

OFFICE LEASE – (NET) WITH OPTION TO PURCHASE

between

IRENE ANN LEBSACK,
Trustee under the Lebsack Trust agreement dated June 22, 2002,
as Landlord

and

COUNTY OF SAN MATEO,
as Tenant

For the lease of

525 Marshall Street, Redwood City, California

OFFICE LEASE
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LIST OF EXHIBITS:

- EXHIBIT A -- Floor Plan(s) of Building**
- EXHIBIT B -- Notice of Commencement Date**

OFFICE LEASE AND OPTION TO PURCHASE
Lease No. 1278

THIS OFFICE LEASE (this "Lease"), dated for reference purposes only as of July 19, 2006 is by and between IRENE ANN LEBSACK, Trustee under the Lebsack Trust agreement dated June 22, 2002 ("Landlord"), and the COUNTY OF SAN MATEO, a political subdivision of the State of California ("County" or "Tenant").

Landlord and County hereby agree as follows:

1. BASIC LEASE INFORMATION

The following is a summary of basic lease information (the "Basic Lease Information"). Each item below shall be deemed to incorporate all of the terms in this Lease pertaining to such item. In the event of any conflict between the information in this Section and any more specific provision of this Lease, the more specific provision shall control.

- | | | |
|-----|--|--|
| 1.1 | Lease Reference Date: | July 19, 2006 |
| 1.2 | Landlord: | IRENE ANN LEBSACK, Trustee under the Lebsack Trust agreement dated June 22, 2002. |
| 1.3 | Tenant: | COUNTY OF SAN MATEO |
| 1.4 | Property (Section 2.1): | All of that certain real property described as San Mateo County Assessor's Parcel 052-344-110, together with the improvements thereon, and commonly known as 525 Marshall Street, Redwood City, California ("Property"). |
| 1.5 | Rentable Area of Building (Section 2.1): | The improvements on the Property consist of a single story office building of approximately 2,580 rentable square feet ("Building"). |
| 1.6 | Term (Section 3): | The Effective Date shall be as set forth in Section 3.1 hereof.

Estimated Commencement Date: July 19, 2006

Expiration date: January 18, 2007 or 180 days after the Commencement Date, whichever is later. |
| 1.7 | Base Rent (Section 4.1): | Monthly Base Rent of \$5000.00 payable in equal monthly installments as set forth in Section 4.1 ("Base Rent"). |
| 1.8 | Use (Section 5): | The Building and the Property shall be used as general offices. |
| 1.9 | Leasehold Improvements (Section 6) | None |

- 1.10 Utilities and Services (Section 9): Tenant shall establish accounts for the existing utility services in Tenant's name, and shall pay the cost of all utilities directly to the provider thereof when due. Tenant shall provide, at its sole cost and expense, all janitorial, disposal and other services required by Tenant.
- 1.11 Notice Address of Landlord (Section 23.1): 625 Vista Drive, Redwood City, CA. 94062
- 1.12 Key Contact for Landlord: David Lebsack
Landlord Contact Telephone No.: (650) 400-0723
- 1.13 Notice Address for County (Section 23.1): County Manager
400 County Center
Redwood City, CA 94063
Fax No.: (650) 363-4832
- 1.14 with a copy to: Real Property Services Division
455 County Center, 5th Floor
Attn: Real Property Services Manager
Fax No.: (650) 363-4832
- 1.15 and to: Office of County Counsel
400 County Center, 6th Floor
Redwood City, CA 94063
Fax No.: (650) 363-4034
- 1.16 Key Contact for County: Steve Alms
County Contact Telephone No.: (650) 363-4047
- 1.17 Alternate Contact for County: Not Used
- 1.18 Option To Purchase Property (Section 22): Landlord grants to County the option to purchase the Property as set forth in Section 22.
- 1.19 Brokers (Section 23.8): None

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2. PREMISES

2.1. Leased Premises

Landlord leases to County and County leases from Landlord, subject to the provisions of this Lease, those premises identified in Section 1.4 of the Basic Lease Information (the "Property") and shown on the floor plans attached hereto as Exhibit A.

2.2. As Is Condition

COUNTY ACKNOWLEDGES AND AGREES THAT THE PROPERTY IS BEING LEASED AND ACCEPTED IN ITS "AS IS" CONDITION, WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, AND COUNTY IS RESPONSIBLE FOR COMPLIANCE WITH ALL APPLICABLE LAWS, RULES AND ORDINANCES GOVERNING THE COUNTY'S USE, OCCUPANCY AND POSSESSION. COUNTY REPRESENTS AND WARRANTS TO LANDLORD THAT COUNTY HAS INVESTIGATED AND INSPECTED, EITHER INDEPENDENTLY OR THROUGH AGENTS OF COUNTY'S OWN CHOOSING, THE CONDITION OF THE PROPERTY AND THE SUITABILITY OF THE PROPERTY FOR COUNTY'S INTENDED USE. COUNTY HAS DETERMINED, BASED SOLELY ON ITS OWN INVESTIGATION, THAT THE PREMISES ARE SUITABLE FOR COUNTY'S BUSINESS AND INTENDED USE. COUNTY ACKNOWLEDGES AND AGREES THAT NEITHER LANDLORD NOR ANY OF ITS AGENTS HAVE MADE, AND LANDLORD HEREBY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE AREA OF THE BUILDING, THE PHYSICAL OR ENVIRONMENTAL CONDITION OF THE PROPERTY, THE PRESENT OR FUTURE SUITABILITY OF THE PROPERTY FOR COUNTY'S BUSINESS, THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS IN, ON OR UNDER THE PROPERTY, OR ANY OTHER MATTER WHATSOEVER RELATING TO THE PROPERTY. LANDLORD HAS NO KNOWLEDGE OF ANY VIOLATION OF ENVIRONMENTAL LAWS OR THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIAL IN THE BUILDING OR ON, UNDER OR ABOUT THE PROPERTY AND COUNTY SHALL RELY SOLELY ON ITS OWN INVESTIGATIONS TO INSPECT, TEST, SAMPLE AND ANALYZE ANY AND ALL AREAS OF THE PROPERTY, INCLUDING THE BUILDING, AND LANDLORD HEREBY GRANTS PERMISSION FOR COUNTY TO PERFORM SUCH INVESTIGATIONS AT COUNTY'S SOLE COST AND EXPENSE.

