

THIS PRINT COVERS CALENDAR ITEM NO. : 10.3

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Authorize the Director of Transportation of the San Francisco Municipal Transportation Agency (SFMTA) to execute the Agreement for Purchase and Sale for Real Estate for 1508 Bancroft Avenue, San Francisco (the Property).

SUMMARY:

- On August 3, 2010, the SFMTA Board of Directors authorized the Executive Director/CEO of the SFMTA to execute an Industrial Lease (Lease) with Zocalo Properties, LLC, a California Limited Liability Company, to relocate the Sustainable Streets' Shops from their three leased facilities to one higher quality industrial warehouse located at 1508 Bancroft Avenue (Property) with Resolution No. 10-112. The Lease included a provision granting to the City an option to purchase the Property.
- Since then the SFMTA has terminated two leases and relocated the Sustainable Streets' Sign and Paint Shops to the Property, and the SFMTA is also working on plans for tenant improvements to be constructed at the Property for the Meter Shop to relocate from 901 Rankin St.
- The SFMTA requests approval for the Director of Transportation to execute and perform the Agreement of Purchase and Sale for Real Estate with Zocalo Properties, LLC, as Seller and City and County of San Francisco, on behalf of the SFMTA, as Buyer of the Property for \$7.875 million by or prior to February 16, 2012 or for \$8,111,250 if the Closing is delayed beyond February 16, 2012.
- The \$8,111,250 was set aside when the SFMTA Board approved the execution of the Lease.

ENCLOSURES:

1. Resolution
2. Purchase and Sales Agreement

APPROVALS:

	DATE
DIRECTOR _____	<u>1/30/12</u>
SECRETARY _____	<u>1/30/12</u>

ASSIGNED MTAB CALENDAR DATE: February 7, 2012

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PURPOSE

Authorize the Director of Transportation of the SFMTA to execute an Agreement of Purchase and Sale of Real Estate (Purchase Agreement) with Zocalo Properties, LLC, a California Limited Liability Company, to purchase the property located at 1508 Bancroft Avenue, San Francisco, California.

GOAL

This item will meet the following goals and objectives of the SFMTA Strategic Plan:

Goal 4 - Financial Capacity: To ensure financial stability and effective resource utilization.

Objective 4.2 Ensure efficient and effective use of resources.

Goal 5 - To provide a flexible, supportive work environment and develop a workforce that takes pride and ownership of the agency's mission and vision and leads the agency into an evolving, technology-driven future.

Objective 5.1 Increase resources available to employees in performing their jobs (tools, staff hours, etc).

Objective 5.2 Improve facilities in which people are working.

BACKGROUND

The SFMTA Sustainable Streets Division has Shops – Paint, Sign, Meter and Signal – to serve the public on the San Francisco busy streets by maintaining, repairing and/or replacing the 200,000 street signs, 24,000 parking meters, 1,150 traffic signals, and 900 miles of striping, plus painting 10 miles of colored curbs and responding to 2,000 requests for curb painting per year. These vital functions are critical to keep transit and traffic moving efficiently and safely, protect and encourage pedestrians and bicyclists, collect parking revenues, and enhance the quality of life in San Francisco.

On August 3, 2010, the SFMTA Board authorized the Executive Director/CEO of the SFMTA to execute an Industrial Gross Lease (Lease) with Zocalo Properties, LLC, with an option to purchase, to relocate the Shops from their former and current facilities to one higher quality industrial warehouse located at 1508 Bancroft Avenue (the Property).

Since then the SFMTA has terminated two leases – 80 Charter Oak St. for the Paint Shop, and 1975-79 Bryant Street for the Sign Shop. The SFMTA had tenant improvements constructed in 2010-2011, and relocated the Sign and Paint Shops to the Property in 2011. The SFMTA is also working on plans for additional tenant improvements to be constructed at the Property for the Meter Shop to be relocated from 901 Rankin Street.

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As part of the Agency's overall facility planning, the SFMTA's Contract for the Real Estate and Facilities Vision for the 21st Century was approved by the SFMTA Board on January 17, 2012. The contracted consultant will advise the Agency on how to move and possibly co-locate the SFMTA's two signal shops:

***Deliverable #2B: Signal Shops Consolidation Plan** - Consultants shall provide a plan to consolidate the Sustainable Streets' Signal Shop (currently at 901 Rankin St.) and the Transit Services Signal Shop (currently at 700 Pennsylvania St.), which consolidation is currently planned for early 2013. The plan will include recommendations on sites, phasing, operational and building improvements, leveraging of synergies, and conceptual designs.*

SFMTA Real Estate has performed its due diligence prior to exercising the option to purchase. The purchase price of \$7.875 million was reviewed, analyzed and considered by the SFMTA Real Estate to be reasonable and at or below fair market value.

The SFMTA asked the City's Department of Public Works to perform a Phase II environmental investigation and report. The draft report dated January 20, 2012 stated:

“CONCLUSIONS AND RECOMMENDATIONS

Soil and groundwater sampling results were compared with the ESLs for shallow soil where land is used for commercial or industrial purposes, and where groundwater is not a potential drinking water source. Results indicated concentrations of metals, TPH-D, TPH-MO, and PCBs in some of the soil samples exceeded the ESLs. These elevated concentrations likely result from the historic ,unregulated filling of the bay margin with 1906 earthquake debris, the keels of buried ships, and other fill material placed onsite during building construction in 1998. Contaminant concentrations were below the ESLs for groundwater samples analyzed for VOCs, petroleum hydrocarbons, and metals.

Soil samples were also compared with hazardous waste criteria contained in Title 22. Concentrations of lead and nickel detected in soil might require the classification of soil beneath the building as hazardous, should that soil become waste. Concentrations of PCBs in soil also exceed thresholds established in TSCA and soil must be managed in accordance with TSCA requirements. Any future onsite construction that could involve soil disturbance will require a soil management plan describing methods and procedures for managing soil to prevent exposure to the environment. No additional site investigation or mitigation is recommended for the Site at this time. In accordance with Article 22 requirements, Weiss recommends that SFDPW submit this soil sampling and analysis report to the SFDPH, the California Department of Toxic Substances Control, the San Francisco Bay Regional Water Quality Control Board, and to other agencies, as needed.”

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In addition, the San Francisco Planning Department (Planning Department) concluded on June 21, 2010, that the proposed City Lease with an Option to Purchase of 1508 Bancroft Avenue for the use by the SFMTA was a project that is Categorically Exempt from Environmental Review under CEQA Guidelines Section 15060 (c) (2) – as it was deemed a Nonphysical project. Subsequently on June 24, 2010, the Planning Department concluded and recommended that the project is, on balance, and in conformity with the General Plan (General Plan Referral) via case number 2010.0410R.

ALTERNATIVES CONSIDERED

Alternatives to purchasing the Property by February 16, 2012 include:

1. Delaying exercise of the option – with the additional purchase prices shown below; the additional cost to purchase is \$236,250 more in Months 19-24 of the Lease, plus rent and other expenses described below;
2. Continuing to lease and not exercise the option to purchase; the rent and expenses described below, with the lease terminating after 9.5 years, with SFMTA being forced to find new space for the Sustainable Streets Shops to continue their operations.

Option to Purchase – Pertinent Terms of the Purchase Agreement

The option to purchase incorporated into the Lease is subject to the following final purchase prices if the option is exercised and purchase completed within the timeframes indicated below:

<u>Date of Completion of Purchase</u>	<u>Purchase Price</u>
Initial 18 months of Term	Agreed Purchase Price of \$7,875,000.00
Months 19-24 of Term	Agreed Purchase Price of \$8,111,250.00
Months 25-36 of Term	Agreed Purchase Price of \$8,347,500.00
Year 4 - 7 Expiration Date	Fair Market Purchase Price based on new appraisal with no floor price.

If the option to purchase is exercised and the purchase is completed within the initial 18 months of the Lease term, the purchase price would be \$7,875,000, which was the price established by the fair market value appraisal as of October 30, 2009. The option price for months 19-24 and months 25-36 each reflect an approximate 3% increase from the preceding year. The option purchase price in years 4 -7 would be based on a new fair market value appraisal of the property, with no floor price. After year 7, the option to purchase expires, except as otherwise extended in writing by the Landlord. The January 30, 2012 fair market value (FMV) analysis has established the property value at \$10,405,000. Failure to exercise this one-time purchase option now will result in inability to purchase the property, which is below the current FMV, and at a value in accordance with the Board approved purchase prices. Rent at the Property started at \$58,875 per month on August 16, 2010 -- \$706,500 per year, which escalates 3% per year, and is now \$727,695/year. In addition to the monthly rent, SFMTA reimburses the Landlord for increases in

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Real Estate Taxes over the 2009-2010 Base Tax Year and increases in Insurance Costs over the calendar year 2009 Insurance Base Year. Under the lease, the SFMTA is responsible for services and utilities to the premises (estimated at \$46,644 per year), performs certain repairs, reimburses Landlord for a portion of the cost of certain building system replacements, and once again reimburses Landlord for increases in real estate taxes over the base tax year (base estimated at \$93,684) and increases in insurance costs over the insurance base year (base estimated at \$11,447). SFMTA pays for maintenance of and repairs to the elevators and heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Building. The Landlord is responsible for structural items and the roof. Systems will be delivered to SFMTA in good working order. Although SFMTA is responsible for normal repairs, if a system fails and needs to be replaced, the Landlord will replace the system and SFMTA will pay an amortized portion of the cost of the replacement during the remaining term of the Lease (using a 12 year amortization schedule).

