and Landlord shall retain, Gensler (the "**Architect**") to prepare the "**Final Space Plan**," as that term is defined in Section 3.2 below, and the architectural sheets for the Final Working Drawings ("**Architectural Sheets**"). Tenant and Landlord agree that all mechanical, electrical, plumbing and structural plans will be done on a "design build" basis by subcontractors (the "**Engineers**") selected by Contractor. The Engineers shall work under the direction of the Contractor. The Engineers will prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, life safety, and sprinkler work in the Expansion Space, which work is not part of the Base Building. 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 determined by Landlord, and shall be subject to Landlord's approval.

3.2 Final Space Plan. The Architect has prepared the final space plan for the Improvements in the Expansion Space (collectively, the "**Final Space Plan**"), which Final Space Plan has been approved by Landlord and Tenant and is attached hereto as **Schedule 1.**

3.3 Final Working Drawings. Immediately following full execution and delivery of this Second Amendment, Landlord shall cause the Architect and the Engineers to 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 Landlord for Landlord's approval. Upon Landlord's approval of the Final Working Drawings, Landlord shall submit the Final Working Drawings to Tenant for Tenant's approval, which shall not be unreasonably withheld. Tenant shall approve or disapprove any draft of the Final Working Drawings within five (5) business days after Tenant's receipt thereof. Tenant's disapproval of the Final Working Drawings shall include the reasonable reasons for Tenant's disapproval. If Tenant fails to disapprove any draft of the Final Working Drawings by written notice to Landlord within said five (5) business day period, said draft of the Final Working Drawings shall be deemed to be approved by Tenant.

3.4 Approved Working Drawings. The Final Working Drawings as approved by Landlord and Tenant may be referred to herein as the "**Approved Working Drawings.**" Landlord may submit the Final Working Drawings to the appropriate municipal authorities for all applicable building permits simultaneously with the parties' review of the same. No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of both parties, which consent may not be unreasonably withheld.

SECTION 4

CONSTRUCTION OF THE TENANT IMPROVEMENTS

4.1 Contractor. A general contractor shall be retained by Landlord to construct the Improvements. Such general contractor ("**Contractor**") shall be selected by Landlord and reasonably approved by Tenant.

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 Improvements (the "**Cost Proposal**"). The entire process associated with the bidding for and construction of the Improvements shall be on an "open book" basis, meaning that Tenant shall have the right to participate and review all aspects of the bid process, including the right to review the bid solicitation package, the bids received, and the Cost Proposal. Tenant shall approve and deliver the signed Cost Proposal to Landlord within five (5) business days after Tenant's receipt thereof, 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**". Within thirty (30) days following 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. In the event that, after the Cost Proposal Delivery Date, any revisions, changes, or substitutions shall be made to the Construction Drawings or the Improvements by Tenant, 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 Landlord's request as an addition to the Over-Allowance

Amount. Tenant shall pay a logistical coordination fee (the "**Coordination Fee**") to Landlord (or Landlord's property manager) in an amount equal to the product of (i) two percent (2%) and (ii) the sum of the Tenant Improvement Allowance, the Over-Allowance Amount (as such amount may be increased hereunder) and any other amounts expended by Tenant in connection with the design and construction of the Improvements, which Coordination Fee shall be for services relating to the coordination of the construction of the Improvements.

4.3 **Governmental Compliance.** The Improvements shall comply in all respects with the following: (i) the Code and other state, federal, city or quasi-governmental laws, codes, ordinances and regulations, as each may apply according to the rulings of the controlling public official, agent or other person; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters) and the National Electrical Code; and (iii) building material manufacturer's specifications.

4.4 **Inspection by Tenant.** Tenant shall have the right to inspect the Improvements at all times; provided, however, that Tenant's failure to inspect the Improvements shall in no event constitute a waiver of any of Tenant's rights hereunder nor shall Tenant's inspection of the Improvements constitute Tenant's approval of the same. Should Tenant reasonably disapprove any portion of the Improvements, Tenant shall notify Landlord in writing of such disapproval and shall specify the items disapproved. Notwithstanding anything to the contrary in this Section 4.4, Tenant may only disapprove matters which are contrary to the Approved Working Drawings or are in violation of Laws. Any defects or deviations in, and/or disapproval by Tenant of, the Improvements shall be rectified by Landlord at no expense to Tenant, provided the same are noted by Landlord in a timely fashion so as to avoid unnecessarily causing Landlord to incur additional expenses due to said defect or deviation being covered up by subsequent work.

4.5 **Meetings.** Commencing upon the full execution and delivery of this Second Amendment by Landlord and Tenant, Landlord shall hold periodic meetings at a reasonable time, with the Architect and the Contractor regarding the progress of the preparation of Construction Drawings and the construction of the Improvements, which meetings shall be held in the Building and Tenant and/or its agents shall receive prior notice of, and shall have the right to attend, all such meetings. Tenant shall use commercially reasonable efforts and all due diligence to cooperate with the Architect, 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 Second Amendment.

4.6 **Contractor's Warranties and Guaranties.** Landlord hereby assigns to Tenant all warranties and guaranties by Contractor relating to the Improvements.