3. TERM

3.1. Effective Date

This Lease shall become effective (the "Effective Date") upon completion of both of the following:
(i) the County Board of Supervisors' adoption of a resolution authorizing the execution of this Lease and
(ii) this Lease is duly and fully executed.

3.2. Term of Lease

The term of this Lease is from the Effective Date until the later of January 17, 2007 or 180 days after the Landlord delivers possession to Tenant. However, the Lease shall terminate upon close of escrow if the County exercises the Purchase Option set forth in Section 22 *et seq.*

3.3. Rent Commencement

In any event, payment of Rent shall commence on July 19, 2006. If the Landlord does not deliver possession on July 19, 2006, then promptly thereafter Landlord shall deliver to County a notice substantially in the form of Exhibit B attached hereto, confirming the actual Commencement Date, but Landlord's failure to do so shall not affect the commencement of the Term.

3.4. Delay in Delivery of Possession

Landlord shall use its best efforts to deliver possession of the Property on or before July 19, 2006. However, if Landlord is unable to deliver possession of the Property on or before July 19, 2006,

the validity of this Lease shall not be affected by such inability to deliver possession. In any event, this Lease shall expire 180 days after the actual Commencement Date, unless sooner terminated pursuant to the provisions of this Lease. However, if Landlord is unable to or does not deliver possession of the Property to County for any reason whatsoever, this Lease shall continue in effect, and County shall still have the Purchase Option set forth in Section 22 hereof.

4. RENT

The "Base Rent" and "Additional Charges" described below are collectively referred to as "Rent." Tenant shall pay the rent at the address specified for Landlord in Section 1.11 of the Basic Lease Information, or such other place as Landlord may designate in writing upon not less than thirty (30) days' advance notice.

4.1. Base Rent

Beginning on July 19, 2006, County shall pay to Landlord during the Term the monthly Base Rent specified in Section 1.7 of the Basic Lease Information (the "Base Rent"). The Base Rent shall be payable in equal consecutive monthly payments on or before the first day of each month, in advance. County shall pay the Base Rent without any prior demand and without any deductions or setoff except as otherwise provided in this Lease. If the Commencement Date and/or the Expiration Date occur on a day other than the first day of a calendar month then the monthly payment of the Base Rent for such fractional month shall be prorated based on a thirty (30) day month. As set forth in Section 22 (Option To Purchase Property), all Rent paid to Landlord shall be credited to the Purchase Price.

4.2. Additional Charges

With the exception of Real Estate Taxes, the cost of which shall be paid by the Landlord, it is intended that this Lease be a net lease and that in addition to the Base Rent, Tenant shall pay all expenses that are normally associated with ownership, such as utilities, repairs, and insurance. County shall pay to Landlord any such charges or other amounts required under this Lease as "Additional Charges". Landlord shall have the same remedies for a default in the payment of any Additional Charges as for a default in the payment of Base Rent. These "additional charges" shall be independent of and SHALL NOT be credited toward the down payment for the purchase of the property pursuant to the Option To Purchase contained herein.

4.3. Definitions

The following terms shall have the meanings hereinafter set forth:

(a) "Real Estate Taxes" means all taxes, assessments and charges levied upon or with respect to the Property owned by Landlord or any personal property of Landlord used in the operation thereof, or Landlord's interest in the Property or such personal property. Real Estate Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire, or other governmental services thereof, service payments in lieu of taxes, and any tax, fee, or excise on the act of entering into this Lease or any other lease of space in the Property or any part thereof, or on the rent payable under any lease or in connection with the business of renting space in the Property, that are now or hereafter levied or assessed against Landlord by the United States of America, the State of California or any political subdivision thereof, public corporation, district, or any other political or public entity, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for, or as an addition to, in whole or in part, any other Real Estate Taxes, whether or not now customary or in the contemplation of the parties on the date of this Lease.

Notwithstanding the foregoing, Real Estate Taxes shall exclude (1) franchise, transfer, inheritance, or capital stock taxes or income taxes measured by the net income of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other tax that would otherwise constitute a Real Estate Tax, (2) any penalties, fines, interest or charges attributable to the late

payment of any taxes, except to the extent attributable to County's failure to pay its portion of Real Estate Taxes hereunder, or (3) any personal property taxes payable by County hereunder, or (4) any Real Estate Tax Increase that that is a result of this Lease, which increase shall be paid by Tenant.

(b) "Tax Year" means each calendar year during the Term, including any partial year during which the Lease may commence.

(c) "Real Estate Tax Increase" means the amount, if any, by which the Real Estate Taxes increase as a result of this Lease.

4.4. Proration

If the Commencement Date or Expiration Date shall occur on a date other than the first or last day of a Tax Year, County's Percentage Share of any Real Estate Tax Increase for the Tax Year in which the Commencement Date or Expiration Date occurs shall be prorated based on a 365-day year.

5. USE

County may use the Building and the Property for general office uses and such other uses as may be specified in Section 1.8 of the Basic Lease Information, or for any other use not inconsistent with general office use, not in violation of any zoning or other ordinance, statute or regulation, unless the prior written consent of Landlord is obtained which Landlord will not unreasonably withhold or delay.

6. LEASEHOLD IMPROVEMENTS

County shall, at its sole discretion, cost and expense, make any improvements to the Property that it requires during the Term. Such improvements shall be Alterations as set forth in Section 7 hereof.