FUNDING IMPACT

The proposed acquisition price of \$7,875,000 or \$8,111,250, the amounts of which are contingent up the timely close of escrow on or before February 16, 2011, was set aside when the SFMTA Board approved the execution of the Lease. The tenant improvements were budgeted in the FY 2011-2012 operating budget.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

The City Attorney's Office has reviewed this Calendar Item.

RECOMMENDATION

Staff recommends that the SFMTA Board of Directors authorize and direct the Director of Transportation of the SFMTA to execute the Agreement of Purchase and Sale for Real Estate between Zocalo Properties, LLC, as Seller, and City and County of San Francisco, on behalf of the SFMTA, as Buyer, for the purchase of the Property commonly known as 1508 Bancroft Avenue, San Francisco Assessor's Parcel No. Block 4849-017 for \$7.875 million by or prior to February 16, 2012, or \$8,111,250 if beyond February 16, 2012, together with such other documents as are necessary to complete the transaction contemplated by the Agreement.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, The San Francisco Municipal Transportation Agency ("SFMTA") on August 3, 2010, authorized the Executive Director/CEO of the SFMTA to execute an Industrial Gross Lease (Lease) with Zocalo Properties, LLC, to relocate the Sustainable Streets' Shops from their three current leased facilities to one higher quality industrial warehouse located at 1508 Bancroft Avenue (the Property), with Resolution No. 10-112;

WHEREAS, Since then the SFMTA has terminated two leases and relocated the Sustainable Streets' Sign and Paint Shops to the Property; and the SFMTA is also working on plans for tenant improvements to be constructed at the Property for the Meter Shop to relocate from 901 Rankin St.; and

WHEREAS, As part of the SFMTA's Contract for the Real Estate and Facilities Vision for the 21st Century, which was approved by the SFMTA Board on January 17, 2012, the Consultant has a Deliverable to recommend how to move and possibly co-locate the SFMTA's two Signal Shops; and

WHEREAS, The Lease includes a provision granting to the City an option to purchase the Property on the terms and conditions set forth in the Lease and in the form Agreement of Purchase and Sale of Real Estate attached to the Lease (Purchase Agreement); and,

WHEREAS, An appraisal was completed on October 30, 2009 valuing the monthly market rent for an industrial gross lease of the Property at \$58,875 and the appraisal also concluded that the Property's fair market value as of October 30, 2009 was \$7,875,000, and the SFMTA Real Estate staff has reviewed and determined that the purchase price is reasonable and at or below fair market value; therefore be it

RESOLVED, That the SFMTA Board of Directors authorizes the Director of Transportation to execute the Agreement of Purchase and Sale for Real Estate by and between Zocalo Properties, LLC, as Seller, and City and County of San Francisco, on behalf of the SFMTA, as Buyer, of the Property commonly known as 1508 Bancroft Avenue, San Francisco Assessor's Parcel No. Block 4849-017 for \$7.875 million by or prior to February 16, 2012, or \$8,111,250 if Closing is beyond February 16, 2012, together with such other documents as are necessary to complete the transaction contemplated by the Purchase Agreement.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of February 7, 2012.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE

by and between

ZOCALO PROPERTIES LLC,

as Seller

and

CITY AND COUNTY OF SAN FRANCISCO,

as Buyer

For the purchase and sale of

Property located at 1508 Bancroft Avenue, Assessor's Block 4849, Lot 17
San Francisco, California

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LIST OF EXHIBITS

- EXHIBIT A – Real Property Description
- EXHIBIT B – Grant Deed
- EXHIBIT C – Title Exceptions
- EXHIBIT D – Certificate of Transferor Other Than An Individual (FIRPTA Affidavit)
- EXHIBIT E – Owner's Declaration
- EXHIBIT F – Designation Agreement

AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE
(1508 Bancroft Avenue, Assessor's Block 4849, Lot 17, San Francisco)

THIS AGREEMENT OF PURCHASE AND SALE FOR REAL ESTATE (this "Agreement") dated for reference purposes only as of _____, 2012, is by and between ZOCALO PROPERTIES LLC, a California limited liability company ("Seller"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Buyer" or "City"), acting by and through the San Francisco Municipal Transportation Authority ("SFMTA").

RECITALS

A. City currently leases from Seller certain real property in the City and County of San Francisco commonly known as 1508 Bancroft Avenue pursuant to the terms of that certain Industrial Lease between Seller and City dated as of August 16, 2010 (the "Lease"). The Lease grants the City the option to purchase the premises pursuant to the terms and conditions set forth in Section 22.1 of the Lease (the "Purchase Option").

B. City exercised the Purchase Option on November 14, 2011 (the "Option Exercise Date"), and in accordance with the terms of Purchase Option, City and Seller have executed and do hereby enter into this Agreement.

AGREEMENT

IN CONSIDERATION of the foregoing and the payment of the non-refundable sum of Ten Dollars (\$10) by City, the receipt of which is hereby acknowledged by Seller, and the respective agreements contained herein below, Seller and City agree as follows

1. PURCHASE AND SALE

1.1 Property Included in Sale

Seller agrees to sell and convey to City, and City agrees to purchase from Seller, subject to the terms, covenants and conditions hereinafter set forth, the following:

(a) the real property consisting of approximately forty-five thousand (45,000) square feet of land, located in the City and County of San Francisco, commonly known as 1508 Bancroft Avenue, Assessor's Block 4849, Lot 17, San Francisco, California, and more particularly described in Exhibit A attached hereto (the "Land");

(b) all improvements located on the Land, including, without limitation, (i) that certain 2-story warehouse and office building comprised of approximately ninety thousand (90,000) square feet and commonly known as 1508 Bancroft Avenue (the "Building"), and (ii) all fixtures and apparatus directly used in connection with the operation or occupancy of the Land and its improvements such as heating and air conditioning systems and facilities used to provide any utility, refrigeration, ventilation, or other services (collectively with the Building, the "Improvements");

(c) any and all rights, privileges, and easements incidental or appurtenant to the Land or Improvements, including, without limitation, any and all minerals, oil, gas and other hydrocarbon substances on and under the Land, as well as any and all development rights, air rights, water, water rights, riparian rights and water stock relating to the Land, and any and all easements, rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Land or Improvements, and any and all of Seller's right, title and interest in and to all roads and alleys adjoining or servicing the Land or Improvements (collectively, the "Appurtenances");

(d) all personal property owned by Seller located on or in or used in connection with the Land or Improvements as of the date of this Agreement and as of the Closing Date (as defined in Section 6.2, [Closing Date]), including (the "Personal Property"); and

(e) any intangible personal property now or hereafter owned by Seller and used in the ownership, use or operation of the Land, Improvements or Personal Property, including all licenses, permits and certificates of occupancy issued by governmental authorities relating to the use, maintenance, occupancy and/or operation of the Property, and all warranties and guaranties made by or received from any third party with respect to any building, building component, structure, system, fixture, machinery, equipment, or material situated on, contained in any building or other improvement situated on, or comprising a part of any building or other improvement situated on, any part of the Property (collectively, the "Intangible Property").

(f) all books and records relating to tenants, keys, and other materials of any kind owned by Seller and in the possession or control of Seller or its property manager or asset manager, if any, which are used in the continuing operation of the Improvements (collectively, the "Books and Records")

All of the items referred to in Subsections (a), (b), (c), (d), (e) and (f) above are collectively referred to as the "Property."

2. PURCHASE PRICE

2.1 Purchase Price

The Purchase Option provides for an agreed purchase price of \$7,875,000.00 if the completion of the purchase occurs during the initial 18 months of the Lease term, and an agreed purchase price of \$8,111,250.00 if the date of completion of the purchase occurs during months 19-24 of the Lease term. The Lease term commenced August 17, 2010. Accordingly, if the Closing (as defined in Section 6.2) occurs or before February 16, 2012, the total purchase price for the Property (the "Purchase Price") shall be \$7,875,000.00 and if the Closing occurs during the period commencing on February 17, 2012 and ending August 16, 2012, the Purchase Price shall be \$8,111,250.00, provided that if the Closing is delayed beyond February 17, 2012 solely due the failure of Seller to deposit the documents described in Section 6.3 by the date specified therein or any other failure of Seller to timely perform its obligations under this Agreement or default by Seller (and the Closing would have occurred on or before February 16, 2012 but for such delay or default), the Purchase Price shall be \$7,875,000.00.