4.7 **Ready for Occupancy.** The Expansion Space shall be deemed "**Ready for Occupancy**" upon the Substantial Completion of the Expansion Space. For purposes of this Second Amendment, "**Substantial Completion**" of 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. Landlord shall use commercially reasonable efforts to notify Tenant approximately forty-five (45) days prior to Landlord's estimated date of when Substantial Completion of the Expansion Space will occur. Except as provided in this Section 4.7, the Expansion Commencement Date shall occur as set forth in the Second 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**"):

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

4.7.2 A breach by Tenant of the terms of this Tenant Work Letter or the Lease (as amended);

4.7.3 Tenant's request for changes in the Approved Working Drawings that results in actual time delays; or

4.7.4 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 Building Standard Tenant Improvements provided Landlord notifies Tenant within five (5) business days after ordering such items of possible associated delays;

then, notwithstanding anything to the contrary set forth in the Second 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 5

MISCELLANEOUS

5.1 Tenant's Representative. Tenant has designated James Nagelvoort (Phone Number: 619-533-5100), Angela Colton (Phone Number: 619-533-4180) and Brad Bennett (Phone Number: 619-236-6191) as its sole representatives with respect to the matters set forth in this Tenant Work Letter, each of whom, 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.

5.2 Landlord's Representative. Landlord has designated Lynne Lyons and Don Petros as its sole representatives with respect to the matters set forth in this Tenant Work Letter, each of whom, 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.

5.3 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. If any item requiring approval is timely and reasonably disapproved by a party, the procedure for preparation of the document and approval thereof shall be repeated until the document is reasonably approved by the disapproving party.

5.4 Tenant's Lease Default. Notwithstanding any provision to the contrary contained in the Lease (as amended), if an event of default as described in the Lease or 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), 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), 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 (in which case, Tenant shall be responsible for any delay in the substantial completion of the Expansion Space caused by such inaction by Landlord).

5.5 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 approximately thirty (30) days prior to the Substantial Completion of the Expansion Space for the purpose of Tenant installing its furniture, trade fixtures, data and telecommunications wiring and equipment, photocopy equipment and other business equipment in the Expansion Space. Prior to Tenant's entry into the Expansion Space as permitted by the terms of this Section 5.5, (a) Tenant shall submit a schedule to Landlord and Contractor, for their approval, which schedule shall detail the timing and purpose of Tenant's entry and (b) Tenant or its agents or contractors shall provide evidence of insurance reasonably satisfactory to Landlord. 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 5.5.

5.6 Base Rent Credit. If the cost to design, permit and construct the Improvements in the Expansion Space is less than the Tenant Improvement Allowance (as the same may be increased pursuant to Section 2.5 above), Landlord shall notify Tenant thereof in writing ("**Landlord's Notice**") within thirty (30) days following the Expansion Commencement Date or reasonably thereafter. Tenant may then request by providing written notice ("**Request Notice**") to Landlord no later than one hundred twenty (120) days following the delivery of Landlord's Notice to Tenant, an amount equal to the unused portion of the Tenant Improvement Allowance for the Expansion Space be applied as a credit against Tenant's Base Rent obligations for the Expansion Space ("**Rent Credit**"). If Tenant timely delivers the Request Notice, the Rent Credit will be applied as a credit to Tenant's monthly Base Rent obligations for the Expansion Space commencing with the first day of the first full month following Landlord's receipt of the Request Notice (but in no event prior to the expiration of the Expansion Space Abatement Period), and continuing thereafter until exhausted. If Tenant timely delivers the Request Notice, Landlord will provide a written notice to Tenant detailing the exact application of the Rent Credit, consistent with Tenant's instructions. If Tenant does not timely provide the Request Notice, Tenant shall not be entitled to any Rent Credit or use of any unused Tenant Improvement Allowance and such unused amount shall instead revert to Landlord.

5.7 Punchlist. Concurrently with Substantial Completion of the Improvements in the Expansion Space consistent with the Approved Working Drawings and Landlord's delivery of the Expansion Space to Tenant, a representative of Landlord and a representative of Tenant shall perform a walk-through inspection of the Improvements in the Expansion Space to identify any "punchlist" items (i.e., minor defects or conditions in such Improvements that do not impair Tenant's ability to utilize the Expansion Space for the purposes permitted hereunder), which items Landlord shall repair or correct no later than ninety (90) days after the date of such walk-through (unless the nature of such repair or correction is such that more than ninety (90) days are required for completion, in which case Landlord shall commence such repair or correction work within such ninety (90) day period and diligently prosecute the same to completion).

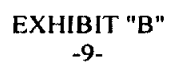


EXHIBIT "C"

NOTICE OF REVISED TERM DATES

TO: _____

DATE: _____, 2015

Attention: _____

RE: Second Amendment to Lease ("Second Amendment") dated _____, 201____, between HINES 525 B STREET LP, a Delaware limited partnership ("Landlord"), and THE CITY OF SAN DIEGO, a California municipal corporation ("Tenant"), concerning Suite 1200 (the "Expansion Space"), located at 525 B Street, San Diego, California.

Dear Mr. [or Ms.] _____:

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 Tenant acknowledges that under the provisions of the Second Amendment, the Revised Term commenced as of _____, 2015 and shall expire on June 30, 2020.

2. That in accordance with the Second Amendment, monthly Base Rent for the Expansion Space commenced to accrue on _____, 2015.

AGREED AND ACCEPTED:

TENANT:

a _____

By: _____

Print Name: _____

Its: _____

EXHIBIT "C"

-1-