7. ALTERATIONS

7.1. Alterations by County

County shall not make or permit any alterations, installations, additions or improvements (collectively, "Alterations") to the Building or the Property without first obtaining Landlord's written consent, which Landlord shall not unreasonably withhold or delay. Landlord may, as a condition of consent to such Alterations, require County to have performed an asbestos survey per the requirements of Bay Area Air Quality Management District Rule 11-2-303.8 and demonstrate that such Alterations shall be conducted in conformance with all applicable laws and regulations. However, the installation of telephone or data service, furnishings, fixtures, equipment or decorative improvements, none of which affect the Building Systems or structural integrity of the Building, and the repainting and recarpeting of the Building, shall not constitute Alterations requiring Landlord's consent. Any Alterations permitted hereunder shall be made at County's cost in compliance with applicable laws. Landlord shall, without cost to itself, cooperate with County in securing building and other permits and authorizations needed in connection with any permitted Alterations. Landlord shall not be entitled to any construction or other administrative fee in connection with any Alteration. County shall not be required to remove any Alterations upon the expiration or earlier termination of this Lease unless Landlord notifies County in writing at the time Landlord approves such Alterations that they must be removed at the Expiration Date.

7.2. Title to Improvements

Except for County's Personal Property (as defined in the next Section), all appurtenances, fixtures, improvements, equipment, additions and other property permanently installed in the Building or on the Property as of the Commencement Date or during the Term shall be and remain Landlord's property until and unless Tenant exercises the Option to purchase the property. Except in the event the County exercises the Purchase Option, County may not remove such property unless Landlord consents thereto.

7.3.County's Personal Property

All furniture, furnishings, equipment, trade fixtures and articles of movable personal property installed in the Building or on the Property by or for the account of County and that can be removed without structural damage to the Building (collectively, "County's Personal Property") shall be and remain County's property. At any time during the Term or at the expiration thereof, County may remove any of County's Personal Property provided County shall repair any damage to the Building resulting therefrom. Upon the expiration or earlier termination of this Lease, County shall remove County's Personal Property from the Property in accordance with Section 20 (Surrender of Property), below. Landlord acknowledges that some of County's Personal Property may be financed by an equipment lease financing otherwise subjected to a security interest, or owned by an equipment company and leased to County. Landlord, upon County's reasonable request, shall execute and deliver any document required by any supplier, lessor, or lender in connection with the installation in the Building of any items of County's Personal Property, pursuant to which Landlord waives any rights it may have or acquire with respect to County's Personal Property, so long as the supplier, equipment lessor or lender agrees that it (i) will remove the Personal Property from the Building within thirty (30) days after the Expiration Date (but if it does not remove County's Personal Property within such time it shall have waived any rights it may have had to County's Personal Property), and (ii) will repair any damage caused by the removal of County's Personal Property. Landlord shall recognize the rights of any supplier, lessor or lender who has an interest in any items of County's Personal Property to enter the Property and remove such property at any time during the Term or within thirty (30) days after the Expiration Date.

8. REPAIRS AND MAINTENANCE

8.1.Landlord's Repairs

Landlord shall bear no responsibility for repair and maintenance obligations hereunder.

8.2.County's Repairs

County shall repair and maintain at its cost the interior and exterior portions of the Building including, without limitation, the roof and structural elements of the Building, and shall keep the Building in good working order and in a safe and sanitary condition, except for ordinary wear and tear and damage by casualty. County shall make any required repairs and replacements (i) at County's cost, (ii) by contractors or qualified County staff selected by County and reasonably approved by Landlord, (iii) so that same shall be at least substantially equal in quality, value and utility to the original work or installation prior to damage thereof, and (iv) in compliance with all applicable laws, including, without limitation, any applicable contracting requirements of the County of San Mateo.

8.3.Liens

County shall keep the Property free from liens arising out of any work performed, material furnished or obligations incurred by County during the Term. Landlord shall have the right to post on the Property any notices permitted or required by law or that are needed for the protection of Landlord, the Property, or the Building, from mechanics' and material suppliers' liens. County shall give Landlord at least ten (10) days' prior written notice of commencement of any repair or construction by County on the Property.

9. UTILITIES AND SERVICES

Tenant shall furnish, at its sole cost and expense, all utilities and services that Tenant may require to the Property.

10. COMPLIANCE WITH LAWS; CONDITION

10.1. County's Compliance with Laws

County shall use the Property during the Term in compliance with applicable laws. County shall be responsible for complying with any requirement of the Americans with Disabilities Act (ADA) relating to

the placement of County's furniture or other County Personal Property and the operation of any programs in the Property. In the event that construction is required on or in the Building in order to comply with ADA because of County's lease and or the exercise of its option to purchase any and all compliance construction will be the sole responsibility and at the sole cost of County.

10.2. County's Compliance with Insurance Requirements

County shall not conduct any use in or about the Property that would: (a) invalidate or be in conflict with any fire or other casualty insurance policies covering the Property or any property located therein, (b) result in a refusal by fire insurance companies of good standing to insure the Building or any such property in amounts reasonably satisfactory to Landlord or the holder of any mortgage or deed of trust encumbering the Property, (c) cause an increase in the fire insurance premium for the Building unless County agrees to pay such increase, or (d) subject Landlord to any liability or responsibility for injury to any person or property by reason solely of any business operation being conducted by County in the Property; provided, however, Landlord shall provide County with reasonable prior written notice of any applicable insurance requirements and no such insurance requirements shall materially and adversely interfere with County's normal business in the Property.