2.2 Payment

On the Closing Date (as defined in Section 6.2 [Closing Date]), City shall pay the Purchase Price, adjusted pursuant to the provisions of Article 7 [Expenses and Taxes], and reduced by any credits due City hereunder.

Seller acknowledges and agrees that if Seller fails at Closing to deliver to City the documents required under items (iii) and (iv) of Section 6.3 [Seller's Delivery of Documents], Title Company (as defined in Section 2.3 below) may be required to withhold a portion of the Purchase Price pursuant to Section 1445 of the United States Internal Revenue Code of 1986, as amended (the "Federal Tax Code") or Sections 18662 and 26131 of the California Revenue and Taxation Code (the "State Tax Code"). Any amount properly so withheld by Title Company shall be deemed to have been paid by City as part of the Purchase Price, and Seller's obligation to consummate the transaction contemplated herein shall not be excused or otherwise affected thereby.

2.3 Funds

All payments made by any party hereto shall be in legal tender of the United States of America, paid by wire transfer of immediately available funds to Chicago Title Company (the "Title Company"), as escrow agent, arranged through the Title Company's offices located at 455 Market Street, Suite 2100, San Francisco, CA 94105, Attention: Tyson Miklebost.

3. TITLE TO THE PROPERTY

3.1 Conveyance of Title to the Property

At the Closing Seller shall convey to City marketable fee title to the Land, the Improvements and the Appurtenances, by duly executed and acknowledged grant deed in the form attached hereto as Exhibit B (the "Deed"). Such Deed shall be subject only to the following (the "Accepted Conditions of Title"): (a) general real estate taxes not yet due or payable as of the date of the Closing; (b) all title matters relating to the Property that are (i) Approved Title Matters (as defined in Section 5.1(a) below), (ii) Newly Discovered Title Matters that Seller has not agreed, in one or more Seller's Removal Notices (as defined below in Section 5.1(a)) to cure, except to the extent, if any, that Seller agrees in one or more Seller's Removal Notices to cure the same, and (iii) all other exceptions, if any, created by City or agreed to by City in writing, including, without limitation, any liens arising from labor, material or services provided at the request of City pursuant to this Agreement or the Lease. Seller's obligation to cure any Newly Discovered Title Matters shall be limited as set forth in Section 5.1(a), below.

3.2 Title Insurance

It shall be a condition precedent to City's obligation to close the purchase of the Property that Title Company shall be irrevocably committed to issue to City a CLTA policy of title insurance (the "Title Policy") in the amount (the "Title Policy Amount") of the Purchase Price, insuring fee simple and marketable title to the Land, the Appurtenances (to the extent the Title Company may agree in writing, during the Applicable Period (as defined below), to insure such Appurtenances), and the Improvements in City, free of the rights of tenants or other occupants

(other than pursuant to the Lease), and all other exceptions, liens and encumbrances except solely for the Accepted Conditions of Title pursuant to Sections 3.1 and 5.1(a) of this Agreement. The Title Policy shall provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of any of the Property (except for any liens arising from labor, material or services provided at the request of City in connection with its inspection of the Property pursuant to this Agreement or any liens for which City is liable under the terms of the Lease), and the Title Policy shall contain an affirmative endorsement (Form ALTA 9.5 (6/17/06) or equivalent CLTA endorsement) that there are no violations of restrictive covenants, if any, affecting the Property, and such special endorsements as City may reasonably request, including an ALTA 112.2 endorsement and any other as the Title Company may agree in writing, during the Applicable Period (as defined below), to issue at the Closing. As used in this Section 3.2 [Title Insurance], "Applicable Period" means prior to the Closing, with respect to any Newly Disclosed Title Matter (as defined in Section 5.1(a) below). If requested by City, the Title Policy shall also provide for reinsurance with direct access with such companies and in such amounts as City may reasonably request, and the Title Company may agree in writing to provide at the Closing.

4. BUYER'S DUE DILIGENCE INVESTIGATIONS

4.1 Due Diligence and Time for Satisfaction of Conditions

City acknowledges and agrees that City is in possession of the Land and Improvements pursuant to the terms of the Lease and has, before entering into this Agreement, investigated and inspected, either independently or through agents of City's own choosing, the condition of the Property and the suitability of the Property for City's intended use. Seller confirms that, in accordance with the provisions of Section 22.1 of the Lease, Seller has previously delivered to City the following documents, all to the extent such documents exist and are in the possession or control of any of Seller, any member of Seller, or Seller's property manager or asset manager: (i) structural calculations for the Improvements; (ii) site plans and digital copies of the as-built plans and specifications for the Improvements and measurement of the Improvements; (iii) recent inspection reports by Seller's engineers; (iv) existing service contracts, utility contracts, maintenance contracts, employment contracts, management contracts, and brokerage and leasing commission agreements with respect to the Property, the obligations of which may continue following the Closing; (v) presently effective warranties or guaranties received by Seller or Seller's predecessors in interest from any contractors, subcontractors, suppliers or materialmen in connection with any construction, repair or alteration of the Property; (vi) current certificates of insurance for carriers insuring the Property, as well as any information or reports relative to the claims history of the Property; (vii) any environmental reports, studies, surveys, tests and assessments; (viii) any soils and geotechnical reports, including without limitation, any reports relating to the presence of asbestos or asbestos containing materials located at the Property; and (ix) any other contracts or documents necessary for the operation of the Property or which will be binding on the Property after the Closing (collectively, the "Documents"). Seller further agrees to promptly deliver to City any such Documents discovered, created or received by Seller, its property manager or its asset manager (each, a "Newly Discovered Document") from the date of such initial delivery through Closing. In addition to the Documents, Seller confirms that Seller has delivered to City a Natural Hazards Disclosure Statement for the Property as required under California law. The Natural Hazards Disclosure Statement was based on a report or

reports of a licensed engineer, land surveyor, geologist, or expert in natural hazard discovery, which report or reports was attached to such Natural Hazards Disclosure Statement. City acknowledges that the Natural Hazards Disclosure Statement shall be based solely on the information contained in the report or reports attached thereto, and Seller shall have no liability for any inaccuracy in such reports. In no event shall such Natural Hazards Disclosure Statement or any such report be deemed a representation or warranty of Seller or impose any liability or obligation on Seller.

If a Newly Discovered Document is delivered to City on or after the date which is ten (10) business days prior to the Option Exercise Date, and such Newly Discovered Document affects or discloses a matter or condition which potentially adversely affects the City's use or occupancy of the Premises as originally intended, then City shall be permitted to rescind the exercise of City's option to purchase the Property, by written notice to Seller given within ten (10) business days after City's receipt of such Newly Discovered Document, and in such event this Agreement shall terminate and City shall have no further obligation to purchase the Property. Notwithstanding the foregoing, Seller shall have five (5) business days after receipt of City's termination notice to notify City in writing ("Seller's Cure Notice") as to what curative action Seller agrees to undertake in order to cure or correct the matter or condition disclosed by the Newly Discovered Document prior to Closing. If Seller does not provide the Seller's Cure Notice to City within such five (5) business day period, Seller shall be deemed to have elected not to cure the matter or condition disclosed by the Newly Discovered Document and in such event this Agreement shall terminate and City shall have no further obligation to purchase the Property. City shall notify Seller in writing within five (5) business days of receipt of Seller's Cure Notice if City reasonably dispute that Seller's proposed curative action would satisfactorily cure the disclosed condition or matter, and in such event this Agreement shall terminate and City shall have no further obligation to purchase the Property. If City does not timely notify Seller that the proposed curative action would be unsatisfactory, Seller shall have thirty (30) days from the date of City's receipt of the Seller Cure Notice to cure or correct the matter or condition disclosed by the Newly Discovered Document to City's reasonable satisfaction. If Seller does not cure or correct the matter or condition disclosed by the Newly Discovered Document to City's reasonable satisfaction within such thirty (30) day period, City may elect to terminate this Agreement by written notice to Seller given within ten (10) days after the expiration of such thirty (30) day period, and in such event this Agreement shall terminate and City shall have no further obligation to purchase the Property. If necessary, the Closing shall be extended to permit the completion of the notice and cure procedure described above, provided the Closing shall not be extended beyond the Final Closing Date without the express written consent of City unless Seller agrees that the Purchase Price shall be \$7,875,000.00, notwithstanding the extension of the Closing date. In the event that this Agreement is terminated for any reason, City shall promptly return to Seller the originals of all Documents previously delivered to City by or on behalf of Seller.

5. CLOSING CONDITIONS

5.1 City's Conditions to Closing

The following are conditions precedent to City's obligation to purchase the Property (collectively, "Conditions Precedent"):

(a) The title exceptions listed on the attached Exhibit C are hereby approved by City (collectively, the “Approved Title Matters”). If any title matter affecting the Property which is not an Approved Title Matter and is not reflected in a preliminary title report or updated title report obtained by City on or before the date which is ten (10) business days prior to the Option Exercise Date is disclosed to City prior to Closing (each, a “Newly Discovered Title Matter”), City shall have ten (10) business days in which to give Seller written notice approving or disapproving of such Newly Discovered Title Matter. If City fails to give such notice within such time period, City shall be deemed to have disapproved such Newly Discovered Title Matter. If such disapproval notice is timely given, or if City is deemed to have disapproved such Newly Discovered Title Matter, then Seller shall have fifteen (15) days after receipt of City’s notice to notify City in writing (“Seller’s Removal Notice”) as to what, if any, curative action Seller agrees to undertake in order to cure any Newly Discovered Title Matter at or prior to Closing. In the event Seller does not provide the Seller’s Removal Notice to City within such fifteen (15) day period, Seller shall be deemed to have elected not to cure the Newly Discovered Title Matter. If Seller gives such Seller’s Removal Notice to City electing not to cure any of the Newly Discovered Title Matters, or if Seller is deemed to have made such election, then Seller shall not be in default and City shall have fifteen (15) days to elect to proceed with the purchase subject to the Newly Discovered Title Matters and such Newly Discovered Title Matters shall be deemed to be Accepted Conditions of Title (except to the extent that Seller may have agreed in such Seller’s Removal Notice to take action to cure the same) or to terminate this Agreement without any liability on the part of Seller. If City fails to give Seller notice of its election within such fifteen (15) days, City shall be deemed to have elected to terminate this Agreement. If necessary, the Closing shall be extended to permit the completion of the notice and election procedure described above, provided the Closing shall not be extended beyond the Final Closing Date without the express written consent of City unless Seller agrees that the Purchase Price shall be \$7,875,000.00, notwithstanding the extension of the Closing date. If Seller gives Seller’s Removal Notice and agrees therein to take any action to cure any Newly Discovered Title Matter and fails to take such action prior to the Closing, and City is unwilling to take title subject thereto, Seller shall be in default, and City shall have the rights and remedies provided in Section 11.2, below.

(b) Seller shall not be in default in the performance of any covenant or agreement to be performed by Seller under this Agreement, and all of Seller’s representations and warranties contained in Section 8.1 below shall have been true and correct as of the Option Exercise Date, except in each case, as disclosed in the Due Diligence Information (as defined below). In addition, Seller’s Closing Certification (as defined in Section 6.4(a), below) shall not contain any material exceptions or qualifications. As used herein, “Due Diligence Information” means all information disclosed in the Documents or other materials provided to City, by Seller or otherwise, prior to the date which is ten (10) business days prior to the Exercise Date, including any title report or survey made available to or obtained by City.

(c) As of the Closing Date, there shall have occurred no material adverse change in the physical condition of the Property since the Exercise Date, reasonable wear and tear and loss by casualty or the act, neglect, default, or omission of City and its Agents and Invitees excepted (subject to the provisions of Article 9 [Risk of Loss and Possession]).

(d) Title Company shall be committed at the Closing to issue to City the Title Policy as provided in Section 3.2 [Title Insurance], in the amount of the Title Policy Amount, subject only to the Accepted Conditions of Title, together with the title endorsements provided in Section 3.2.

(e) [Intentionally Omitted]

(f) After the completion of all required environmental review, including without limitation, under the California Environmental Quality Act (“CEQA”), SFMTA's Board of Directors, in its sole discretion, enacted a resolution approving, adopting and authorizing this Agreement and the transactions contemplated hereby, and such resolution has become effective.

(g) Seller shall have deposited the items described in Section 6.3(a) below [Seller's Delivery of Documents] into escrow at or before 1:00 p.m. on the day occurring at least five (5) business days before the Closing Date (except as otherwise provided in such Section 6.1(a) below).

(h) This Agreement shall not have been terminated in accordance with its terms.

Except for the termination right of both parties provided in the last sentence of subparagraph (e) above, the City's Conditions Precedent contained in the foregoing subparagraphs (a) through (g) are solely for the benefit of City. If any of the City's Conditions Precedent are not satisfied, City shall have the right in its sole discretion either to waive in writing the City's Condition Precedent in question and proceed with the purchase or, in the alternative, terminate this Agreement, provided that the City's Conditions Precedent described in items (e) and (f) above may not be waived. Except as otherwise provided herein, the waiver of any of the City's Conditions Precedent shall not relieve Seller of any liability or obligation with respect to any representation, warranty, covenant or agreement of Seller. The parties shall have the right, but not the obligation, to agree, each in its sole and absolute discretion, to extend the Closing Date for a reasonable period of time as agreed by the parties, to allow such City's Conditions Precedent to be satisfied; provided however, if such conditions are not satisfied at the expiration of such extension period, City shall have the right to waive in writing such conditions and proceed with the purchase or, in the alternative, terminate this Agreement. In each case where City has the right pursuant to this paragraph to waive in writing one or more of City's Conditions Precedent or terminate this Agreement at or before a specified time, City shall be deemed to have terminated this Agreement if City fails to deliver written notice to Seller waiving such condition(s) before such time.

In the event the sale of the Property is not consummated because of a default under this Agreement on the part of Seller, City shall have the remedies set forth below in Section 11.2.

5.2 Cooperation with City

Seller shall cooperate with City and do all acts as may be reasonably requested by City with regard to the fulfillment of any Conditions Precedent including, without limitation, execution of any documents, applications or permits, but Seller's representations and warranties to City shall not be affected or released by City's waiver or fulfillment of any Condition Precedent. Seller hereby irrevocably authorizes City and its Agents to make all inquiries with

and applications to any person or entity, including, without limitation, any regulatory authority with jurisdiction as City may reasonably require to complete its due diligence investigations.

6. ESCROW AND CLOSING

6.1 Opening of Escrow

Within three (3) business days after the Effective Date, the parties shall open escrow by depositing an executed counterpart of this Agreement with Title Company, and this Agreement shall serve as instructions to Title Company as the escrow holder for consummation of the purchase and sale contemplated hereby. Seller and City agree to execute such additional or supplementary instructions as may be appropriate to enable the escrow holder to comply with the terms of this Agreement and close the transaction; provided, however, that in the event of any conflict between the provisions of this Agreement and any additional supplementary instructions, the terms of this Agreement shall control.

6.2 Closing Date; Time of Essence

The consummation of the purchase and sale contemplated hereby (the "Closing") shall be held and (except as otherwise provided in Sections 6.3 and 6.4, below) delivery of all items to be made at the Closing under the terms of this Agreement shall be made at the offices of Title Company located at 455 Market Street, Suite 2100, San Francisco, California 94105, on February 13, 2012, or on such earlier or later date as City and Seller may mutually agree in writing (the "Closing Date"), subject to the provisions of Sections 5.1 and 5.2. Closing shall not be deemed to have occurred until the Purchase Price, as adjusted as provided in Section 7.1 and Section 7.3, shall in fact be paid to Seller or others claiming under Seller's interest. The Closing shall occur no later than 10:00 A.M. San Francisco time on February 16, 2012 (the "Final Closing Deadline"). Time is of the essence with respect to the Final Closing Deadline. The Closing Date and the Final Closing Deadline may not be extended without the prior written approval of both Seller and City, except as otherwise expressly provided in this Agreement. In the event the Closing does not occur on or before the Final Closing Deadline, Title Company shall, unless it is notified by both parties to the contrary within five (5) days after the Final Closing Deadline, return to the depositor thereof items which may have been deposited hereunder. Any such return shall not, however, limit the provisions hereof or otherwise relieve either party hereto of any liability it may have for its wrongful failure to close.

6.3 Seller's Delivery of Documents

(a) At or before 1:00 p.m. on the date occurring at least five (5) business days before the Closing Date, or at such later date as may be indicated below for any specific item, Seller shall deposit into escrow for delivery at Closing to City at least two (2) business days prior to such date, through escrow, the following:

(i) a duly executed and acknowledged Deed;

(ii) a duly executed assignment of the Intangible Property;

(iii) a properly executed affidavit pursuant to Section 1445(b)(2) of the Federal Tax Code in the form attached hereto as Exhibit D, and on which City is entitled to rely, that Seller is not a “foreign person” within the meaning of Section 1445(f)(3) of the Federal Tax Code;

(iv) a properly executed California Franchise Tax Board Form 593 certifying that Seller is a California resident if Seller is an individual or that Seller has a permanent place of business in California or is qualified to do business in California if Seller is a corporation or other evidence satisfactory to City that Seller is exempt from the withholding requirements of Sections 18662 and 26131 of the State Tax Code;

(v) such resolutions, authorizations, or other partnership documents or agreements relating to Seller as the Title Company may reasonably require to demonstrate the authority of Seller to enter into this Agreement and consummate the transactions contemplated hereby, and such proof of the power and authority of the individuals executing any documents or other instruments on behalf of Seller to act for and bind Seller;

(vi) a duly executed certification regarding the accuracy of Seller's representations and warranties as of the Closing Date, including any exceptions or qualifications thereto as of such date ("Seller's Closing Certification"); and

(vii) a duly executed owner's declaration substantially in the form attached hereto as Exhibit E.