11. SUBORDINATION

This Lease is and shall be subject and subordinate to the following (each an "Encumbrance"): (a) any reciprocal easement agreements and ground leases or other underlying leases that may now exist or hereafter be executed affecting Landlord's interest in the Property, or any portion thereof, and (b) the lien of any mortgage or deed of trust that may now exist or hereafter be executed by Landlord in any amount for which any part of the Property, any ground leases or underlying leases, or Landlord's interest or estate therein, is specified as security; provided that as a condition to any such Encumbrance, the holder of the Encumbrance shall, at County's request, enter into a subordination and nondisturbance agreement with County in a form then commercially reasonable. Notwithstanding the foregoing, Landlord shall have the right to subordinate or cause to be subordinated to this Lease any Encumbrance. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, County shall pay subsequent Rent and attorn to and become the tenant of such successor Landlord, at the option of such successor-in-interest, provided that County has received proper written notice of such succession and the name and address of the successor landlord, and further provided that, in the case of any Encumbrance hereafter executed, as a condition to such attornment the holder of such Encumbrance shall, at County's request, agree that so long as County is not in default hereunder, such holder shall recognize this Lease and shall not disturb County in its possession of the Property for any reason other than one that would entitle Landlord to terminate this Lease or otherwise dispossess County of the Property in accordance with the terms hereof. The provisions of this Section shall be self-operative and no further instrument shall be required other than as provided in this Section. County agrees, however, to execute upon request by Landlord and in a form reasonably acceptable to County, any additional documents evidencing the priority or subordination of this Lease with respect to any such Encumbrance as provided herein.

Landlord shall use its best efforts to provide to County, before the Effective Date, executed non-disturbance and attornment agreements from the holder of any existing Encumbrance. The form of such agreement shall be subject to County's reasonable approval.

12. DAMAGE AND DESTRUCTION

If the Building or any Building Systems are damaged by fire or other casualty, within twenty (20) days after the date of such damage, County shall notify Landlord in writing whether County elects to repair the same within a reasonable period, or alternatively, exercise the Purchase Option set forth in Section 22 hereof. The parties intend that the provisions of this Section govern fully their rights and obligations in the event of damage or destruction, and Landlord and County each hereby waives and releases any right to terminate this Lease in whole or in part under Section 1932, subdivision 2, Section 1933, subdivision 4, and Sections 1941 and 1942 of the Civil Code of California or under any similar law,

statute or ordinance now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

13. NOT USED

14. ASSIGNMENT AND SUBLETTING

Except as provided in this Section below, County shall not directly or indirectly sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of its interest in or rights with respect to the Property or its leasehold estate hereunder or permit all or any portion of the Property to be occupied by anyone other than itself or sublet all or any portion of the Property, without Landlord's prior written consent in each instance, which shall not be unreasonably withheld or delayed. County shall have the right from time to time, upon notice to but without the consent of Landlord, to transfer this Lease or use and occupancy of all or any of the Property to any department, commission or agency of the County of San Mateo for uses permitted under this Lease.

15. DEFAULT; REMEDIES

15.1. Events of Default by County

Any of the following shall constitute an event of default by County hereunder:

(a) County's failure to make any timely payment of Rent and to cure such nonpayment within five (5) business days after receipt of written notice thereof from Landlord, provided that for the first monthly payment of Rent hereunder, County shall have twenty (20) days to cure any such nonpayment after written notice thereof from Landlord;

(b) County's failure to perform any other covenant or obligation of County hereunder (not involving the payment of money) and to cure such non-performance within thirty (30) days of the date of receipt of notice thereof from Landlord, provided that if more than thirty (30) days are reasonably required for such cure, no event of default shall occur if County commences such cure within such period and diligently prosecutes such cure to completion.

15.2. Landlord's Remedies

Upon the occurrence of any event of default by County that is not cured within the applicable grace period as provided above, Landlord shall have all rights and remedies available pursuant to law or granted hereunder, including the following:

(a) The rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate County's right to possession of the Property and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that County proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2.

(b) The rights and remedies provided by California Civil Code Section 1951.4 (continuation of lease after breach and abandonment), which allows Landlord to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due, for so long as Landlord does not terminate County's right to possession, if County has the right to sublet or assign, subject only to reasonable limitations.

15.3. Landlord's Default

If Landlord fails to perform any of its obligations under this Lease, then (without limiting any of County's other cure rights under this Lease) County may, at its sole option, cure such default at Landlord's expense if such default continues after ten (10) days from the date County gives notice to Landlord of County's intention to perform such cure. However, in the case of a default which for causes beyond Landlord's control (excluding any financial inability to perform) cannot with due diligence be cured within such 10-day period, such 10-day period shall be extended if Landlord, promptly upon receipt of

County's notice, advises County of Landlord's intention to take all steps required to cure such default, and Landlord promptly commences such cure and diligently prosecutes the same to completion. Subject to the other provisions of this Lease relating to abatement of Rent, if Landlord fails to cure any default within the cure period provided above, then, whether or not County elects to cure Landlord's default as provided herein, the Base Rent and any other charges hereunder shall be abated based on the extent to which such default interferes with County's ability to carry on its business at the Property. County's rights hereunder shall not limit in any way any of its other rights and remedies hereunder or at law or in equity.

16. INDEMNITIES

16.1. County's Indemnity

County shall indemnify, defend and hold harmless ("Indemnify") Landlord and its Agents from and against any and all claims, costs and expenses (collectively, "Claims"), incurred as a result of (a) County's use of the Property, (b) any default by County in the performance of any of its material obligations under this Lease, or (c) any negligent acts or omissions of County or its Agents in, on or about the Building or the Property; provided, however, County shall not be obligated to Indemnify Landlord or its Agents to the extent any Claim arises out of the negligence or willful misconduct of Landlord or its Agents. In any action or proceeding brought against Landlord or its Agents by reason of any Claim Indemnified by County hereunder, County may, at its sole option, elect to defend such Claim by attorneys in County's Office of County Counsel, by other attorneys selected by County, or both. County shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that Landlord shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. County's obligations under this Section shall survive the termination of the Lease.