(b) In conjunction with the Closing Date, Seller shall, to the extent such documents exist and are in the possession or control of any of Seller, its property manager or other Agents, deliver to City, outside of escrow, the following:

(i) the Documents (which must be delivered to City within five (5) days after the Closing Date); and

(ii) all keys to the Property and Improvements located thereon.

The provisions of Section 6.3(b) shall survive the Closing.

6.4 City's Delivery of Documents and Funds

At or before 1:00 p.m. on the date occurring at least five (5) business days before the Closing Date, or such later date as may be indicated below for any specific item, City at least two (2) business days prior to such date, shall deposit the following into escrow for delivery to the Seller:

(a) an acceptance of the Deed executed by City's Director of Property;

(b) The Purchase Price, as provided in Article 2 hereof shall be delivered into escrow on the Closing Date.

6.5 Other Documents

Seller and City shall each deposit such other instruments as are reasonably required by Title Company as escrow holder or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof; provided, however, that no such instrument shall increase the obligations or diminish the rights of Seller or City under this Agreement or under any of the documents required hereunder to be delivered at Closing by Seller or City, respectively. Without limiting the foregoing, Seller and City shall each deposit an agreement (the "Designation Agreement") designating Title Company as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder, and executed by Seller, City and Title Company. The Designation Agreement shall be substantially in the form attached hereto as Exhibit F and, in any event, shall comply with the requirements of Section 6045(e) of the Federal Tax Code and the regulations promulgated thereunder.

7. EXPENSES AND TAXES

7.1 Rent and Other Apportionments

The following adjustments shall be made with respect to the Property, and the following procedures shall be followed:

At least ten (10) days before the Closing Date, Seller shall prepare and deliver, or cause the escrow holder to prepare and deliver, to City an unaudited statement for the Property (the "Preliminary Proration Statement") showing prorations for the items set forth below, calculated as of 12:01 a.m. on the Closing Date, on the basis of a 365-day year. City and Seller shall agree upon any adjustments to be made to the Preliminary Proration Statement before the Closing, and at the Closing, City or Seller, as applicable, shall receive a credit equal to the net amount due City or Seller, as applicable, pursuant to the Preliminary Proration Statement as finally agreed upon by City and Seller. The items to be covered by the Preliminary Proration Statement are as follows:

- (i) rents prorated on an accrual basis;
- (ii) charges for Seller's insurance costs pursuant to the Lease;
- (iii) non-delinquent real property taxes and assessments for the tax year of the Closing; provided that if the real property tax assessment for the fiscal year in which the Closing occurs has not been issued as of the Closing Date, real property taxes shall be prorated based on the most recent assessed value of the Property, multiplied by the current tax rate, and such tax proration shall be subject to adjustment pursuant to Section 7.2 below; general real estate taxes payable for all tax years prior to the year of the Closing shall be paid by Seller in full at or before Closing;

- (iv) any installments of Special Taxes payable with respect to any Mello-Roos Community Facilities District, and any installments of unpaid interest (only) on any improvement bonds which are a lien on the Property; and
- (v) permits, licenses and/or inspection fees (calculated on the basis of the period covered), but only to the extent transferred to City.

7.2 Post-Closing Adjustments

Notwithstanding anything to the contrary contained in this Article 7, (i) if the amount of the real property taxes and assessments payable with respect to the Property for any period before Closing is determined to be more than the amount of such real property taxes and assessments that is prorated herein (in the case of the current year) or that was paid by Seller (in the case of any prior year) Seller and City shall promptly adjust the proration of such real property taxes and assessments after the determination of such amounts, and Seller shall pay to City any increase in the amount of such real property taxes and assessments applicable to any period before Closing; and (ii) if the amount of the real property taxes and assessments payable with respect to the Property for any period before Closing is determined to be less than the amount of such real property taxes and assessments that is prorated herein (in the case of the current year) or that was paid by Seller (in the case of any prior year), due to an appeal of the taxes by Seller, a reassessment of the value of the Property or otherwise, Seller and City shall promptly adjust the proration of such real property taxes and assessments after the determination of such amounts, and (a) City shall pay to Seller any refund received by City representing such a decrease in the amount of such real property taxes and assessments applicable to any period before Closing; and (b) Seller shall be entitled to retain any refund received by Seller representing such a decrease in the amount of such real property taxes and assessments applicable to any period before Closing. Each party shall give notice to the other party of any adjustment of the amount of the real property taxes and assessments payable with respect to the Property for any period before Closing within thirty (30) days after receiving notice of any such adjustment.

7.3 Closing Costs

City shall pay the premium for the Title Policy and the cost of the endorsements thereto, the cost of any survey obtained by City, escrow and recording fees for the sale. Seller shall be responsible for all costs (including without limitation, any prepayment fees, penalties or other charges) incurred in connection with the removal of title matters other than the Accepted Conditions of Title (including the Newly Discovered Title Matters which Seller has elected to remove), including all costs incurred in connection with the prepayment or satisfaction of any loan, bond or other indebtedness secured by the Property including, without limitation, any prepayment fees, penalties or charges. The parties anticipate that no transfer taxes will be applicable to the sale to City. If transfer taxes are payable on the sale, such transfer taxes shall be paid 50% by Seller and 50% by City. Any other costs and charges of the escrow for the sale not otherwise provided for in this Section 7.3 or elsewhere in this Agreement shall be allocated in accordance with the closing customs for San Francisco County, as determined by Title Company.

7.4 Survival

The provisions of this Article shall survive the Closing.

8. REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties of Seller

Seller represents and warrants to and covenants with City as follows:

(a) To the best of Seller's knowledge, there are now, and at the time of the Closing will be, no material physical or mechanical defects of the Property, and no violations of any laws, rules or regulations applicable to the Property, including, without limitation, any earthquake, life safety and handicap laws (including, but not limited to, the Americans with Disabilities Act).

(b) Other than the Lease, there are no leases which will bind the Property following the Closing.

(c) No document or instrument furnished or to be furnished by the Seller to the City in connection with this Agreement contains or will contain any untrue statement of material fact or omits or will omit a material fact necessary to make the statements contained therein not misleading, under the circumstances under which any such statement shall have been made.

(d) Seller does not have knowledge of any condemnation, either instituted or planned to be instituted by any governmental or quasi-governmental agency other than City, which could detrimentally affect the use, operation or value of the Property.

(e) To Seller's knowledge, all water, sewer, gas, electric, telephone, and drainage facilities and all other utilities required by law or by the normal use and operation of the Property are and at the time of Closing will be installed to the property lines of the Property and are and at the time of Closing will be adequate to service the Property.

(f) There are no easements or rights of way which have been acquired by prescription or which are otherwise not of record with respect to the Property, and there are no easements, rights of way, permits, licenses or other forms of agreement which afford third parties the right to traverse any portion of the Property to gain access to other real property. There are no disputes with regard to the location of any fence or other monument of the Property's boundary nor any claims or actions involving the location of any fence or boundary.

(g) There is no litigation pending or, after due and diligent inquiry, to the best of Seller's knowledge, threatened, against Seller or any basis therefor that arises out of the ownership of the Property or that might detrimentally affect the use or operation of the Property for its intended purpose or the value of the Property or the ability of Seller to perform its obligations under this Agreement.

(h) Seller is the legal and equitable owner of the Property, with full right to convey the same, and without limiting the generality of the foregoing, Seller has not granted any

option or right of first refusal or first opportunity to any third party to acquire any interest in any of the Property.

(i) Seller is a limited liability company duly organized and validly existing under the laws of the State of California and is in good standing under the laws of the State of California, this Agreement and all documents executed by Seller which are to be delivered to City at the Closing are, or at the Closing will be, duly authorized, executed and delivered by Seller, are, or at the Closing will be, legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, are, and at the Closing will be, sufficient to convey good and marketable title (if they purport to do so), and do not, and at the Closing will not, violate any provision of any agreement or judicial order to which Seller is a party or to which Seller or the Property is subject.

(j) Seller represents and warrants to City that it has not been suspended, disciplined or disbarred by, or prohibited from contracting with, any federal, state or local governmental agency. In the event Seller has been so suspended, disbarred, disciplined or prohibited from contracting with any governmental agency, it shall immediately notify the City of same and the reasons therefore together with any relevant facts or information requested by City. Any such suspension, debarment, discipline or prohibition may result in the termination or suspension of this Agreement.

(k) Seller knows of no facts nor has Seller failed to disclose any fact that would prevent City from using and operating the Property after Closing in the normal manner in which it is intended.