16.2. Landlord's Indemnity

Landlord shall Indemnify County and its Agents against any and all Claims incurred as a result of (a) any default by Landlord in the performance of any of its obligations under this Lease or any breach of any representations or warranties made by Landlord under this Lease, or (b) any negligent acts or omissions of Landlord or its Agents in, on or about the Property; provided, however, Landlord shall not be obligated to Indemnify County or its Agents to the extent any Claim arises out of the negligence or willful misconduct of County or its Agents. In any action or proceeding brought against County or its Agents by reason of any Claim Indemnified by Landlord hereunder, Landlord may, at its sole option, elect to defend such Claim by attorneys selected by Landlord. Landlord shall have the right to control the defense and to determine the settlement or compromise of any action or proceeding, provided that County shall have the right, but not the obligation, to participate in the defense of any such Claim at its sole cost. Landlord's obligations under this Section shall survive the termination of the Lease.

16.3. Concurrent Negligence

In the event of concurrent negligence of County, its officers and/or employees, and Landlord, its officers and/or employees, then the liability for any and all claims for injuries or damage to persons and/or property which arise out of terms and conditions of this Agreement shall be apportioned according to the California theory of comparative negligence.

17. INSURANCE

17.1. County's Self-Insurance

Landlord acknowledges that County maintains a program of self-insurance and agrees that County shall not be required to carry any insurance with respect to this Lease. County assumes the risk of damage to any of County's Personal Property, except for damage caused by Landlord or its Agents.

County is presently self-insured in the amount of \$300,000 each occurrence giving rise to personal injury and property damage liabilities for which County could be held responsible. In addition, County presently has in force excess insurance with an annual aggregate of \$19,750,000. Said self-insurance and excess insurance provide coverage for personal injury and property damage liabilities arising out of the acts and/or omissions of County, its officers, agents, contractors and employees, while

on the Property. County upon request of Landlord shall furnish Landlord with a Certificate of Insurance that shall provide that Landlord would receive ten (10) days' prior notice of cancellation, change in scope or modification in coverage of such coverage. Nothing herein shall be interpreted to require County or its insurer to provide a defense for, to provide insurance for, or to indemnify Landlord except as may be otherwise required by law or otherwise specified in this agreement.

17.2. Landlord's Insurance

At all times during the Term, Landlord shall keep the Building (excluding the land upon which it is located) insured against damage and destruction by fire, vandalism, malicious mischief, sprinkler damage and other perils customarily covered under a causes of loss-special form property insurance policy in an amount equal to one hundred percent of the full insurance replacement value (replacement cost new, including, debris removal and demolition) thereof. Landlord shall, upon request by County, provide to County a certificate of insurance issued by the insurance carrier, evidencing the insurance required above. The certificate shall expressly provide that the policy is not cancelable or subject to reduction of coverage or otherwise be subject to modification except after thirty (30) days prior written notice to County. Landlord hereby waives any rights against County for loss or damage to the Building or any other part of the Property, to the extent covered by Landlord's property insurance.

17.3. Waiver of Subrogation

Notwithstanding anything to the contrary contained herein, Landlord hereby waives any right of recovery against County for any loss or damage sustained by Landlord with respect to the Property or the Building or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of County, to the extent (i) such loss or damage is actually recovered from valid and collectible insurance covering the Landlord, and (ii) the Landlord's insurance carrier agrees to its written waiver of right to recover such loss or damage.

18. ACCESS BY LANDLORD

Landlord reserves for itself and any designated Agent the right to enter the Property at all reasonable times and, except in cases of emergency (in which event Landlord shall give any reasonable notice), after giving County at least twenty four (24) hours' advance written or oral notice, for the purpose of (i) inspecting the Property, (ii) supplying any service to be provided by Landlord hereunder, (iii) showing the Property to any prospective purchasers, mortgagees or, during the last six (6) months of the Term of this Lease, tenants, and (iv) posting notices of non-responsibility.

19. ESTOPPEL CERTIFICATES

Either party, from time to time during the Term upon not less than ten (10) days' prior written notice from the other party, shall execute, acknowledge and deliver to the other party, or such persons or entities designated by such other party, a certificate stating: (a) the Commencement Date and Expiration Date of this Lease, (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (c) that there are no defaults under this Lease (or if so, specifying the same), (d) the date to which Rent has been paid, and (e) any other information that may be reasonably required.

20. SURRENDER OF PROPERTY

Upon the expiration or sooner termination of this Lease, County shall surrender the Property to Landlord in good order and condition, reasonable use and wear and damage by fire or other casualty excepted. Prior to the Expiration Date, County shall remove from the Property all of County's Personal Property and any Alterations County desires or is required to remove from the Property pursuant to the provisions of Section 7.1 (Alterations by County), above. County shall repair or pay the cost of repairing any damage to the Property or the Building resulting from such removal. County's obligations under this Section shall survive the expiration or earlier termination of this Lease.

21. HAZARDOUS MATERIALS

21.1. Definitions

As used in this Lease, the following terms shall have the meanings hereinafter set forth:

(a) "Environmental Laws" shall mean any federal, state, local or administrative law, rule, regulation, order or requirement relating to industrial hygiene, environmental conditions or Hazardous Material, whether now in effect or hereafter adopted.

(b) "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. Sections 9601 et seq.), or pursuant to Section 25316 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 Building or are naturally occurring substances on or about the Property; and petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids.

(c) "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 the Building, or in, on, under or about the Property.

21.2. County's Covenants

Neither County nor its Agents shall cause any Hazardous Material to be brought upon, kept, used, stored, generated or disposed of in, on or about the Building or the Property, or transported to or from the Building or the Property, in violation of any Environmental Laws, provided that County may use such substances in such limited amounts as are customarily used in offices so long as such use is in compliance with all applicable Environmental Laws.

21.3. County's Environmental Indemnity

If County breaches its obligations contained in the preceding Section 21.2, or if County or its Agents cause the Release of Hazardous Material from, in, on or about the Building or the Property, then County shall Indemnify Landlord against any and all Claims arising during or after the Term of this Lease as a result of such Release, except to the extent Landlord or its Agents is responsible for the Release.

22. OPTION TO PURCHASE PROPERTY

22.1. Grant of Option to Purchase

In consideration of the promises contained herein and any and all payments made hereunder, Landlord hereby grants to County an exclusive and irrevocable option to purchase the Property for the price and upon the terms and conditions specified herein (the "Purchase Option"). County may exercise the Purchase Option at any time during the initial five months of the Term of the Lease (the "Option Term") by giving Landlord not less than thirty (30) days' notice of its intent to exercise the Purchase Option. County's purchase of the Property pursuant to the Purchase Option shall be subject to (a) County's acceptance of such environmental and other investigations of the Property as County may deem appropriate, (b) County's Board of Supervisors' adoption of a resolution authorizing such purchase, and (c) County's appropriation of all necessary funds in accordance with all applicable laws, all to be completed prior to such exercise. Upon giving notice of the exercise of the Purchase Option as set forth herein, County shall be obligated to purchase from Landlord and Landlord shall be obligated to sell and convey to County the Property for the purchase price and on the terms and conditions set forth herein. This Lease shall terminate by merger upon the Closing as set forth herein.

22.2. Purchase Price

The total purchase price for the Property shall be One Million Dollars (\$1,000,000.00) (the "Purchase Price")

22.3. Purchase "As Is"

County hereby acknowledges the "As Is" nature of this Purchase Option, and agrees that by exercise of the Purchase Option and acceptance of conveyance of the Property, the County releases Landlord from any liability, cost, consequential damages, general damages and specific damages or responsibility for either a breach or violation of environmental laws or the presence of a hazardous material or hazardous condition in and about the Property and/or the Building.

22.4. Closing

The purchase and sale of the Property (the "Closing") shall close on or before the date that is thirty (30) days from the date of County's notice of its intent to exercise the Purchase Option (the "Closing Date") through an escrow opened by County with Old Republic Title Company (the "Title Company") or such other title insurance company qualified to do business in the State of California with an office located in the County as County may select. Prior to the Closing Date, Landlord and County shall each deposit in escrow with the Title Company all documents and funds necessary to close the purchase and sale, together with escrow instructions consistent herewith. Landlord shall convey to County by grant deed fee simple title to the Property, subject only to the following (collectively, the "Purchase Option Permitted Exceptions"): (i) a lien for real property taxes and assessments not yet due and payable for the tax fiscal year in which the Closing Date occurs, (ii) those exceptions listed as items 3, 4 and 5 in the preliminary title report dated January 19, 2006 issued by Old Republic Title Company under Order No. 0360005734-SG, and (iii) any other easements or title exceptions (excluding any Encumbrances) created or suffered by County or consented to in writing by County in its sole discretion or granted by Landlord solely at County's written request. Landlord shall be responsible for removing any unpermitted title exceptions, at Landlord's sole expense, prior to the Closing Date.

Delivery of title in accordance with the foregoing shall be evidenced by the commitment of the Title Company to issue to County, or its nominee, an ALTA Owner's Policy of Title Insurance (the "Title Policy") in the amount of the Purchase Price insuring fee simple title to the Property in County, or its nominee, free of the liens of all Encumbrances, rights of tenants or other occupants and all other exceptions, liens or encumbrances except solely for Purchase Option Permitted Exceptions. The Title Policy shall contain such special endorsements and provisions on co-insurance or re-insurance as County may reasonably require.

22.5. Damage or Destruction; Eminent Domain

If prior to the Closing Date any of the Property is damaged or destroyed or if condemnation proceedings are commenced against any of the Property by any entity other than the County, then the rights and obligations of County and Landlord hereunder shall be as follows:

(a) If such damage or destruction is fully covered by Landlord's insurance, and the insurer agrees to timely pay for the entire cost of such repair, and such damage or destruction would cost less than Fifty Thousand Dollars (\$50,000.00) to repair or restore (the "Threshold Damage Amount"), then County shall proceed with the purchase. In such case Landlord shall assign to County at the Closing all of Landlord'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 County.

(b) If such damage or destruction is not fully covered by Landlord's insurance and would cost less than the Threshold Damage Amount to repair or restore, then County shall proceed with the purchase and shall receive a credit against the Purchase Price at the Closing in an amount reasonably determined by Landlord and County (after consultation with unaffiliated experts) to be the cost of repairing such damage or destruction.

(c) If condemnation proceedings are commenced against any of the Property by any entity other than the County, then County shall have the right, at its election, either to rescind its exercise of the Purchase Option in its entirety, or only as to that portion of the Property subject to condemnation proceedings (in which case there shall be an equitable adjustment to the Purchase Price), or to purchase the Property (or the portion not affected by condemnation, as the case may be). County shall have thirty (30) days after an event described in this subsection has occurred to make such election by delivery to Landlord of an election notice. County's failure to deliver such notice within such thirty (30) day period shall be deemed County's election to rescind its exercise of the Purchase Option in its entirety. If the exercise of the Purchase Option is rescinded in its entirety or in part pursuant to this subsection, then County and Landlord shall each be released from all obligations under this Section pertaining to that portion of the Property affected by such rescission.

22.6. Costs and Expenses

County shall pay for the cost of the premium of the extended coverage title insurance policy to be issued to County on the Closing Date. County and Landlord shall share any escrow or recording fees for the purchase and sale. County shall pay documentary transfer taxes, if any on the recordation of the grant deed. Real Estate Taxes shall be prorated as of the Closing Date. Rent and any and all other charges payable hereunder shall be prorated as of the Closing Date, and all Base Rent paid under the terms of the Lease shall be credited to the Purchase Price.

23. GENERAL PROVISIONS

23.1. Notices

Except as otherwise specifically provided in this Lease, any notice given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or Express Mail, return receipt requested, with postage prepaid, to: (a) County at County's address set forth in the Basic Lease Information; or (b) Landlord at Landlord's address set forth in the Basic Lease Information; or (c) such other address as either Landlord or County may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first-class, certified mail, one day after the date when it is mailed if sent by Express Mail, or upon the date personal delivery is made. For convenience of the parties, copies of notices may also be given by telefacsimile to the telefacsimile number set forth in the Basic Lease Information or such other number as may be provided from time to time; however, neither party may give official or binding notice by telefacsimile.