(l) Seller hereby represents and warrants to and covenants with City that the following statements are true and correct and will be true and correct as of the Closing Date: (i) neither the Property nor to the best of Seller's knowledge any real estate in the vicinity of the Property is in violation of any Environmental Laws; (ii) the Property is not now, nor to the best of Seller's knowledge has it ever been, used in any manner for the manufacture, use, storage, discharge, deposit, transportation or disposal of any Hazardous Material, except for the use of such substances in such limited quantities as are customarily used in offices or warehouses (not including the warehousing of Hazardous Material); (iii) there has been no release and there is no threatened release of any Hazardous Material in, on, under or about the Property; (iv) there have not been and there are not now any underground storage tanks, septic tanks or wells or any aboveground storage tanks at any time used to store Hazardous Material located in, on or under the Property, or if there have been or are any such tanks or wells located on the Property, their location, type, age and content has been specifically identified in Seller's Environmental Disclosure, they have been properly registered with all appropriate authorities, they are in full compliance with all applicable statutes, ordinances and regulations, and they have not resulted in the release or threatened release of any Hazardous Material into the environment; (v) the Property does not consist of any landfill or of any building materials that contain Hazardous Material; and (vi) the Property is not subject to any claim by any governmental regulatory agency or third party related to the release or threatened release of any Hazardous Material, and there is no inquiry by any governmental agency (including, without limitation, the California Department of Toxic Substances Control or the Regional Water Quality Control Board) with respect to the presence of Hazardous Material in, on, under or about the Property, or the

migration of Hazardous Material from or to other property. As used herein, the following terms shall have the meanings below:

(i) "Environmental Laws" shall mean any present or future federal, state or local laws, ordinances, regulations or policies relating to Hazardous Material (including, without limitation, their use, handling, transportation, production, disposal, discharge or storage) or to health and safety, industrial hygiene or environmental conditions in, on, under or about the Property, including, without limitation, soil, air and groundwater conditions.

(ii) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. Hazardous Material includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Section 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of the Improvements or are naturally occurring substances on or about the Property; petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids; and "source," "special nuclear" and "by-product" material as defined in the Atomic Energy Act of 1985, 42 U.S.C. Section 3011 et seq. Notwithstanding the foregoing, Hazardous Materials shall not include any ordinary office and janitorial supplies which are used, stored and disposed of in customary quantities and in accordance with applicable Environmental Laws.

(iii) "Release" or "threatened release" when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside any of the improvements, or in, on, under or about the Property. Release shall include, without limitation, "release" as defined in Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601).

(m) Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Federal Tax Code.

(n) No brokerage or similar fee is due or unpaid by Seller with respect to the Lease.

8.2 Indemnity

Seller, on behalf of itself and its successors and assigns, hereby agrees to indemnify, defend and hold harmless City, its Agents and their respective successors and assigns, from and against any and all liabilities, claims, demands, damages, liens, costs, penalties, losses and expenses, including, without limitation, reasonable attorneys' and consultants' fees, resulting from any misrepresentation or breach of warranty or breach of covenant made by Seller in this Agreement or in any document, certificate, or exhibit given or delivered to City pursuant to or in

connection with this Agreement. The foregoing indemnity includes, without limitation, costs incurred in connection with the investigation of site conditions and all activities required to locate, assess, evaluate, remediate, cleanup, remove, contain, treat, stabilize, monitor or otherwise control any Hazardous Material. The indemnification provisions of this Section shall survive beyond the Closing, or, if title is not transferred pursuant to this Agreement, beyond any termination of this Agreement.

9. RISK OF LOSS AND POSSESSION

9.1 Risk of Loss

If any of the Property is damaged or destroyed prior to the Closing Date, or if condemnation proceedings are commenced against any of the Property, then the rights and obligations of Seller and City hereunder shall be as follows:

(a) If such damage or destruction is fully covered by Seller's insurance except for the deductible amount thereunder, and the insurer agrees to timely pay for the entire cost of such repair, and such damage or destruction would cost less than Two Hundred Fifty Thousand Dollars (\$250,000.00) (the "Threshold Damage Amount") to repair or restore, then this Agreement shall remain in full force and effect and City shall acquire the Property upon the terms and conditions set forth herein. In such event, City shall receive a credit against the Purchase Price equal to such deductible amount, and Seller shall assign to City at Closing all of Seller's right, title and interest in and to all proceeds of insurance on account of such damage or destruction pursuant to an instrument satisfactory to City.

(b) If such damage or destruction is not fully covered by Seller's insurance, other than the deductible amount, and would cost less than the Threshold Damage Amount to repair or restore, then the transaction contemplated by this Agreement shall be consummated with City receiving a credit against the Purchase Price at the Closing in an amount reasonably determined by Seller and City (after consultation with unaffiliated experts) to be the cost of repairing such damage or destruction.

(c) If the cost of such damage or destruction would equal or exceed the Threshold Damage Amount, or if condemnation proceedings are commenced against any of the Property, then, City shall have the right, at its election, either to terminate this Agreement in its entirety, or only as to that portion of the Property damaged or destroyed or subject to condemnation proceedings (in which case there shall be an equitable adjustment to the Purchase Price), or to not terminate this Agreement and purchase the Property (or the portion not damaged or affected by condemnation, as the case may be). City shall have thirty (30) days after Seller notifies City that an event described in this Subsection (c) has occurred to make such election by delivery to Seller of an election notice. City's failure to deliver such notice within such thirty (30)-day period shall be deemed City's election to terminate this Agreement in its entirety. If this Agreement is terminated in its entirety or in part pursuant to this Subsection (c) by City's delivery of notice of termination to Seller, then City and Seller shall each be released from all obligations hereunder pertaining to that portion of the Property affected by such termination. If City elects not to terminate this Agreement, Seller shall notify City of Seller's intention to repair such damage or destruction, in which case this Agreement shall remain in full force and effect, or

notify City of Seller's intention to give City a credit against the Purchase Price at the Closing in the amount reasonably determined by City and Seller (after consultation with unaffiliated experts) to be the cost of repairing such damage or destruction and, in the event of a result of such condemnation proceeding, the value of any Property taken as a result of such proceeding, in which case this Agreement shall otherwise remain in full force and effect, and Seller shall be entitled to any proceeds of insurance or condemnation awards. Any repairs elected to be made by Seller pursuant to this Subsection shall be made within one hundred eighty (180) days following such damage or destruction and the Closing shall be extended until the repairs are substantially completed. As used in this Section, the cost to repair or restore shall include the cost of lost rental revenue, including additional rent and base rent.

9.2 Insurance

Through the Closing Date, Seller shall maintain or cause to be maintained, at Seller's sole cost and expense, a policy or policies of property insurance in amounts equal to the full replacement value of the Improvements, insuring against all insurable risks, including, without limitation, fire, vandalism, malicious mischief, lightning, windstorm, water, and other perils customarily covered by casualty insurance and the costs of demolition and debris removal. Seller shall furnish City with evidence of such insurance upon request by City.

9.3 Possession

Possession of the Property shall be delivered to City on the Closing Date.

10. MAINTENANCE; CONSENT TO NEW CONTRACTS

10.1 Maintenance of the Property by Seller

Between the date of Seller's execution of this Agreement and the Closing, Seller shall perform all work required to be done by the landlord under the terms of the Lease.

10.2 City's Consent to New Contracts Affecting the Property; Termination of Existing Contracts

After the Effective Date, Seller shall not enter into any Lease or contract, or any amendment thereof, or permit any tenant of the Property to enter into any sublease, assignment or agreement pertaining to the Property, without in each instance obtaining City's prior written consent thereto. City agrees that it shall not unreasonably withhold or delay any such consent. Seller shall terminate prior to the Closing, at no cost or expense to City, any and all management agreements affecting the Property that City does not agree in writing prior to the Closing to assume.

11. DEFAULT AND REMEDIES

11.1 City Default

(a) If City defaults before the Closing under any provision of this Agreement and Seller has actual knowledge of such default(s) before the Closing, or if City defaults on its

obligation to close the transaction contemplated hereby, then Seller shall have the right, as its sole and exclusive remedies for such default(s), (i) to terminate this Agreement and recover reimbursement from City for Seller's actual out-of-pocket expenses incurred in connection with its negotiation of this Agreement and its preparation to close the transaction contemplated hereby, up to a maximum of \$2,000.00, and neither party shall have any further liability or obligation to the other hereunder, except for provisions of this Agreement which expressly state that they shall survive the termination of this Agreement, or (ii) continue this Agreement in effect pending Seller's action for damages hereunder.

(b) Seller acknowledges that any claim Seller may have against City arising under this Agreement may, as a matter of law, be subject to limitations on timing of presentment pursuant to Section 911.2 and other relevant provisions of the California Government Code; provided, however, that nothing in this sentence shall be deemed to cause any such claim to be subject to such sections of the California Government Code which would not, as a matter of law, be subject to such sections in the absence of this sentence.

11.2 Seller Default

In the event the sale of the Property is not consummated because of a default under this Agreement on the part of Seller or if a Condition Precedent cannot be fulfilled because Seller frustrated such fulfillment by some affirmative act or negligent omission, City may, at its sole election, either (1) terminate this Agreement by delivery of notice of termination to Seller, whereupon Seller shall pay to City any title, escrow, legal and inspection fees incurred by City and any other expenses incurred by City in connection with the negotiation of this Agreement, the performance of its due diligence review of the Property, and its preparation to close the transaction contemplated hereby, including in each instance attorneys' fees, and neither party shall have any further rights or obligations hereunder, except for provisions of this Agreement which expressly state that they shall survive the termination of this Agreement or (2) continue this Agreement pending City's action for specific performance and/or damages hereunder, including, without limitation, City's costs and expenses incurred hereunder.