23.2. No Implied Waiver

No failure by either party to insist upon the strict performance of any obligation of the other party under this Lease or to exercise any right, power or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of such term, covenant or condition. No acceptance of full or partial Rent by Landlord while County is in default hereunder shall constitute a waiver of such default by Landlord. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of Landlord or County given in one instance under the terms of this Lease shall not relieve the other party of any obligation to secure the consent to any other or future instance under the terms of the Lease.

23.3. Amendments

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Whenever this Lease

requires or permits the giving by County of its consent or approval, the County Manager, or his or her designee shall be authorized to provide such approval, except as otherwise provided by applicable law, including the County's Ordinance Code and Charter. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, shall be subject to the mutual written agreement of Landlord and County and may be made upon the sole approval of the County Manager, or his or her designee; provided, however, material amendments or modifications to this Lease (i) changing the legal description of the Property, (ii) increasing the Term, (iii) increasing the Rent, (iv) changing the general use of the Property from the use authorized under Section 5 of this Lease, and (vi) any other amendment or modification which materially increases the County's liabilities or financial obligations under this Lease shall additionally require the approval of the County's Board of Supervisors.

23.4. Authority

Landlord represents and warrants to County that the execution and delivery of this Lease by Landlord has been duly authorized and does not violate any provision of any agreement, law or regulation to which Landlord or the Property is subject.

23.5. Parties and Their Agents; Approvals

If applicable, the word "Landlord" as used in this Lease shall include the plural as well as the singular. As used in this Lease, the term "Agents" when used with respect to either party shall include the agents, employees, officers and contractors of such party, and the term "Invitees" when used with respect to County shall include the clients, customers, invitees, guests, licensees, assignees or subtenants of County. All approvals, consents or other determinations permitted or required by County under this Lease shall be made by or through County's County Manager unless otherwise provided in this Lease, subject to any applicable limitations in the Ordinance Code or the Charter of the County of San Mateo.

23.6. Interpretation of Lease

The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intent and purposes of the parties, without any presumption against the party responsible for drafting any part of this Lease. Except as otherwise specifically provided herein, wherever in this Lease Landlord or County is required or requested to give its consent or approval to any matter or action by the other, such consent or approval shall not be unreasonably withheld or delayed and the reasons for disapproval of consent shall be stated in reasonable detail in writing. Provisions in this Lease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or County holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Lease, whether or not language of non-limitation, such as "without limitation" or similar words, are used.

23.7. Successors and Assigns

Subject to the provisions of Section 14 relating to assignment and subletting, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of Landlord and County and, except as otherwise provided herein, their personal representatives and successors and assigns. There are no third-party beneficiaries to this Lease.

23.8. Brokers

Neither party has had any contact or dealings regarding the leasing of the Property, or any communication in connection therewith, 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 lease contemplated herein, except for the broker, if any, identified in the Basic Lease Information, whose commission, if any is due, shall be the sole responsibility of Landlord pursuant to a separate written agreement between Landlord and such broker, and County shall have no liability 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 claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Claims incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Lease.

23.9. Severability

If any provision of this Lease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the full extent permitted by law.

23.10. Governing Law

This Lease shall be construed and enforced in accordance with the laws of the State of California and the Ordinance Code and Charter of the County of San Mateo.

23.11. Entire Agreement

The parties intend that this Lease (including all of the attached exhibits, which are made a part of this Lease) 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 written or oral agreements or understandings. The parties further intend that this Lease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts hereof and changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Lease.

23.12. Holding Over

Should County hold over in possession of the Property after the expiration of the Term with Landlord's consent, such holding over shall not be deemed to extend the Term or renew this Lease, but such tenancy thereafter shall continue as a month-to-month tenancy. Such tenancy shall be on all the terms and conditions set forth in this Lease and at the monthly Base Rent in effect during the last month of the Term of the Lease or such other rental as Landlord and County may mutually agree in writing as a condition to Landlord's consent to such holding over, and County shall continue as a month-to-month tenant until the tenancy shall be terminated by Landlord giving County or County giving Landlord at least thirty (30) days' prior written notice of termination. Should County hold over without Landlord's consent, the rent payable by County during the period of such holding over shall be one hundred twenty percent (120%) of the monthly Base Rent in effect during the last month of the Term of this Lease, and such tenancy shall otherwise be on the terms and conditions contained herein.

23.13. Cumulative Remedies

All rights and remedies of either party hereto set forth in this Lease shall be cumulative, except as may otherwise be provided herein.

23.14. Time of Essence

Time is of the essence with respect to all provisions of this Lease in which a definite time for performance is specified.

23.15. Survival of Indemnities

Termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, nor shall it effect any provision of this Lease that expressly states it shall survive termination hereof. Each party hereto specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim which actually or potentially falls within the indemnity provision even if such allegation is or

may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the indemnitor by the indemnitee and continues at all times thereafter.

23.16. Signs

County may erect or post signs on or about the Property subject to Landlord's prior approval as provided below. Landlord reserves the right to review the placement, design, and plan for any such sign prior to its erection or posting and agrees that the approval thereof shall not be unreasonably withheld or delayed.

23.17. Quiet Enjoyment and Title

Landlord covenants and represents that it has full right, power and authority to grant the leasehold estate hereunder and the option to purchase the Property contained herein, and covenants that County, upon paying the Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Property and all appurtenances during the full Term of this Lease as against all persons or entities claiming by and through Landlord or on account of any action, inaction or agreement of Landlord or its Agents. Without limiting the provisions of Section 16.2 (Indemnities), Landlord agrees to Indemnify County and its Agents against Claims arising out of any assertion that would interfere with County's right to quiet enjoyment as provided in this Section.