11.3 Termination

Upon any termination provided for in this Agreement, each of the parties will be discharged from any further obligations and liabilities under this Agreement, except for the obligations and liabilities that expressly survive such termination under the terms of this Agreement.

12. GENERAL PROVISIONS

12.1 Notices

Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given upon (i) hand delivery, against receipt, (ii) one (1) business day after being deposited with a reliable overnight courier service, or (iii) two (2) business days after being deposited in the United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

CITY:	San Francisco Municipal Transportation Agency Attn: Senior Manager, Real Estate Section 1 South Van Ness Avenue, 8th Floor San Francisco, CA 94103 Facsimile No.: 415-701-4341
with a copy to:	Office of the City Attorney City Hall, Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102-4682 Attn: Real Estate/Finance Team Re: 1508 Bancroft Facsimile No.: 415-554-4755
SELLER:	Ken Schmier Zocalo Properties, LLC 1475 Powell Street, #201 Emeryville, CA 94607 Facsimile No.: () _____
with a copy to:	_____ _____ _____ Facsimile No.: () _____]
TITLE COMPANY:	Chicago Title Company Attn: Tyson Miklebost 355 Market Street, Suite 2100 San Francisco, CA 94105 Facsimile No.: (415) _____ Escrow Account: #160290798

or to such other address as either party may from time to time specify in writing to the other upon five (5) days prior written notice in the manner provided above. For convenience of the parties, copies of notices may also be given by telefacsimile, to the telephone number listed above, or such other numbers as may be provided from time to time. However, neither party may give official or binding notice by facsimile. The effective time of a notice shall not be affected by the receipt, prior to receipt of the original, of a telefacsimile copy of the notice.

12.2 Brokers and Finders

Neither party has had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the purchase and sale contemplated herein, except for HC&M Commercial Properties, whose commission, if any is due, shall be the sole responsibility of Seller pursuant to a separate written agreement with such broker, and City shall have no liability whatsoever therefor. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his or her claim shall be responsible for such commission or fee and

shall indemnify and hold harmless the other party from all claims, costs, and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the indemnified party in defending against the same. The provisions of this Section shall survive the Closing.

12.3 Successors and Assigns

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, administrators and assigns. City shall have the right, upon notice to Seller, to assign its right, title and interest in and to this Agreement to one (1) or more assignees at any time before the Closing Date.

12.4 Amendments

Except as otherwise provided herein, this Agreement may be amended or modified only by a written instrument executed by City and Seller.

12.5 Continuation and Survival of Representations and Warranties

All representations and warranties by the respective parties contained herein or made in writing pursuant to this Agreement are intended to be, and shall remain, true and correct as of the Closing, shall be deemed to be material, and, together with all conditions, covenants and indemnities made by the respective parties contained herein or made in writing pursuant to this Agreement (except as otherwise expressly limited or expanded by the terms of this Agreement), shall survive the execution and delivery of this Agreement and the Closing, or, to the extent the context requires, beyond any termination of this Agreement. All statements contained in any certificate or other instrument delivered at any time by or on behalf of Seller in conjunction with the transaction contemplated hereby shall constitute representations and warranties hereunder.

12.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

12.7 Merger of Prior Agreements

The parties intend that this Agreement (including all of the attached exhibits and schedules, which are incorporated into this Agreement by reference) shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous oral or written agreements or understandings. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including, without limitation, prior drafts or changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

12.8 Parties and Their Agents; Approvals

The term "Seller" as used herein shall include the plural as well as the singular. If there is more than one (1) Seller, then the obligations under this Agreement imposed on Seller shall be joint and several. As used herein, the term "Agents" when used with respect to either party shall include the agents, employees, officers, contractors and representatives of such party. All approvals, consents or other determinations permitted or required by City hereunder shall be made by or through the Executive Director/CEO of City's SFMTA unless otherwise provided herein, subject to applicable law.

12.9 Interpretation of Agreement

The article, section and other headings of this Agreement and the table of contents are for convenience of reference only and shall not affect the meaning or interpretation of any provision contained herein. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa, and each gender reference shall be deemed to include the other and the neuter. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein. In addition, each party has been represented by 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 purposes of the parties and this Agreement.

12.10 Attorneys' Fees

In the event that either party hereto fails to perform any of its obligations under this Agreement or in the event a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the defaulting party or the non-prevailing party in such dispute, as the case may be, shall pay the prevailing party reasonable attorneys' and experts' fees and costs, and all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For purposes of this Agreement, reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. The term "attorneys' fees" shall also include, without limitation, all such fees incurred with respect to appeals, mediations, arbitrations, and bankruptcy proceedings, and whether or not any action is brought with respect to the matter for which such fees were incurred. The term "costs" shall mean the costs and expenses of counsel to the parties, which may include printing, duplicating and other expenses, air freight charges, hiring of experts, and fees billed for law clerks, paralegals, and others not admitted to the bar but performing services under the supervision of an attorney.

12.11 Sunshine Ordinance

Seller understands and agrees that under the City's Sunshine Ordinance (San Francisco Administrative Code, Chapter 67) and the State Public Records Law (Gov. Code Section 6250 et seq.), this Agreement and any and all records, information, and materials submitted to the City hereunder public records subject to public disclosure. Seller hereby acknowledges that the City may disclose any records, information and materials submitted to the City in connection with this Agreement.

12.12 Conflicts of Interest

Through its execution of this Agreement, Seller acknowledges that it is familiar with the provisions of Section 15.103 of the San Francisco Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which would constitute a violation of said provision, and agrees that if Seller becomes aware of any such fact during the term of this Agreement, Seller shall immediately notify the City.

12.13 Notification of Limitations on Contributions

Through its execution of this Agreement, Seller acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing of any land or building to or from the City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Seller acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Seller further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Seller's board of directors, chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than twenty percent (20%) in Seller; any subcontractor listed in the contract; and any committee that is sponsored or controlled by Seller. Additionally, Seller acknowledges that Seller must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Seller further agrees to provide to City the name of the each person, entity or committee described above.

12.14 Non-Liability of City Officials, Employees and Agents

Notwithstanding anything to the contrary in this Agreement, no elective or appointive board, commission, member, officer, employee or agent of City shall be personally liable to

Seller, its successors and assigns, in the event of any default or breach by City or for any amount which may become due to Seller, its successors and assigns, or for any obligation of City under this Agreement.

12.15 Earned Income Credit (EIC) Forms

San Francisco Administrative Code Section 12O requires that employers provide their employees with IRS Form W-5 (Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found.

(a) Seller shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty (30) days following the date on which this Agreement becomes effective (unless Seller has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by Seller; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Agreement.

(b) Failure to comply with any requirement contained in Section 12.15(a) of this shall constitute a material breach by Seller of the terms of this Agreement. If, within thirty (30) days after Seller receives written notice of such a breach, Seller fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Seller fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Agreement or under applicable law.

(c) Any Subcontract entered into by Seller shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section.

(d) Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

12.16 Counterparts

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

12.17 Effective Date

As used herein, the term "Effective Date" shall mean the date on which the Board of Directors of City's SFMTA, in their sole and absolute discretion, adopt a resolution approving this Agreement in accordance with all applicable laws and (b) this Agreement is duly executed by the parties hereto.

12.18 Agreement Not to Market Prior to Effective Date

Seller agrees that unless and until this Agreement terminates pursuant to its terms, Seller shall not negotiate with any other parties pertaining to the sale of the Property and shall not market the Property to third parties.

12.19 Acceptance of Agreement by Seller

This Agreement shall be null and void unless Seller accepts it and returns to City four (4) fully executed counterparts hereof on or before 5:00 p.m. San Francisco Time on February __, 2012.

12.20 Cooperative Drafting.

This Agreement has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Agreement.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, SELLER ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS AGREEMENT UNLESS AND UNTIL APPROPRIATE LEGISLATION OF CITY'S BOARD OF SUPERVISORS SHALL HAVE BEEN DULY ENACTED APPROVING THIS AGREEMENT AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY HEREUNDER ARE CONTINGENT UPON THE DUE ENACTMENT OF SUCH LEGISLATION, AND THIS AGREEMENT SHALL BE NULL AND VOID IF THE BOARD OF DIRECTORS OF CITY'S SFMTA DOES NOT APPROVE THIS AGREEMENT, IN ITS SOLE DISCRETION. APPROVAL OF ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY BY ANY DEPARTMENT, COMMISSION OR AGENCY OF CITY SHALL NOT BE DEEMED TO IMPLY THAT SUCH LEGISLATION WILL BE ENACTED NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON CITY.

The parties have duly executed this Agreement as of the respective dates written below.