23.18. Transfer of Landlord's Interest

Subject to the County's Option To Purchase the Property as set forth in Section 22, Landlord shall have the right to transfer its interest in the Property, the Building or this Lease to any other financially responsible person or entity. In the event of any such transfer, Landlord shall be relieved, on the condition that Landlord notifies County the name and address of Landlord's successor, and said successor expressly assumes any and all obligations accruing hereunder from and after the date of such transfer and Landlord delivers to County Successor's express assumption of all of Landlord's obligations hereunder.

23.19. Non-Liability of County Officials, Employees and Agents

Notwithstanding anything to the contrary in this Agreement, no elective or appointive board, commission, member, officer, employee or agent of County shall be personally liable to Landlord, its successors and assigns, in the event of any default or breach by County or for any amount which may become due to Landlord, its successors and assigns, or for any obligation of County under this Lease.

23.20. Counterparts

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

23.21. Acceptance of Lease by Landlord

This Lease shall be null and void unless Landlord accepts it and returns to County three (3) fully executed counterparts hereof on or before 5:00 p.m. local time on July 3, 2006.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF COUNTY HAS AUTHORITY TO COMMIT COUNTY HERETO UNLESS AND UNTIL THE COUNTY'S BOARD OF SUPERVISORS HAS ADOPTED A RESOLUTION AUTHORIZING EXECUTION OF THIS LEASE. ANY OBLIGATIONS OR LIABILITIES OF COUNTY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION.

Landlord and County have executed this Lease as of the date first written above.

LANDLORD: IRENE ANN LEBSACK, Trustee under the Lebsack Trust agreement dated June 22, 2002,

BY: _____
Irene Ann Lebsack, Trustee

COUNTY: COUNTY OF SAN MATEO,
a political subdivision of the State of California

BY: _____
Jerry Hill
President, Board of Supervisors

ATTESTED:

Clerk of Said Board

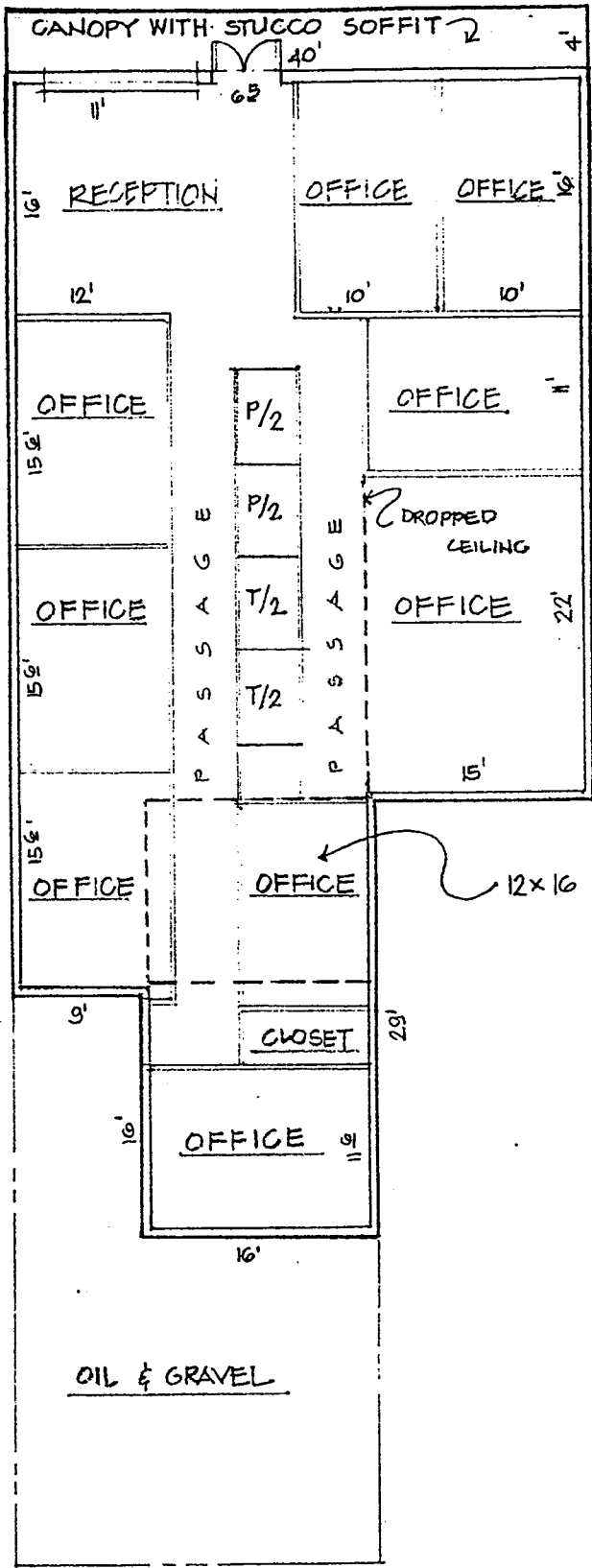
OFFICE LEASE

EXHIBIT A

FLOOR PLANS
CONSISTING OF ONE PAGE

525 MARSHALL STREET

MARSHALL STREET



NOTE: Some improvements not accurately depicted. Measurements are approximate.

Not To Scale

EXHIBIT A



EXHIBIT B

[Date]

Mr. John Maltbie
County Manager
County of San Mateo
400 County Center
Redwood City, CA 94063

RE: Acknowledgement of Commencement Date, Lease Between
(Landlord),
and the COUNTY OF SAN MATEO (Tenant), for premises known as

Dear Mr. Maltbie:

This letter will confirm that for all purposes of the Lease, the Commencement Date (as defined in Section 3.2 of the Lease) is , _____2006.

Please acknowledge your acceptance of this letter by signing and returning a copy of this letter.

Very truly yours,

By _____
Title _____

Accepted and Agreed:

By _____
County Manager