<p>SELLER:</p>	<p>ZOCALO PROPERTIES LLC, a California limited liability company</p> <p>By: _____</p> <p>Its: _____</p> <p>By: _____</p> <p>Its: _____</p>
<p>BUYER:</p>	<p>CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through its Municipal Transportation Agency</p> <p>By: _____ EDWARD D. REISKIN Director of Transportation Municipal Transportation Agency</p>
<p>APPROVED BY: San Francisco Municipal Transportation Agency Board of Directors Resolution No: _____ Adopted: _____ Attest: _____ Secretary, SFMTA Board of Directors</p> <p>APPROVED AS TO FORM: DENNIS J. HERRERA, City Attorney</p> <p>By: _____ Anita L. Wood Deputy City Attorney</p>	

EXHIBIT A

REAL PROPERTY DESCRIPTION

All that certain real property located in the County of San Francisco, State of California, described as follows:

THAT CERTAIN REAL PROPERTY SITUATION IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

All that certain real property as described and delineated upon that certain Map entitled "Parcel Map 299", which Map was filed for record July 5, 2006, in the Office of the Assessor/Recorder of the City and County of San Francisco, State of California, in Book 46 of Parcel Maps, Pages 186-187, inclusive.

APN: 4849 -017

Commonly known as 1508 Bancroft Avenue, San Francisco, California

EXHIBIT B
GRANT DEED

<p>RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:</p> <p>Director of Property Real Estate Division City and County of San Francisco 25 Van Ness Avenue, Suite 400 San Francisco, California 94102</p> <p>The undersigned hereby declares this instrument to be exempt from Recording Fees (Govt. Code § 27383).</p> <p>Documentary Transfer Tax of \$0 based on full value of the property conveyed</p>	<p>Recorder's Use Only</p>
--	----------------------------

(Space above this line reserved for Recorder's use only)

GRANT DEED
(Assessor's Parcel No. _____)

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, ZOCALO PROPERTIES LLC, a California limited liability company, hereby grants to the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the real property located in the City and County of San Francisco, State of California, described on Exhibit A attached hereto and made a part hereof (the "Property").

TOGETHER WITH any and all rights, privileges and easements incidental or appurtenant to the Property, including, without limitation, any and all minerals, oil, gas and other hydrocarbon substances on and under the Property, as well as any and all development rights, air rights, water, water rights, riparian rights and water stock relating to the Property, and any and all easements, rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Land and all of Grantor's right, title and interest in and to any and all roads and alleys adjoining or servicing the Property.

Executed as of this _____ day of _____, 2012.

State of California)
) ss
County of San Francisco)

On _____, before me, _____, a notary public in and for said State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the foregoing Grant Deed to the City and County of San Francisco, a municipal corporation, is hereby accepted pursuant to Board of Supervisors' Resolution No. 18110 Series of 1939, approved August 7, 1957, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____

Director of Property

EXHIBIT A TO GRANT DEED

REAL PROPERTY DESCRIPTION

All that certain real property located in the County of San Francisco, State of California, described as follows:

THAT CERTAIN REAL PROPERTY SITUATION IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

All that certain real property as described and delineated upon that certain Map entitled "Parcel Map 299", which Map was filed for record July 5, 2006, in the Office of the Assessor/Recorder of the City and County of San Francisco, State of California, in Book 46 of Parcel Maps, Pages 186-187, inclusive.

APN: 4849 -017

Commonly known as 1508 Bancroft Avenue, San Francisco, California

EXHIBIT C

TITLE EXCEPTIONS

The items listed as exceptions 1 through 4 and 7 in the Preliminary Report issued effective December 15, 2011 by Chicago Title Company for Title No.: 10-35602749-C-MK.

EXHIBIT D

**CERTIFICATE OF TRANSFEROR
OTHER THAN AN INDIVIDUAL
(FIRPTA Affidavit)**

Section 1445 of the Internal Revenue Code provides that a transferee of a United States real property interest must withhold tax if the transferor is a foreign person. To inform the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, the transferee of certain real property located in the City and County of San Francisco, California, that withholding of tax is not required upon the disposition of such U.S. real property interest by ZOCALO PROPERTIES LLC, a California limited liability company ("Transferor"), the undersigned hereby certifies the following on behalf of Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

2. Transferor's U.S. employer identification number is _____; and

3. Transferor's office address is _____

Transferor understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

Dated: _____, 2012.

EXHIBIT E

FORM OF OWNER'S DECLARATION

The undersigned hereby declares and certifies to Chicago Title Insurance Company (the "Title Company"), with respect to that certain real property commonly known as 1508 Bancroft Avenue, located in the City and County of San Francisco, California (the "Premises"), that:

(1) the undersigned has not entered into any written agreement for any repair, work of improvement or materials furnished to the Premises within the last one hundred eighty (180) days which has not been paid for, and the undersigned has not received any written notice asserting any currently existing claim based on any such repair, work or materials; and

(2) to the actual knowledge of the undersigned, there is no one in possession of the Premises other than the City and County of San Francisco pursuant to that certain Industrial Lease dated August 16, 2010.

This Declaration is given for the purpose of inducing the Title Company to issue its policy(ies) of title insurance in favor of the City and County of San Francisco or its nominee ("Transferee"), and its lender, which may provide coverage as to the items mentioned above in connection with the undersigned's transfer of the Premises to Transferee on or about the date hereof.

Dated this ____ day of _____, 2012.

EXHIBIT F

DESIGNATION AGREEMENT

This DESIGNATION AGREEMENT (the "Agreement") dated as of _____, 2002, is by and between ZOCALO PROPERTIES LLC, a California limited liability company ("Seller"), the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City"), and CHICAGO TITLE INSURANCE COMPANY ("Title Company").

A. Pursuant to that certain Purchase Agreement entered into by and between Seller and City, dated _____, 2012 (the "Purchase Agreement"), Seller has agreed to sell to City, and City has agreed to purchase from Seller, certain real property located in City and County of San Francisco, California, more particularly described in Exhibit A attached hereto (the "Property"). The purchase and sale of the Property is sometimes hereinbelow referred to below as the "Transaction").

B. Section 6045(e) of the United States Internal Revenue Code of 1986 and the regulations promulgated thereunder (collectively, the "Reporting Requirements") require an information return to be made to the United States Internal Revenue Service, and a statement to be furnished to Seller, in connection with the Transaction.

C. Pursuant to Subsection 2(b)(i) of the Purchase Agreement, an escrow has been opened with Title Company, Escrow No10-35692749-NC, through which the Transaction will be or is being accomplished. Title Company is either (i) the person responsible for closing the Transaction (as described in the Reporting Requirements) or (ii) the disbursing title or escrow company that is most significant in terms of gross proceeds disbursed in connection with the Transaction (as described in the Reporting Requirements).

D. Seller, City and Title Company desire to designate Title Company as the "Reporting Person" (as defined in the "Reporting Requirements") with respect to the Transactions.

ACCORDINGLY, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller, City and Title Company agree as follows:

1. Title Company is hereby designated as the Reporting Person for the Transaction. Title Company shall perform all duties that are required by the Reporting Requirements to be performed by the Reporting Person for the Transaction.

2. Seller and City shall furnish to Title Company, in a timely manner, any information requested by Title Company and necessary for Title Company to perform its duties as Reporting Person for the transaction.

3. Title Company hereby requests Seller to furnish to Title Company Seller's correct taxpayer identification number. Seller acknowledges that any failure by Seller to provide Title

Company with Seller's correct taxpayer identification number may subject Seller to civil or criminal penalties imposed by law. Accordingly, Seller hereby certifies to Title Company, under penalties of perjury, that Seller's correct taxpayer identification number is _____.

4. The names and addresses of the parties hereto are as follows:

<u>SELLER:</u>	_____ _____ _____ Attn: _____ Facsimile No.: () _____
<u>CITY:</u>	San Francisco Municipal Transportation Agency Attn: Senior Manager, Real Estate Section 1 South Van Ness Avenue, 8th Floor San Francisco, CA 94103 Facsimile No.: 415-701-4341
with a copy to:	Director of Property 25 Van Ness Avenue, Suite 400 San Francisco, CA 94102 Facsimile No.: _____
<u>TITLE COMPANY:</u>	Chicago Title Company 355 Market Street, Suite 2100 San Francisco, CA 94105 Attn: Nicole T. Carr Escrow Account: #10-35602749-NC Facsimile No.: () _____

5. Each of the parties hereto shall retain this Agreement for a period of four (4) years following the calendar year during which the date of closing of the Transaction occurs.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date and year first above written.

SELLER:	ZOCALO PROPERTIES LLC, a California limited liability company By: _____ Its: _____ By: _____ Its: _____ Date: _____
CITY:	CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through its Municipal Transportation Agency By: _____ NATHANIEL P. FORD SR. Executive Director/CEO Date: _____
<u>TITLE COMPANY:</u>	CHICAGO TITLE INSURANCE COMPANY By: _____ Its: _____ Date: _____